THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Global New Material International Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s), the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED
环球新材国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 06616)

CONNECTED AND MAJOR TRANSACTIONS

ACQUISITION OF JH SALE SHARES

OPTION AGREEMENT

AND

NOTICE OF EGM

Independent Financial Adviser

Innovax Capital

Unless the context requires otherwise, the capitalised terms used in this cover page shall have the same meanings as defined in the section headed "Definitions" in this circular.

A letter from the Board is set forth on pages 8 to 44 of this circular. A letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders is set forth on pages 45 to 46 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set forth on pages 47 to 82 of this circular.

A notice of the EGM to be held at 10:00 a.m. on Wednesday, 2 September 2026 at 6th Floor, Guangxi Chesir Pearl Material Co., Ltd., Pearlescent Industrial Park, No. 380, Feilu Road, Luzhai Town, Luzhai County, Liuzhou City, Guangxi, China, or any adjournment thereof, is set forth on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM, i.e. before 10:00 a.m. on Monday, 31 August 2026, or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

14 August 2026

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Unless the context otherwise requires, the capitalised terms used in the following timetable shall have the same meanings as defined in the circular of Global New Material International Holdings Limited dated 14 August 2026.

Despatch of this circular and the notice of EGM	Friday, 14 August 2026
Latest time for lodging transfer forms of Shares to qualify for entitlements to attend and vote at EGM	4:30 p.m. on Thursday, 27 August 2026
Closure of register of members of the Company for purpose of EGM (both days inclusive)	from Friday, 28 August 2026 to Wednesday, 2 September 2026
Latest time for lodging forms of proxy for EGM (in any event not less than 48 hours before the time appointed for holding EGM or any adjournment thereof)	before 10:00 a.m. on Monday, 31 August 2026
Record date of EGM	Wednesday, 2 September 2026
Date and time of EGM	10:00 a.m. on Wednesday, 2 September 2026

Notes:

(1) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning or "extreme conditions" (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon, the latest time for lodging transfer documents will remain at 4:30 p.m. on the same Business Day or (b) in force in Hong Kong at any local time between 12:00 noon and 4:30 p.m., the latest time for lodging transfer documents will be re-scheduled to 4:30 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:30 p.m.

(2) All dates and time set forth in this circular refer to Hong Kong dates and time.

(3) Dates or time specified in this circular are indicative only and may be changed by the Company. Any subsequent changes to the expected timetable will be published or notified to the Shareholders as and when appropriate and in accordance with the Listing Rules.

Unless the context otherwise requires, the following terms used in this circular shall have the following meanings:

"Acquisition"	means the proposed acquisition of the JH Sale Shares by Junheng LLP from the Vendors pursuant to the terms and conditions of the Share Transfer Agreement, the Supplemental Agreement and the Second Supplemental Agreement;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Board"	means the board of Directors;
"Business Day(s)"	means any calendar day other than Saturdays or Sundays and any other holidays under the laws of the PRC;
"Call Option"	means the call option granted by Hongzun LLP to the Company and exercisable by the Company to require Hongzun LLP to sell 60% interest in Junheng LLP held by Hongzun LLP at the Option Price pursuant to the terms and conditions in the Option Agreement;
"Company"	means Global New Material International Holdings Limited (环球新材国际控股有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (Stock code: 06616);
"Completion"	means completion of the Acquisition;
"Completion Date"	means the date on which Completion takes place;
"Condition"	has the meaning ascribed to it in the paragraphs under "The Option Agreement — Condition Precedent" in the section headed "Letter from the Board" of this circular;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	means the director(s) of the Company;
"Dr Su"	means Dr SU Ertian (苏尔田博士), who is one of the controlling shareholders (as such term is defined under the Listing Rules) of the Company, the Chairman and the Chief Executive Officer of the Company and an executive Director;
"EGM"	means the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Acquisition, the Option Agreement and the transactions contemplated thereunder;

"Enlarged Group"	means the Group as enlarged by the Jihua Group upon Completion;
"Escrow Account"	means the bank account to be jointly open in the name of Hangzhou Jinhui and Junheng LLP for the purpose of depositing and managing the amount of the Purchase Price pursuant to the terms and conditions of the Share Transfer Agreement, the Supplemental Agreement and the Second Supplemental Agreement;
"First Announcement"	refers to the announcement of the Company dated 6 February 2026;
"Fourth Announcement"	refers to the announcement of the Company dated 7 August 2026;
"Further Enlarged Group"	means the Group as enlarged by (i) the Jihua Group upon Completion and (ii) 60% interest in Junheng LLP upon the exercise of the Put Option or the Call Option, as the case may be;
"Grant of Put Option"	refers to the grant of the Put Option pursuant to the Option Agreement;
"Group"	means the Company and its subsidiaries;
"Hangzhou Jinhui"	means 杭州錦輝機電設備有限公司 (Hangzhou Jinhui Electromechanical Equipment Co., Ltd.*), a company established in the PRC with limited liability, which is one of the Vendors and an Independent Third Party;
"HK$"	means Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	means The Hong Kong Special Administrative Region of the People's Republic of China;
"Hongzun International"	means Hongzun Int Investment Group Ltd. (鴻尊國際投資集團有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Hongzun Investment, which is one of the controlling shareholders (as such term is defined under the Listing Rules) of the Company;
"Hongzun Investment"	means Guangxi Hongzun Investment Group Co., Ltd. (廣西鴻尊投資集團有限公司), a company established under the laws of the PRC with limited liability and owned as to 99.0% and 1.0% by Dr Su and his spouse, Ms WANG Huan, respectively, being one of the controlling shareholders (as such term is defined under the Listing Rules) of the Company;

"Hongzun LLP"	means 桐廬鎏安股權投資合夥企業(有限合夥) (Tonglu Liuan Equity Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC pursuant to the Hongzun LLP Agreement;
"Hongzun LLP Agreement"	means the limited partnership agreement dated 2 February 2026 entered into between Dr Su (acting as the general partner) and Hongzun Investment (acting as the limited partner);
"Independent Board Committee"	means the independent board committee of the Board, comprising all the independent non-executive Directors, namely Mr HUI Chi Fung, Professor HAN Gaorong, Mr LEUNG Kwai Wah Alex and Professor CHEN Fadong, which has been established for the purpose of making recommendations to the Independent Shareholders on the Acquisition, the Option Agreement and the transactions contemplated thereunder;
"Independent Financial Adviser"	means Innovax Capital Limited, a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders on the Acquisition, the Option Agreement and the transactions contemplated thereunder;
"Independent Shareholders"	means the Shareholders, other than Dr Su, Hongzun International and their respective associates, who have no material interest in the Acquisition, the Option Agreement and the transactions contemplated thereunder;
"Independent Third Parties"	means third parties independent from and not connected with any member of the Group, its connected persons and their respective associates;
"Initial Percentages"	means the initial percentage of the funding contribution provided by the partners of Junheng LLP, namely Shenzhen Chesir and Hongzun LLP, of 40% and 60%, respectively;
"JH Sale Shares"	means the number of shares in issue of Zhejiang Jihua which may be acquired by Junheng LLP from the Vendors under the Acquisition, being 202,308,716 shares under the Share Transfer Agreement which has been subsequently amended to 202,308,616 shares by the Second Supplemental Agreement, both representing 29.89% of the total number of shares in issue of Zhejiang Jihua;

"Jihua Group"	refers to Zhejiang Jihua and its subsidiaries;
"Junheng LLP"	means 桐廬鈞衡股權投資合夥企業(有限合夥) (Tonglu Junheng Equity Investment Partnership (Limited Partnership)*), a limited partnership established in the PRC pursuant to the Junheng LLP Agreement, in which Shenzhen Chesir acts as the general partner and Hongzun LLP acts as the limited partner;
"Junheng LLP Agreement"	means the limited partnership agreement dated 2 February 2026 entered into between Shenzhen Chesir (acting as the general partner) and Hongzun LLP (acting as the limited partner);
"Junheng LLP Formation"	refers to the establishment of Junheng LLP pursuant to the Junheng LLP Agreement, which constitutes a connected transaction (as such term is defined under the Listing Rules) for the Company, further information of which is set forth in the Second Announcement;
"Latest Practicable Date"	refers to 7 August 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion herein;
"Listing Rules"	means The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Mr Shao"	means Shao Hui (邵輝), an individual shareholder of and the Chairman of the board of directors of the Jihua Group prior to Completion, who is one of the Vendors and an Independent Third Party;
"Option Agreement"	refers to the option agreement dated 7 May 2026 for the grant of the Call Option and the Grant of Put Option entered into between the Company, Hongzun Investment and Hongzun LLP;
"Option Period"	has the meaning ascribed to it in the paragraphs under "The Option Agreement — Option Period" in the section headed "Letter from the Board" of this circular;
"Option Price"	means the exercise price for the Put Option or the Call Option pursuant to the Option Agreement;
"Possible Exercise of Call Option"	refers to the possible exercise of the Call Option pursuant to the Option Agreement;

"PRC"	means The People's Republic of China which, for the purpose of this circular and geographical reference only, does not include, Taiwan, Hong Kong and The Macau Special Administrative Region of the PRC;
"Purchase Price"	means the purchase price for the Acquisition, being RMB1,494.5 million, pursuant to the Share Transfer Agreement which has been subsequently amended by the Second Supplemental Agreement;
"Put Option"	means the put option granted by the Company to Hongzun LLP and exercisable by Hongzun LLP to require the Company (or its nominee) to purchase 60% interest in Junheng LLP held by Hongzun LLP at the Option Price pursuant to the terms and conditions in the Option Agreement;
"Revised Purchase Price"	means the revised purchase price for the Acquisition, being approximately RMB1,494.5 million;
"RMB"	means Renminbi yuan, the lawful currency of the PRC;
"Second Announcement"	refers to the announcement of the Company dated 11 February 2026;
"Second Supplemental Agreement"	means the second supplemental agreement dated 6 August 2026 entered into between the Vendors and Junheng LLP for amendments of certain terms originally stipulated under the Share Transfer Agreement and incorporation of certain new terms;
"Share Transfer Agreement"	refers to the conditional share transfer agreement dated 6 February 2026 entered into between Junheng LLP as the purchaser and the Vendors as the vendor for the sale and purchase of the JH Sale Shares, subject to the terms and conditions therein contained;
"Share(s)"	means ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shanghai Stock Exchange"	refers to Shanghai Stock Exchange (SSE), one of the three recognised stock exchanges in the PRC;
"Shareholder(s)"	means holder(s) of the Share(s);
"Shenzhen Chesir"	refers to Shenzhen Chesir Pearl Technology Co., Ltd.* (深圳市七色珠光科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company;

"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Supplemental Agreement"	means the supplemental agreement dated 16 July 2026 entered into between the Vendors and Junheng LLP pursuant to the Share Transfer Agreement for the purpose of dealing with additional matters in relation to the Acquisition;
"Third Announcement"	refers to the announcement of the Company dated 17 July 2026;
"Vendors"	refers to Hangzhou Jinhui and Mr Shao, being the vendors of the JH Sale Shares;
"Zhejiang Jihua"	means 浙江吉華集團股份有限公司 (Zhejiang Jihua Group Co., Ltd.*), a joint stock limited liability company established in the PRC, with its shares currently listed on the Shanghai Stock Exchange (Stock code: 603980); and
"%"	per cent.



GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED
环球新材国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 06616)

Executive Directors:
Dr SU Ertian *(Chairman and Chief Executive Officer)*
Mr JIN Zengqin
Mr ZHOU Fangchao
Mr BAI Zhihuan
Ms ZENG Zhu
Mr LIM Kwang Su

Non-executive Director:
Mr HU Yongxiang

Independent Non-executive Directors:
Mr HUI Chi Fung
Professor HAN Gaorong
Mr LEUNG Kwai Wah Alex
Professor CHEN Fadong

Registered office:
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Principal place of business in Hong Kong:
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Hong Kong

Principal place of business in the PRC:
Pearlescent Industrial Park
No. 380, Feilu Road
Luzhai Town, Luzhai County
Liuzhou City
Guangxi Zhuang Autonomous Region
PRC

14 August 2026

To the Shareholders

Dear Sir or Madam,

CONNECTED AND MAJOR TRANSACTIONS
ACQUISITION OF JH SALE SHARES
OPTION AGREEMENT
AND
NOTICE OF EGM

INTRODUCTION

The Board refers to the First Announcement, the Second Announcement, the Third Announcement and the Fourth Announcement.

Shenzhen Chesir and Hongzun LLP, a connected person of the Company, have established a special purpose vehicle in the form of limited partnership in the PRC, namely Junheng LLP, on 3 February 2026 pursuant to the Junheng LLP Agreement, for the purpose of the Acquisition. Shenzhen Chesir acts as the general partner and Hongzun LLP acts as the limited partner of Junheng LLP with 40% and 60% interest in it, respectively, and both partners will inject a total capital of RMB700 million into Junheng LLP on a pro rata basis. Junheng LLP Formation constitutes a connected transaction (as such term is defined under the Listing Rules) for the Company and is subject to the announcement and reporting requirements under Chapter 14A of the Listing Rules. Further information is set forth in the Second Announcement. As of the Latest Practicable Date, the partners of Junheng LLP have already injected RMB600 million in proportion to their interest into Junheng LLP. The partners intend to inject the remaining RMB100 million in proportion to their interest into Junheng LLP before Completion.

The Acquisition involves acquiring 29.89% of the number of shares in issue of Zhejiang Jihua, which is a company listed on the Shanghai Stock Exchange, from Independent Third Parties.

The Share Transfer Agreement has been entered into whereby Junheng LLP has conditionally agreed to purchase, subject to the satisfaction of the conditions precedent, and the Vendors have conditionally agreed to sell, the JH Sale Shares. The Supplemental Agreement has also been entered into pursuant to which the parties thereunder have agreed on additional terms and conditions after the Group has completed the due diligence on the Jihua Group. The Second Supplemental Agreement has been entered into for amendments of certain terms under the Share Transfer Agreement and incorporation of certain new terms.

In addition, the Company has entered into the Option Agreement which allows the Group to increase its equity interest in Junheng LLP. Pursuant to (i) the Put Option, Hongzun LLP will be entitled to sell, and the Company will acquire, and (ii) the Call Option, the Company will be entitled to acquire, and Hongzun LLP will sell, 60% interest in Junheng LLP at the Option Price.

The purpose of this circular is to provide you with, among other things, (i) further information on the Acquisition, the Option Agreement and the transactions contemplated thereunder; (ii) financial information on the Jihua Group; (iii) financial information on Junheng LLP; (iv) pro forma financial information of the Enlarged Group and of the Further Enlarged Group; (v) the recommendations of the Independent Board Committee on the Acquisition, the Option Agreement and the transactions contemplated thereunder; (vi) a letter of advice from the Independent Financial Adviser in relation to the Acquisition and the Option Agreement and the transactions contemplated thereunder; (vii) the notice of EGM; and (viii) other information as required under the Listing Rules.

THE ACQUISITION

On 6 February 2026 (after trading hours), the Share Transfer Agreement has been entered into, pursuant to which Junheng LLP has conditionally agreed to purchase, subject to the satisfaction of the conditions precedent, and the Vendors have conditionally agreed to sell, the JH Sale Shares.

The principal terms and conditions of the Acquisition are set forth in the Share Transfer Agreement. The principal terms of the Share Transfer Agreement are as follows:

Date

6 February 2026

Parties

(a) Junheng LLP (as the purchaser);

(b) Hangzhou Jinhui (as one of the Vendors); and

(c) Mr Shao (as one of the Vendors).

Subject matter

Pursuant to the Share Transfer Agreement, the JH Sale Shares, being an aggregate of 202,308,716 shares in issue of Zhejiang Jihua, representing 29.89% of the issued share capital of Zhejiang Jihua, of which Hangzhou Jinhui will conditionally sell 196,000,000 JH Sale Shares and Mr Shao will conditionally sell 6,308,716 JH Sale Shares.

As further set out in this circular below, the Second Supplemental Agreement has been entered into such that the total number of JH Sale Shares to be purchased has been revised and reduced to 202,308,616, of which Hangzhou Jinhui will conditionally sell 196,000,000 JH Sale Shares and Mr Shao will conditionally sell 6,308,616 JH Sale Shares.

Purchase Price

Pursuant to the Share Transfer Agreement, the Purchase Price is RMB1,494.5 million. As further set out in this circular below, the Second Supplemental Agreement has been entered into such that, as a result of the reduction of the total number of JH Sale Shares to be purchased, the Purchase Price will be reduced by RMB739, and the Revised Purchase Price will remain approximately RMB1,494.5 million. The Purchase Price was determined after arm's length negotiations between the Vendors and Junheng LLP taking into consideration (a) the historical financial performance of the Jihua Group; (b) the final dividend declared and proposed by Zhejiang Jihua for the financial year ended 31 December 2025 for the total amount of approximately RMB99.5 million, which was subsequently approved at the annual general meeting of Zhejiang Jihua held in May 2026 and the relevant dividend was paid in June 2026; (c) the market value of the JH Sale Shares based on its closing trading price on the

Shanghai Stock Exchange immediately before the trading suspension of the trading of the shares of Zhejiang Jihua on 31 January 2026 which amounted to RMB4.43 billion; (d) an agreed market capitalisation of Zhejiang Jihua at RMB5.0 billion (which represents a premium of 12.78% over the market capitalisation of Zhejiang Jihua as of 31 January 2026) taking into consideration:

(i) such premium is reasonable and justifiable given that the Jihua Group had RMB3.16 billion of current assets as of 30 September 2025 which represents more than 70% of the market capitalisation of Zhejiang Jihua as of 31 January 2026 and that the price-to-book ratio was 1.14 times as of 31 January 2026 which is relatively low;

(ii) the Jihua Group offers a solid business platform for operation with various competitive advantages (details of which are set forth in the paragraphs headed "Reasons for and benefits of the Acquisition and the entering into of the Option Agreement" below);

(iii) the intrinsic value and benefits of the listing status of Zhejiang Jihua; and

(iv) the likely growth of the business of the Jihua Group and the business synergies that could be created with the Group as both of them are in the same or similar businesses.

The Directors considered that the premium of 12.78% represented by the Purchase Price over the closing price of shares of Zhejiang Jihua on the last trading day was reasonable and acceptable. In assessing such premium, the Company reviewed selected recent transactions involving A-share listed manufacturing companies of comparable market capitalisation.

The selected transactions were identified based on the following criteria: (i) the relevant target companies were listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange; (ii) they were principally engaged in manufacturing businesses and, from the Directors' view, their businesses are similar to that of Jihua Group (i.e. industrial products or pharmaceutical business); (iii) the relevant transactions involved a transfer or change of control and that the transaction nature or structure is similar to the Acquisition; (iv) the transactions were announced or entered into within one year prior to the date of the Share Transfer Agreement (i.e. from 7 February 2025 to 6 February 2026) and the registration of transfer of relevant shares has been completed; and (v) the market capitalisations of the relevant target companies were between RMB3.5 billion and RMB5.0 billion, which were considered comparable to the market capitalisation of Zhejiang Jihua of RMB4.43 billion.

Based on the above selection criteria, the table below sets forth an exhaustive list of transactions in respect of five comparable companies identified by the Company on a best effort basis:

No.	Name	Stock Code	Principal business activities	Date of trading halt	Transaction announcement date	Market capitalisation immediately before trading halt or on transaction date (RMB in billion)	Trading price per share immediately before trading halt or transaction date (RMB per share)	Acquisition price per share (RMB per share)	% of premium or (discount)	Implied transaction price-to-book ratio
1.	Huayou Huibopu Technology Co., Ltd.	002554.SZ	Manufacture and provision of oil-and-gas-field equipment and environmental engineering systems, including water treatment, oilfield automation and oily-sludge treatment equipment.	9 January 2026	15 January 2026	4.73	3.55	3.44	(3.1)%	1.94 times
2.	Zhejiang Yatai Pharmaceutical Co., Ltd.	002370.SZ	Research, manufacture and sale of generic pharmaceutical products.	29 September 2025	14 October 2025	4.23	5.67	8.26	45.7%	5.45 times
3.	Jiangsu Jinzhi Technology Co., Ltd.	002090.SZ	Manufacture and provision of power-automation, smart energy and smart-city systems and related products.	21 July 2025	23 July 2025	4.43	11.07	11.00	(0.6)%	2.90 times
4.	Jiangsu Yangdian Science & Technology Co., Ltd.	301012.SZ	Manufacture of power transmission and distribution equipment, including energy saving transformers.	14 July 2025	15 July 2025	3.80	19.28	22.85	18.5%	3.90 times
5.	Zhen'an Technology Co., Ltd.	300767.SZ	Research, manufacture and sale of building seismic-isolation, vibration-control and energy-dissipation products, together with related technical services.	—	18 June 2025	3.53	10.65	12.30	16.6%	2.08 times
	Average:								**15.2%**	**3.26 times**

Notes:

1. The transaction announcement date refers to the date on which the definitive share transfer transaction resulting, or expected to result, in a change of control was announced by the relevant comparable company.

2. The market capitalisation of the relevant comparable company is computed based on its total number of issued shares and, if trading was halted or suspended before the transaction announcement date, the closing price on the last trading day immediately preceding the halt or suspension or, if there was no trading halt or suspension, the closing price on the transaction announcement date.

3. The implied transaction price-to-book ratio refers to the acquisition price per share divided by the net asset value attributable to owners per share of the relevant comparable company.

The selected comparable transactions recorded (i) a range of premium or (discount) from (3.1)% to 45.7% and (ii) an average premium of 15.2%. The premium of 12.78% represented by the Purchase Price was below the average level of such premium. Further, the selected comparable transactions recorded (i) a range of implied transaction price-to-book ratio from 1.94 times to 5.45 times and (ii) an average implied transaction price-to-book ratio of 3.26 times. The Purchase Price represents an implied transaction price-to-book ratio of 1.27 times, which is below the average implied transaction price-to-book ratio of such comparable transactions. Accordingly, the Directors considered that the premium represented by the Purchase Price was reasonable and not excessive from the Company's perspective.

The Purchase Price of RMB1,494.5 million may be translated into RMB7.3873 for each JH Sale Share, which represents:

(i) a premium of 12.78% over the closing price of RMB6.55 for each share of Zhejiang Jihua in issue as quoted on the Shanghai Stock Exchange on the trading day immediately prior to the date of the Share Transfer Agreement (which for the avoidance of doubt, exclude the trading days on which trading of the shares of Zhejiang Jihua was suspended);

(ii) a premium of 23.29% over the average closing price of RMB5.99 for each share of Zhejiang Jihua in issue as quoted on the Shanghai Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Share Transfer Agreement (which for the avoidance of doubt, exclude the trading days on which trading of the shares of Zhejiang Jihua was suspended); and

(iii) a premium of 26.76% over the average closing price of RMB5.83 for each share of Zhejiang Jihua in issue as quoted on the Shanghai Stock Exchange for the ten (10) consecutive trading days immediately prior to the date of the Share Transfer Agreement (which for the avoidance of doubt, exclude the trading days on which trading of the shares of Zhejiang Jihua was suspended); and

(iv) a premium of 27.4% to the audited consolidated net asset value attributable to owners of Zhejiang Jihua of RMB5.80 per share of Zhejiang Jihua as of 31 December 2025 (the "**NAV per JH Share**") based on the information as set forth in the annual report of Zhejiang Jihua for the year ended 31 December 2025.

The Purchase Price shall be settled as follows:

(a) an initial deposit of RMB100.0 million shall be paid by Junheng LLP into the Escrow Account within five (5) Business Days after signing of the Share Transfer Agreement, which has been paid by Junheng LLP as of the date of the Second Announcement;

(b) a first instalment payment in the sum of RMB497.8 million shall be paid by Junheng LLP into the Escrow Account within five (5) Business Days after Junheng LLP completed its financial, operational, legal, and other due diligence on the Zhejiang Jihua and the signing of the Supplemental Agreement, subject to the parties signing the Supplemental Agreement and the satisfaction of the conditions precedent specified thereunder;

(c) a second instalment payment in the sum of RMB448.3 million shall be paid by Junheng LLP into the Escrow Account within five (5) Business Days upon completion of obtaining all approvals/authorisations, including but without limitation to, obtaining the Shanghai Stock Exchange's compliance confirmation opinion on the Acquisition, the Company obtaining all necessary approvals or authorisations for the Acquisition (including the approval of the Shareholders, if required), and successful completion of the review of the possible business concentration of the Enlarged Group by the Anti-Monopoly Bureau of the State Administration for Market Regulation (if required), subject to the satisfaction of the conditions precedent specified under the Share Transfer Agreement and the Supplemental Agreement;

(d) subject to the satisfaction of the conditions precedent specified under the Share Transfer Agreement and the Supplemental Agreement, completion of obtaining the approvals/authorisations specified in paragraph (c) above, and within five (5) Business Days after the Vendors submits the tax return to the relevant tax authority and provides the relevant supporting materials to Junheng LLP, Junheng LLP shall procure the Vendors to be paid out of the funds in the Escrow Account all taxes and fees related to the Acquisition, i.e. the parties shall procure the transfer of funds from the Escrow Account which is equal to the taxes and fees payable by the Vendors for the Acquisition to the Vendors' account, and the Vendors shall then pay such taxes and fees into the tax authority's designated tax collection account. For the avoidance of doubt, all such paid taxes and fees shall constitute part of the Purchase Price;

(e) subject to the satisfaction of the conditions precedent specified under the Share Transfer Agreement and the Supplemental Agreement, within five (5) Business Days after the completion of the transfer of the JH Sale Shares , i.e. completion of the relevant transfer registration procedures for the JH Sale Shares with China Securities Depository and Clearing Corporation Limited (hereinafter referred to as "**CSDC**")), the transfer of the JH Sale Shares to name of Junheng LLP, and the receipt acknowledged by Junheng LLP of the share transfer confirmation document issued by CSDC), Junheng LLP shall pay RMB298.9 million to the accounts designated by the Vendors and procure the transfer of the remaining balance in the Escrow Account to the accounts designated by the Vendors within five (5) Business Days; and

(f) subject to the satisfaction of the conditions precedent specified under the Share Transfer Agreement and the Supplemental Agreement, within five (5) Business Days from the date of completion of the board restructuring of Zhejiang Jihua, senior management replacement of Zhejiang Jihua and other handover procedures as specified in the Share Transfer Agreement, Junheng LLP shall pay a total of RMB149.5 million to the bank accounts designated by the Vendors, including RMB144.7 million to the bank account designated by Hangzhou Jinhui and RMB4.8 million to the bank account designated by Mr Shao.

If the parties fail to reach agreement on the detailed arrangements of the Acquisition and enter into the Supplemental Agreement due to applicable laws, objections from regulatory authorities, or other objective reasons not attributable to either party; or if the parties mutually agree to terminate the Acquisition; or if the Share Transfer Agreement is terminated, the Vendors shall, within five (5) Business Days after the occurrence of the relevant event, transfer the initial deposit (including accrued interests) from the Escrow Account to an account designated by Junheng LLP.

Unless otherwise agreed by the parties, if the Acquisition is not proceeded with due to the Vendors' decision without any objective and reasonable grounds, the Vendors shall return the initial deposit to Junheng LLP, and pay such additional amount to Junheng LLP as equal to the amount of the initial deposit, and the Acquisition shall be terminated.

If the Acquisition is not proceeded with due to Junheng LLP's decision without any reason, the initial deposit received by the Vendors will not be refunded to Junheng LLP, and the Acquisition shall be terminated.

All due diligence on Jihua Group have been completed to the satisfaction of Junheng LLP and the Supplemental Agreement has been entered into on 16 July 2026, the details of which are set forth in this section below.

As the Purchase Price exceeds the total capital commitment to be contributed by the partner(s) of Junheng LLP and it will be settled wholly in cash, 50% of the Purchase Price (i.e. RMB747.25 million) will be funded by the internal financial resources of Junheng LLP and the remaining 50% of it (i.e. RMB747.25 million) will be funded by bank borrowings arranged by Junheng LLP.

As of the Latest Practicable Date, the partners of Junheng LLP have already injected RMB600 million in proportion to their interest into Junheng LLP. The partners intend to inject the remaining RMB100 million in proportion to their interest into Junheng LLP before Completion. The partners of Junheng LLP will also inject an addition of RMB47.25 million on a pro rata basis before Completion.

Furthermore, on 16 July 2026, Junheng LLP has entered into an acquisition financing facility with a bank in the PRC such that RMB747.25 million is readily available to be withdrawn by Junheng LLP. In securing the repayment of the loan, as Hongzun LLP is the partner having majority interest in Junheng LLP, Hongzun LLP has given a corporate guarantee to the bank. No financial assistance or guarantee has been given by the Group.

The Company will ensure that there will be sufficient capital (considering the capital to be injected by the partners as well as the bank loan) to meet the milestone payments so that the Company will not be in breach of the terms of the Share Transfer Agreement and the Supplemental Agreement.

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) consider that the Purchase Price is fair and reasonable and is in the interest of the Company and its Shareholders as a whole based on the following:

(i) the Purchase Price was determined after arm's length negotiations between Junheng LLP and the Vendors, taking into account, among other things, the historical market prices, net asset value and financial performance of Zhejiang Jihua, the control to be obtained over Zhejiang Jihua upon Completion, and the strategic and operational benefits expected to arise from the Acquisition, as further described in the paragraphs under "Purchase Price" above;

(ii) the Purchase Price represented a premium of 27.4% over the NAV per JH Share and an implied transaction price-to-book ratio of 1.27 times. Such implied transaction price-to-book ratio was below the average implied transaction price-to-book ratios of the comparable transactions reviewed by the Company, which is 3.26 times;

(iii) the Purchase Price will be settled by instalments in accordance with the payment schedule under the Share Transfer Agreement, which will spread the relevant cash outflows over time and mitigate the immediate funding requirement of Junheng LLP; and

(iv) the Purchase Price is expected to be financed by the capital contributions from Shenzhen Chesir and Hongzun LLP and the acquisition financing to be obtained by Junheng LLP. Having considered the amount and timing of the relevant capital contributions, the status and terms of the acquisition financing and the payment schedule under the Share Transfer Agreement, the Directors are satisfied that Junheng LLP is expected to have sufficient financial resources to settle the Purchase Price as and when it falls due.

Conditions precedent

Pursuant to the Share Transfer Agreement, Completion is subject to the satisfaction of the following conditions precedent:

(a) the Share Transfer Agreement has been executed and has become effective;

(b) Junheng LLP has paid the corresponding Purchase Price into the Escrow Account in accordance with the terms of the Share Transfer Agreement and the Supplemental Agreement;

(c) Junheng LLP has completed due diligence on Zhejiang Jihua and has not identified any transaction impediments concerning the JH Sale Shares or Zhejiang Jihua, or all parties have reached agreement on solutions to any transaction impediments and the transaction plan;

(d) all other internal and external approvals/consents related to the Acquisition have been completed or obtained, including but not limited to, the confirmation by the Shanghai Stock Exchange on the transfer of the JH Sale Shares; Zhejiang Jihua's shareholders' meeting approving the commitment to waive its share lock-up/reduction restrictions; the Company obtaining necessary approvals or authorisations for the Acquisition, i.e. the passing of ordinary resolution(s) by the Shareholders at the EGM approving the terms of the Share Transfer Agreement and the transactions contemplated thereunder, and such resolution(s) have not been withdrawn; and passing the business concentration review by the Anti-Monopoly Bureau of the State Administration for Market Regulation (if required);

(e) no material adverse change has occurred in Zhejiang Jihua; and

(f) the representations and warranties made by the Vendors in the Share Transfer Agreement and the Supplemental Agreement are and will remain true, accurate, and complete, and the Vendors have not committed any breach of their respective obligations under the Share Transfer Agreement and the Supplemental Agreement that would affect the transfer of the JH Sale Shares.

As of the Latest Practicable Date, conditions (a), (b) and (c) set forth above have been satisfied.

Completion

Within five (5) Business Days after the fulfilment of the foregoing conditions, all parties shall apply to CSDC for registration of the transfer of the JH Sale Shares. All parties shall provide all documents required by CSDC for the registration of the transfer of the JH Sale Shares. The date of completion of the transfer of the JH Sale Shares shall be the Completion Date.

Upon Completion, the Group will be interested in 29.89% of the issued share capital of Zhejiang Jihua. As confirmed by the auditor of the Company, since the board of directors of Zhejiang Jihua will be controlled by Junheng LLP, Zhejiang Jihua will be treated as a non-wholly owned subsidiary of the Company and that the results of the Jihua Group will be consolidated into the results of the Company.

Management and governance

All parties agree that all directors for the board of Zhejiang Jihua shall be nominated by Junheng LLP. The chairman of the board of Zhejiang Jihua shall be elected by the board of directors from the directors recommended by Junheng LLP. The Vendors shall, within 20 Business Days after the Completion Date, procure Zhejiang Jihua to convene a board meeting/shareholders' meeting to deliberate on the directors reorganisation proposal.

All parties further agree to complete the replacement of Zhejiang Jihua's senior management within five (5) Business Days after the completion of the aforesaid directors' replacement, or within such other period as the parties may mutually agree.

Arrangement for the due diligence on Jihua Group

Upon execution of the Share Transfer Agreement, Junheng LLP shall conduct legal, financial and operational due diligence on the JH Sale Shares and Jihua Group. The Vendors shall permit Junheng LLP and its representatives, employees, and advisors to conduct comprehensive operational, financial, legal, and other due diligence on Jihua Group, and shall procure the necessary cooperation from relevant parties to facilitate such due diligence by Junheng LLP. Upon reasonable notice, the Vendors shall cause Zhejiang Jihua and its senior management, directors, employees, agents, representatives, accountants and legal advisers to (a) permit Junheng LLP's senior management, employees, agents, accountants, legal advisers, and representatives to enter or inspect all offices, properties, shops, other facilities, books, and records of Jihua Group, and (b) provide Junheng LLP's senior management, employees, agents, accountants, legal advisers, and representatives with such additional financial and operational data, and other information concerning Zhejiang Jihua and its business, assets, property, liabilities, and creditworthiness as Junheng LLP may reasonably request from time to time.

The Vendors shall assist Junheng LLP in conducting due diligence to evaluate this transaction upon Junheng LLP's request, actively cooperate and coordinate with Zhejiang Jihua to properly receive Junheng LLP's due diligence, so that the due diligence may be reasonably and appropriately completed. Subject to the Vendors' compliance with the terms thereunder, Junheng LLP shall complete the due diligence within 60 Business Days (excluding time required for the Vendors to prepare and provide materials).

If the results of the due diligence are satisfactory to Junheng LLP to a reasonable extent, the parties shall negotiate and sign the Supplemental Agreement as soon as possible after the completion of the due diligence to expedite the Acquisition. If the due diligence results fail to satisfy Junheng LLP and the parties cannot reach an agreement or any other resolution, Junheng LLP shall have the right to unilaterally terminate the Share Transfer Agreement. Upon receiving Junheng LLP's written termination notice, the Vendors shall transfer all funds (including accrued interests) in the Escrow Account to an account designated by Junheng LLP within five (5) Business Days.

If the parties fail to reach an agreement on the details of the Acquisition and enter into the Supplemental Agreement within 25 Business Days after Junheng LLP completes its due diligence on the Jihua Group, any party shall have the right to terminate or rescind the Share Transfer Agreement.

As of the Latest Practicable Date, all due diligence have been completed to the satisfaction of Junheng LLP and the Supplemental Agreement has been entered into.

Transitional arrangements

During the transition period, i.e. the period from the date of signing the Share Transfer Agreement to the Completion Date, the Vendors shall:

(a) exercise the shareholder rights of Zhejiang Jihua, enjoy relevant interests, perform obligations, and assume responsibilities in accordance with laws, regulations, and the articles of association of Zhejiang Jihua, adhering to the principles of prudence and due diligence;

(b) ensure that the Jihua Group will continue to be operated in such manner in full compliance with the law and in accordance with its established business practices, continuously comply with applicable laws and regulations, and make commercially reasonable efforts to ensure the sound operation of all assets and businesses;

(c) maintain the listed company's favourable industry standing and reputation, sustain relationships with government authorities, management, employees, suppliers, and customers, conduct lawful operations, and refrain from any abnormal acts that cause or may cause impairment to the value of the JH Sale Shares;

(d) maintain the business stability of Zhejiang Jihua's core team members, business operations, assets, and other aspects;

(e) ensure the continuous conduct of Zhejiang Jihua's production and business activities and the normal operation of its production and business facilities;

(f) not engage in any act or conduct that may result in changes to, invalidation, expiration, or revocation of any existing licenses or qualifications necessary for Zhejiang Jihua to carry out its principal business; and

(g) not make any decisions which are inconsistent with its consistent normal operations, nor shall they implement any actions that may result in significant adverse effects on Zhejiang Jihua, such as incurring major debts, liabilities, or impairment of asset value.

Restrictions that apply to the subsequent sale of the JH Sale Shares

Despite that the Share Transfer Agreement and the Supplemental Agreement have not imposed any restrictions on Junheng LLP in respect of any subsequent sale of the JH Sale Shares following Completion, the Shanghai Stock Exchange has requested Junheng LLP, and Junheng LLP has given the following undertaking to the Shanghai Stock Exchange:

(a) within 60 months from Completion, Junheng LLP will not transfer any JH Sale Shares, nor shall it transfer the control of Zhejiang Jihua through any direct or indirect means;

(b) the JH Sale Shares shall not be pledged within 36 months from the date on which the transfer registration of such JH Sale Shares is completed; and

(c) within 36 months after Completion, Junheng LLP and its controlling shareholders, ultimate beneficial owners and related parties shall not inject any assets into Zhejiang Jihua that would constitute material asset reorganisation.

THE SUPPLEMENTAL AGREEMENT

The principal terms of the Supplemental Agreement are as follows:

Date

16 July 2026

Parties

(a) Junheng LLP (as the purchaser);

(b) Hangzhou Jinhui (as one of the Vendors); and

(c) Mr Shao (as one of the Vendors).

Additional conditions precedent

In addition to the existing conditions precedent set forth in the Share Transfer Agreement, the parties agreed to incorporate the following additional conditions precedent to the Completion:

(a) the representations and warranties made by Hangzhou Jinhui and Mr Shao (collectively, the "**Guarantors**") under the Supplemental Agreement are true, accurate and complete, and any undertakings and covenants to be observed or performed by the Guarantors as stipulated in the Supplemental Agreement have been observed or performed in all respects;

(b) the Jihua Group continues to operate as a going concern and maintains its listing status, and no material adverse change has occurred;

(c) there are no laws, regulations, securities regulatory authorities or other governmental bodies, judicial decisions or the like that expressly prohibit this transaction or impose conditions on this transaction that are not customary market conditions and that would impede this transaction and that, following a decision by Junheng LLP, are unacceptable or the acceptance of which would cause Junheng LLP to suffer material losses;

(d) the internal deliberation procedures, all necessary governmental approvals, registrations, filings, consents and other authorisations, as well as any necessary third-party consents (if any), required for the execution, delivery and performance of the Supplemental Agreement and Junheng LLP's acquisition of the JH Sale Shares shall have been obtained;

(e) the Guarantors have provided the unaudited consolidated balance sheet of the Jihua Group as of the last day of the calendar month immediately preceding the Completion Date, together with the related profit and loss statement and cash flow statement, and such financial statements indicate that there has been no material adverse change in the operating condition of the Jihua Group;

(f) the land in respect of which the Jihua Group's land use rights have expired (as specified in the Supplemental Agreement) has been renewed, or confirmation regarding such renewal has been obtained from the competent authorities;

(g) the relevant project approval, environmental impact assessment, energy assessment, safety assessment, fire protection and other procedural documents (as specified in the Supplemental Agreement) in respect of the Jihua Group's fixed asset investment projects have been provided with, obtained, or confirmation has been received from the competent authorities, or a qualified report has been duly issued by a qualified third-party institution and filed with the competent authorities. Where, due to objective obstacles, such matters cannot be completed prior to the Completion and Junheng LLP has agreed to waive such matter as a condition precedent to the Completion, the Guarantors shall use their best efforts to cooperate in completing the rectification after the Completion at Junheng LLP's request; and

(h) with respect to the change of control restriction clauses in the Jihua Group's borrowing/credit facility/guarantee agreements or other contracts (as specified in the Supplemental Agreement), consents from the relevant counterparties have been obtained or the relevant counterparties have been notified in accordance with the terms of the relevant contracts. For this purpose, Junheng LLP shall provide necessary support and assistance.

Indemnification

Without prejudice to any other remedies available to Zhejiang Jihua under the Supplemental Agreement and the PRC law, where any of the specified matters below occurs and results in any costs or losses incurred by the Jihua Group after the Completion Date (the "**Specified Amount**"), the Guarantors shall, on a joint and several basis, fully indemnify Zhejiang Jihua for such Specified Amount within five Business Days after the Specified Amount is incurred:

(a) material litigation involving the Jihua Group arising from matters occurring prior to the Completion where the amount of a single claim exceeds RMB5 million, or the aggregate amount in respect of the same matter exceeds RMB10 million; or

(b) with respect to all trust products, asset management products, wealth management products, equity investments and other financial assets of all types held by the Jihua Group prior to the Completion Date and attributable to the period prior to the Completion Date (excluding the real estate trust investments that had become overdue by the end of 2025 and for which impairment provisions have already been made and which have been disclosed by the Vendors to Junheng LLP, and excluding private equity fund investments, as further detailed in the Supplemental Agreement), in the event that such assets suffer impairment in value after the Completion Date, or the principal and returns thereon cannot be fully recovered upon maturity, all costs and losses arising therefrom.

Specific undertakings and guarantees by the Guarantors

Among other representations, warranties, undertakings and guarantees given by the Guarantors in the Share Transfer Agreement and the Supplemental Agreement, the Guarantors have given the following specific undertakings and guarantees to Junheng LLP:

(1) Guarantee regarding listed status

Should any facts, acts, circumstances or matters occurring or existing prior to the Completion Date of this transaction result in Zhejiang Jihua being subject to other risk warnings, a delisting risk warning or delisting measures, Junheng LLP shall be entitled to demand the termination of the Supplemental Agreement and shall be entitled to require the Guarantors to repurchase, within one month of the occurrence of the aforementioned circumstances, all or part of the JH Sale Shares.

(2) Guarantee regarding adequate funds

The Guarantors undertake that, on the Completion Date, Zhejiang Jihua's freely disposable, unencumbered net cash shall not be less than RMB1.8 billion. To ensure that the aforementioned capital requirements are met on an ongoing basis, the Guarantors shall strictly fulfil the following obligations:

Replenishment of capital shortfalls: If, on the Completion Date, Zhejiang Jihua's net cash falls short of RMB1.8 billion, the Guarantors shall make up the shortfall in full within three Business Days of the date on which the shortfall arises, thereby ensuring that the capital threshold is maintained at all times. If the Guarantors make up the shortfall within three Business Days of Zhejiang Jihua's cash shortfall arising, this shall not be deemed a breach of the capital adequacy undertaking.

Liability restrictions: During the transition period (i.e. prior to the Completion Date), should the Jihua Group incur new financial liabilities in excess of RMB10 million, it must give prior notice to Junheng LLP and reach a mutual agreement with Junheng LLP (excluding bank acceptance bills issued for the normal operations of Zhejiang Jihua). Prior to the Completion, the Jihua Group must not engage in any of the following: abnormal dividend distributions, misappropriation of funds by related parties, non-operational external borrowing, abnormal wealth management activities, abnormal bills of exchange/letters of guarantee/guarantees, arrears to suppliers, or any other conduct that increases the Jihua Group's liabilities, obligations or risks beyond the scope of normal business operations.

(3) Non-competition

For a period of five years following the Completion, the Guarantors and their associated parties shall not, in any part of the territory of the PRC, through any direct or indirect means, including but not limited to, wholly-owned enterprises, equity participation, controlling interests, investments, partnerships, trust management, nominee holding, or holding positions as directors, supervisors or senior management, head of core technology or business, or any other internal or external position; technical capital contribution; project collaboration; brand licensing; or contract manufacturing (whether through equity, contract or any other means, except for the purchase and holding of less than one per cent of the tradable shares or other securities issued by the aforementioned company from a public stock exchange):

(a) establish, invest in or operate any business entity engaged in activities that compete with the Jihua Group's business (hereinafter referred to as a "**Competitor**");

(b) provide any Competitor with support in the form of funds, technology, distribution channels, premises, customer resources or the like;

(c) to utilise the Jihua Group's trade secrets, operational information or project resources of which they were aware prior to this share transfer to assist third parties in carrying out competitive business activities; or to induce, lobby or otherwise solicit the Jihua Group's key personnel, customers or suppliers in any manner to terminate their employment relationship with the Jihua Group, or to terminate, reduce or indirectly discontinue existing business cooperation with the Jihua Group; and

(d) the scope of the Jihua Group's business shall be determined by the Jihua Group's actual business operations as of the Completion Date as the benchmark for identifying competitive businesses.

(4) Obligation to assist with Completion

For the purposes of ensuring the smooth Completion, following payment of the second instalment of the Purchase Price, Junheng LLP shall be entitled to appoint personnel to act as observers to examine, inspect and verify the assets, records and documents of the Jihua Group relating to the Completion, and to familiarise themselves with and gain access to the Jihua Group's business operations for the purposes of Completion; the Guarantors shall provide the necessary assistance in accordance with Junheng LLP's reasonable requests. On the Completion Date and for a period of 12 months thereafter, the Guarantors shall, upon Junheng LLP's request, promptly sign and deliver to Junheng LLP all relevant documents (or cause equivalent documents to be signed and delivered to Junheng LLP), and shall promptly take such other actions as Junheng LLP may reasonably require to complete this transaction, without Junheng LLP or the Jihua Group incurring any additional costs or expenses in this regard. To this end, the Guarantors shall provide the necessary support as requested by Junheng LLP, including but not limited to:

(a) promptly fulfilling all obligations set out in the Share Transfer Agreement, and providing the necessary assistance as requested by Junheng LLP to complete the formalities for the replacement of directors and senior management (including the completion of internal review procedures and relevant registration and filing procedures), including providing relevant documents, signing relevant documents or taking other necessary actions;

(b) to respond promptly to enquiries regarding this transaction or the Jihua Group raised by the Shanghai Stock Exchange, the registration and settlement authority, other competent authorities, lending banks or other third parties;

(c) to provide all necessary assistance to enable Junheng LLP and its representatives, employees and advisers to gain a further understanding of and familiarise themselves with the Jihua Group in all legal, commercial, operational and other respects;

(d) to provide all necessary assistance in relation to the renewal or amendment of any qualifications, licences, permits, approvals, registrations, filings or any other government formalities pertaining to the Jihua Group; and

(e) should the Jihua Group's operations require the Guarantors' assistance in connection with any matters arising prior to Completion, to provide all necessary assistance as requested by Junheng LLP.

Save and except for the aforementioned amendments and/or incorporation of new key terms as disclosed above, all other terms and conditions of the Share Transfer Agreement shall remain unchanged and in full force and effect.

THE SECOND SUPPLEMENTAL AGREEMENT

The principal terms of the Second Supplemental Agreement are as follows:

Date

6 August 2026

Parties

(a) Junheng LLP (as the purchaser);

(b) Hangzhou Jinhui (as one of the Vendors); and

(c) Mr Shao (as one of the Vendors).

Adjustment to the number of JH Sale Shares to be purchased

The parties agreed to amend the Share Transfer Agreement in respect of the total number of JH Sale Shares to be purchased by Junheng LLP as follows:

1. Junheng LLP agreed to purchase, and the Vendors agreed to sell, an aggregate of 202,308,616 JH Sale Shares, representing 29.89% of the issued share capital of Zhejiang Jihua, as opposed to 202,308,716 JH Sale Shares (i.e. the original total number of JH Sale Shares) as set forth in the Share Transfer Agreement; and

2. Mr Shao will conditionally sell 6,308,616 JH Sale Shares, as opposed to conditionally selling 6,308,716 JH Sale Shares as set forth in the Share Transfer Agreement.

Adjustment to the Purchase Price

As a consequence of the adjustment to the total number of JH Sale Shares to be purchased, the Purchase Price to be paid by Junheng LLP will be reduced accordingly. Based on the consideration of RMB7.3873 per JH Sale Share, such reduction amounts to approximately RMB739, and the Revised Purchase Price shall remain approximately RMB1,494.5 million.

Right of First Refusal

Upon Completion, Mr Shao would sell 6,308,616 JH Sale Shares, and would continue to own 18,926,250 shares in issue of Zhejiang Jihua, representing 2.80% of the issued share capital of Zhejiang Jihua.

Mr Shao agreed to grant Junheng LLP the following right of first refusal in respect of his remaining shares in Zhejiang Jihua:

Upon completion of the Acquisition, if Mr Shao intends to transfer shares of Zhejiang Jihua through block trades, centralised auction trading, or other means, Mr Shao shall notify Junheng LLP in advance. Furthermore, if Mr Shao intends to transfer shares of Zhejiang Jihua through block trades or negotiated transfers, Junheng LLP or its designated entity shall have the right of first refusal under equal conditions; provided that if Junheng LLP fails to exercise the right of first refusal within 10 Business Days of receiving notice from Mr Shao, such right shall be deemed waived. In addition, except for transfers to Junheng LLP or its designated entity, when Mr Shao transfers shares of Zhejiang Jihua through block trades or other means, such shares shall not be transferred to any of the top 10 shareholders of Zhejiang Jihua as disclosed in its most recent public disclosure.

Save and except for the aforementioned amendments and/or incorporation of new key terms as disclosed above, all other terms and conditions of the Share Transfer Agreement and the Supplemental Agreement shall remain unchanged and in full force and effect.

THE OPTION AGREEMENT

On 7 May 2026, the Option Agreement has been entered into whereby (a) the Put Option has been granted by the Company to Hongzun LLP, pursuant to which Hongzun LLP will be entitled to sell, and the Company will acquire, 60% interest in Junheng LLP at the Option Price and (b) the Call Option has been granted by Hongzun LLP to the Company, pursuant to which the Company will be entitled to acquire, and Hongzun LLP will sell, 60% interest in Junheng LLP at the Option Price.

The principal terms of the Option Agreement are as follows:

Date: 7 May 2026

Parties:

(a) the Company, being the grantor of the Put Option and the grantee of the Call Option;

(b) Hongzun LLP, being the grantee of the Put Option and the grantor of the Call Option; and

(c) Hongzun Investment, being the limited partner of Hongzun LLP that owns 99% of its interest.

Put Option

Subject to the fulfilment of the Condition, the Company irrevocably granted to Hongzun LLP an option, but not the obligation, to require the Company (or its nominee) to acquire 60% interest in Junheng LLP at the Option Price. The Put Option is exercisable within the Option Period in accordance with the terms set forth in the Option Agreement.

Call Option

Subject to the fulfilment of the Condition, Hongzun LLP irrevocably granted to the Company an option, but not the obligation, to require Hongzun LLP to sell 60% interest in Junheng LLP at the Option Price. The Call Option is exercisable within the Option Period in accordance with the terms set forth in the Option Agreement.

Option Period

The option period (the "**Option Period**") means a period of ten (10) years commencing from the date of the satisfaction of the Condition (both days inclusive).

The Directors considered that having a 10-year Option Period is favourable to the Company based on the following reasons:

(i) it allows the Company to have a longer period of time to observe the business performance and operation of Jihua Group, before deciding whether or not to exercise the Call Option;

(ii) the Acquisition is treated as a long-term strategic investment in a listed chemical manufacturing platform that potentially could create business synergies with the Group. Accordingly, a longer Option Period aligns with the timeframe of such long-term strategic investment; and

(iii) Hongzun LLP and Dr Su have confirmed that they have no present intention or concrete timetable to exercise the Put Option in the near term, nor the Company has any present intention to exercise the Call Option in the near term. As such, the Group could preserve more working capital in the short run to avoid excessive use of it in this transaction which might lead to insufficiency in other businesses of the Group, while at the same time the Group could reserve

the rights to increase its stake in Jihua Group in the future taking into account the then business performance and valuation of Jihua Group, the Group's financial position, funding availability, gearing level, market conditions and the applicable regulatory requirements at the relevant time.

Consideration of the Grant of Put Option and the grant of the Call Option

The Put Option has been granted by the Company to Hongzun LLP at nil consideration.

The Call Option has been granted by Hongzun LLP to the Company at nil consideration.

On the basis that the Company has granted the Put Option in favour of Hongzun LLP, and in turn, Hongzun LLP has granted the Call Option in favour of the Company, both parties agreed that it is commercially fair and reasonable not to charge each other any option premium, and hence both the Put Option and the Call Option were granted at nil consideration.

Exercise of the Put Option and the Call Option

Subject to the satisfaction of the Condition:

(a) Hongzun LLP shall be entitled to exercise the Put Option; or

(b) the Company shall be entitled to exercise the Call Option,

in each case, on any business day in Hong Kong during the Option Period.

In respect of the exercise of the Put Option, the Put Option shall be exercised by the delivery of an exercise notice from Hongzun LLP (or by its agent) to the Company, or in respect of the exercise of the Call Option, the Call Option shall be exercised by the delivery of an exercise notice from the Company (or by its agent) to Hongzun LLP, specifying the Option Price.

Each of the Put Option and the Call Option shall be exercisable in full only and not in part.

Option Price

The Option Price shall be determined with reference to the higher of (a) the underlying asset value of 60% interest in Junheng LLP as of the date of exercise notice, which will be determined based on the net asset value of Junheng LLP according to the then latest financial statements of Junheng LLP and (b) the fair value of 60% interest in Junheng LLP as of the date of the exercise notice confirmed by the independent valuer jointly appointed by the Company and Hongzun LLP using such valuation methodology as agreed upon by the Company and Hongzun LLP.

Upon the delivery of the exercise notice, the Company and Hongzun LLP shall jointly appoint an independent valuer for the above purpose. The valuation date is expected to be identical to the date of the exercise notice.

Payment of the Option Price

The Company shall pay the Option Price to Hongzun LLP within three (3) business days of receipt (or delivery) of the exercise notice in accordance with the provisions below:

(a) made direct payment to Hongzun LLP's account (as so notified in the exercise notice) in Hong Kong; or

(b) made direct payment to other designated receiver's account in Hong Kong as notified by Hongzun LLP to the Company in the exercise notice; or

in each case, on mutually acceptable arrangements to be agreed between the parties.

Non-legally binding nature until fulfilment of Condition

It has been expressly agreed between the parties under the Option Agreement that none of the Put Option or the Call Option shall be legally binding on the parties under the Option Agreement until the date of fulfilment of the Condition.

Condition Precedent

The Put Option and the Call Option will only become effective and exercisable upon the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at the EGM of the necessary resolutions to approve (i) the grant and the exercise of the Put Option or the exercise of the Call Option (as the case may be); (ii) the Option Price; and (iii) all other transactions contemplated under the Option Agreement (the "**Condition**").

As of the Latest Practicable Date, such Condition has not been satisfied.

As further set forth below in this circular, an EGM will be convened for the Independent Shareholders to consider whether or not to approve the grant/exercise of the Put Option and the Call Option. As the Option Price cannot be ascertained at this stage, the EGM will be convened for the Independent Shareholders to consider approving (i) the Grant of Put Option subject to and on the condition that the total consideration to be paid under this transaction (i.e. the Option Price) would be and remain RMB420 million, which is determined with reference to the total capital commitment contributed or to be contributed by Hongzun LLP, as the limited partner, to the Junheng LLP pursuant to the Junheng LLP Agreement and (ii) the Possible Exercise of Call Option as the Call Option is part and parcel to the Put Option and are stipulated in the same Option Agreement, subject to and on the condition that the Company will re-comply with the relevant requirements under the Listing Rules upon the exercise of the Call Option by the Company. If the final Option Price to be paid by the Company (which is ultimately determined with reference to the then fair market value of 60% interest in Junheng LLP) is different from RMB420 million, the Company will convene another general meeting to approve the payment of the final Option Price pursuant to the requirements under the Listing Rules before the Put Option can be exercised. For the avoidance of doubt, (i) no matter whether the final Option Price to be paid is higher or lower than RMB420 million, so long as it varies from RMB420 million, the Company would convene another general meeting to seek further approval from the Independent Shareholders before the Put Option could be exercised and (ii) despite having obtained approval from the Independent Shareholders on the Possible Exercise of Call Option in the EGM, the Company would have to convene another general meeting to seek further approval from the Independent Shareholders before the Call Option could be exercised; so as to ensure that the relevant requirements under the Listing Rules are being complied with and the Independent Shareholders are well informed of the amount of the final Option Price and are given the opportunity to vote again in ascertaining the fairness and reasonableness of this transaction.

Lapse of the Put Option and the Call Option

The Put Option and the Call Option will lapse in the event that:

(a) the Condition has not been fulfilled or

(b) the Put Option or the Call Option has not been exercised within the Option Period.

The Directors are of the view that the terms of the Option Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole due to the following reasons:

(i) no option premium has to be paid by the Company for the Call Option granted in favour of the Company, despite that the Company has to equally grant the Put Option in Hongzun LLP;

(ii) a longer option period (i.e. 10-year Option Period) enables the Company to have sufficient time to make further assessment on the business performance of Jihua Group;

(iii) the Option Price would fairly reflect the market value of Junheng LLP (and its underlying interest in Zhejiang Jihua) at the relevant time as it will be determined by its net asset value or its fair value appraised by an independent valuer; and

(iv) the Option Price to be considered being approved in the EGM is RMB420 million, which fairly reflects the total capital commitment contributed or to be contributed by Hongzun LLP as above stated. Furthermore, in case the final Option Price to be paid by the Company in the future is different from RMB420 million, another general meeting will be convened to seek further approval from the Independent Shareholders before the Put Option can be exercised. Furthermore, in any event, before the Call Option can be exercised in the future, another general meeting will be convened to seek approval from the Independent Shareholders in order for the Company to re-comply with the Listing Rules requirements.

INFORMATION ON THE PARTIES INVOLVED

Junheng LLP is a limited partnership established in the PRC with the Shenzhen Chesir acting as the general partner and Hongzun LLP acting as the limited partner.

Shenzhen Chesir is a company incorporated in the PRC with limited liability. It is principally engaged in investment holding. It is indirectly wholly-owned by the Company.

The Company is an investment holding company. The Group is a global new materials technology platform enterprise focusing on the research and development, manufacturing and commercial application of surface performance materials.

Hongzun LLP is a limited partnership established in the PRC with Dr Su acting as the general partner and Hongzun Investment acting as the limited partner.

Hongzun Investment is a company established under the laws of the PRC with limited liability and owned as to 99.0% and 1.0% by Dr Su and Ms WANG Huan, the spouse of Dr Su, respectively, being one of the controlling shareholders of the Company.

Hangzhou Jinhui is a company incorporated in the PRC with limited liability. Hangzhou Jinhui is principally engaged in investment holding. The ultimate beneficial owner of Hangzhou Jinhui is Mr SHAO Bojin (邵伯金) who owns all of the equity interest of Hangzhou Jinhui. Mr SHAO Bojin (邵伯金) was a director of Zhejiang Jihua till 13 February 2026, and is the father of Mr Shao.

Mr Shao is an individual, son of Mr SHAO Bojin (邵伯金) and is currently the chairman of the board of Zhejiang Jihua. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of Hangzhou Jinhui and Mr Shao and their respective ultimate beneficial owner(s) (where applicable) are Independent Third Parties.

INFORMATION ON THE JIHUA GROUP

Zhejiang Jihua is a joint stock company established in the PRC with limited liability, all the shares of Zhejiang Jihua in issue are currently listed on the Shanghai Stock Exchange.

The Jihua Group operates within the chemical raw materials and chemical products manufacturing sector, primarily engaged in the research, development, production, and sales of dyes, dye intermediates, and other chemical products. Its principal products, include but not limited to, dyes, polymer coating, polyurethane products and medical health products.

The table below sets forth a summary of the audited financial information of the Jihua Group for the three years ended 31 December 2025 (prepared in accordance with the PRC generally accepted accounting principles) and the unaudited financial information of the Jihua Group for the three months ended 31 March 2026:

	Year ended 31 December			Three months ended
	2023	**2024**	**2025**	**31 March 2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Revenue	1,691,279.1	1,638,374.0	1,523,875.0	411,430.5
Net profit/(loss) before taxation	(240,293.9)	229,309.0	65,334.5	21,563.8
Net profit/(loss) after taxation	(245,099.5)	169,668.8	51,410.4	16,538.9

As of 31 March 2026, the unaudited consolidated net assets of the Jihua Group was RMB3,951.8 million.

Further information on the financial information of the Jihua Group is set forth in Appendix II to this circular.

FINANCIAL EFFECT OF THE ACQUISITION AND THE OPTIONS ARRANGEMENT

Upon Completion, as stated above, Zhejiang Jihua will be treated as a non-wholly owned subsidiary of the Company. Accordingly, their financial results, assets and liabilities will be consolidated into the consolidated financial statements of the Enlarged Group. The unaudited pro forma financial information of the Enlarged Group is set forth in Appendix V to this circular.

Effect of the Acquisition on the net asset value of the Group

For the preparation of the unaudited pro forma consolidated financial information of the Enlarged Group as set out in Appendix V to this circular, it was assumed that the Completion of the Acquisition took place on 31 December 2025. On that basis, as of 31 December 2025, the unaudited pro forma total assets of the Enlarged Group would be RMB19,636.2 million (representing an increase of RMB4,835.1 million when compared with the audited consolidated total assets of the Group of RMB14,801.1 million), and the unaudited pro forma total liabilities of the Enlarged Group would be RMB11,849.6 million (representing an increase of RMB1,522.0 million when compared with the audited consolidated total liabilities of the Group of RMB10,327.6 million). Accordingly, as of 31 December 2025, the unaudited pro forma net assets of the Enlarged Group would be RMB7,786.5 million (representing an increase of RMB3,313.0 million when compared with the audited consolidated net assets of the Group of RMB4,473.5 million).

Effect of the Acquisition on the earnings of the Group

Upon the Completion of the Acquisition, the financial results of Zhejiang Jihua will be consolidated into the consolidated financial statements of the Company. It is expected that the Company will be able to record additional revenue stream from Zhejiang Jihua upon Completion of the Acquisition.

Effect of the options arrangement on the net asset value of the Group

As set forth in Appendix VI to this circular, based on the unaudited pro forma consolidated financial information of the Further Enlarged Group, upon the grant of the Put Option, there will be a written put option liability in the amount of RMB163.4 million which is computed based on 60% of the underlying asset value of Junheng LLP as of 31 December 2025 of RMB272,363,000, being the value of the JH Sale Shares of RMB1,019,620,000 (based on the closing share price of Zhejiang Jihua of RMB5.04 per share as of 31 December 2025 and 29.89% of its total issued shares) less the acquisition loan of RMB747,257,000. As the exercise of the Call Option is at the discretion of the Group and no option premium has to be paid for the grant of the Call Option, there is no specific financial impact on the net asset value of the Group.

Effect of the options arrangement on the earnings of the Group

There will be no specific financial impact on the earnings of the Group by granting (or being granted with) the Put Option and/or the Call Option.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE ENTERING INTO OF THE OPTION AGREEMENT

Acquisition

The Acquisition stems from Junheng LLP's recognition of the Jihua Group's intrinsic value and the confidence in its future prospects, with the intention to gain control of Zhejiang Jihua through the Acquisition. Upon Completion, the Acquisition will expand the Company's market share in the coatings and chemicals sector, positively impacting its market capitalisation management in both the A-share market and global markets, thereby benefiting the Company's long-term development.

In particular, the Jihua Group has the following competitive strengths or advantages which could strategically expand or complement the Group's existing businesses:

1. *"Integrated Industrial Chain" advantage*: As a major producer of dyes and dye intermediates, the Jihua Group possesses a comprehensive industrial chain system encompassing raw materials, energy supply, supporting intermediates, and waste treatment. By synthesising intermediates from raw materials for self-use, the Jihua Group meets the production needs of its primary products. This approach provides distinct advantages in production continuity, cost control, and quality stability.

2. *"Integrated Chemicals" strength*: The Jihua Group equally prioritises research and development (R&D), production, and market expansion for chemical products such as non-stick coatings and polyurethane foam. Through years of cultivation, it has established solid market influence and brand recognition in non-stick coatings and polyurethane foam. This not only fully demonstrates and expands the Jihua Group's existing influence in the fine chemicals sector but also significantly enhances product diversification and profitability. In June 2025, the Jihua Group obtained the "Drug Registration Certificate" for Rivastigmine Transdermal Patch issued by the National Medical Products Administration. This represents a substantial breakthrough since the Jihua Group's entry into the pharmaceutical sector, enriching its product portfolio while accumulating valuable experience for future R&D projects.

3. *Technological R&D advantage*: The Jihua Group operates a provincial-level high-tech enterprise R&D centre, a provincial engineering technology research centre, and a provincial postgraduate workstation, supporting a robust R&D team. It has established stable collaborations with multiple renowned domestic universities, research institutions, and industry experts. The Jihua Group regularly invites internationally recognised experts for technical and engineering guidance, fully leveraging the latest global R&D achievements to ensure sustained innovation and technological advancement capabilities. A few subsidiaries under the Jihua Group are certified high-tech enterprises. Currently, the Jihua Group holds 119 patents and has led or participated in formulating 41 national and industry standards. It also possesses 249 provincial-level high-tech products with independent intellectual property rights and 94 provincial-level industrial new products.

4. *Brand advantage*: The Jihua Group's products have established significant market influence within the industry through long-term, stable quality assurance. In recent years, its dyes and dye intermediates have earned multiple awards, including "Zhejiang Famous Brand Product", "Jiangsu Famous Brand Product," "Zhejiang Export Famous Brand", and "Yancheng Famous Brand Product". With products sold both domestically and internationally, the Jihua Group has laid a solid foundation for expanding its market reach.

5. *Geographical advantage*: The Jihua Group is located in Zhejiang and Jiangsu provinces, situated within the Yangtze River Delta region. This economically developed area boasts convenient transportation and serves as China's primary textile production zone and dyeing and printing fabric manufacturing base. Among eastern coastal provinces, Zhejiang and Jiangsu in particular host a large number of dyeing enterprises, with their fabric output consistently accounting for a significant share of the national total. Simultaneously, as China's most critical dye production bases, Zhejiang and Jiangsu have developed substantial economies of scale in dye and dye

intermediate manufacturing. Enterprises within the region engage in both competition and mutual promotion, driving the development of supporting industries such as raw materials, auxiliary supplies, and logistics. This comprehensive industrial chain has fostered a regional industrial clustering effect.

6. *Ample resources*: Based on the latest financial information of the Jihua Group as of 31 March 2026, the Jihua Group had current assets (mainly comprising cash, financial assets and trade and bills receivables) in the total amount of RMB3.18 billion. In addition, the Jihua Group owns certain land and properties in the PRC, including industrial land and factories in Hongshan Industrial Park with a total area of 51,266.93 square meters, and production bases in Lingjiang, Yancheng and Nanjing with a total area of 314,208.24 square meters, 320,848.27 square meters and 26,000.13 square meters, respectively.

7. *Product mix offered by Jihua Group*: According to Jihua Group's 2025 Annual Report, for the year ended 31 December 2025, Jihua Group generated operating revenue of RMB1.524 billion, of which revenue from the dyes and dye intermediates business amounted to RMB1.312 billion, accounting for 86.11% of operating revenue; revenue from coatings products amounted to RMB99 million, accounting for 6.53%; revenue from polyurethane products amounted to RMB79 million, accounting for 5.22%; other revenue, comprising revenue from other products within the core business and revenue from other operations, totalled RMB33 million, accounting for 2.15%. Among Jihua Group's dye products, the production output and sales volume of disperse dyes rank among the highest in the industry. In addition to its core dye business, its coatings, polyurethane and pharmaceutical and healthcare products complement the existing product portfolio.

Specifically, taking into account the competitive strengths of Jihua Group as set forth above, the Directors are of the view that the Acquisition will complement and expand the Group's existing business as follows:

1. **Broadening the product portfolio**. The Group's existing products primarily provide its customers with pearlescent, metallic and other functional visual effects through the design of particle size, crystal form, surface treatment and optical effects. Jihua Group's core products, meanwhile, include dyes, dye intermediates, industrial coatings and polyurethane products. The Acquisition will enable the Group to expand its product portfolio from effect pigments and surface materials to dyes and other fine chemical products, thereby forming a broader product system covering "colour, visual effects and functional surface materials".

2. **Expanding downstream applications and the customer base**. Jihua Group's main customers are concentrated in the textile printing and dyeing industry, whilst the Group's existing customers are primarily distributed across the coatings, plastics, cosmetics, printing and related industrial sectors. As the customer bases of the two groups of companies do not fully overlap, the Acquisition will enable the Group to enter the textile printing and dyeing sector — a new major application market — thereby broadening the Group's coverage of downstream industries and reducing reliance on any single product category or application area.

3. **Creating synergies in the coatings business**. Jihua Group has already established a presence in industrial coatings, such as non-stick coatings, whilst effect pigments are key materials for achieving colour, gloss and functional effects in certain coating products. The Group can leverage its accumulated technical expertise in effect pigments, surface treatment and product applications to engage in joint product development with Jihua Group's capabilities in coatings formulation, production and customer service. The relevant new products will still need to undergo technical testing, customer certification and commercial validation, and the associated synergies will be realised gradually.

4. **Enhancing industrial coverage in the PRC market**. Jihua Group's production sites, sales outlets and key customers are concentrated in the Yangtze River Delta region, including Zhejiang and Jiangsu, which is a major hub for China's textile printing and dyeing, coatings and fine chemicals industries. The Acquisition will complement the Group's existing production and sales footprint, strengthening its ability to capture customer needs, provide local technical services and carry out product promotion in the Yangtze River Delta region.

5. **Promoting complementary R&D and manufacturing capabilities**. The Group possesses experience in inorganic effect materials, synthetic mica, flake substrates, surface coating and application development. Jihua Group has long-standing accumulated expertise in organic chemical synthesis, dye formulation, large-scale production of fine chemicals and environmental protection treatment. Subject to strict compliance with safety, environmental and quality requirements, both parties may share R&D resources and application testing capabilities to explore new colour materials and functional coating products.

6. **Expanding the business scale and diversifying revenue streams**. Upon Completion, Jihua Group will become a non-wholly-owned subsidiary of the Company, and its financial results will be consolidated into the Group's consolidated financial statements. The Acquisition is expected to significantly expand the Group's scale of operations and increase revenue streams generated from dyes, dye intermediates, coatings and polyurethane products.

The Company's business plan for Jihua Group following the Completion:

Upon Completion, Jihua Group will become a non-wholly-owned subsidiary of the Company. Guided by the principles of "stabilising operations, improving efficiency and enhancing synergies", the Group will maintain the stability of Jihua Group's core business, customer relationships, supply chain and professional team, whilst progressively refining its corporate governance, financial management, internal controls, and environmental, health, and safety systems.

In terms of business operations, the Group plans to:

(i) continue to focus on dyes and dye intermediates as Jihua Group's core business, optimising product portfolio, production efficiency, procurement costs, inventory and accounts receivable management to enhance profitability and operating cash flow;

(ii) stabilise its existing customers and sales network, and, subject to compliance with product certification and regulatory requirements, to explore overseas sales opportunities through the Group's global channels;

(iii) promote product R&D and market synergies between Jihua Group's coatings business and the Group's pearlescent pigments, effect pigments and functional materials businesses; and

(iv) exercise prudent management of businesses such as polyurethanes and pharmaceuticals and healthcare, and determine future development arrangements based on market prospects, profitability and return on investment.

The Directors are confident that, following the Completion, the management of the Group has the relevant experiences and expertise in and are capable of managing the business of Jihua Group.

The Group's management has long been engaged in the research and development, production, procurement, sales and corporate management of pearlescent pigments, synthetic mica and related fine chemical materials, and the majority of senior management possess over ten years' relevant industry experience. The Group has also successfully completed the acquisitions of South Korea's CQV and the former Merck (Germany) Global Surface Solutions business (SUSONITY), thereby accumulating experience in cross-border mergers and acquisitions, business integration, subsidiary governance and the retention of core management teams. Following the Completion, the Group will nominate directors with experience in business integration and management to sit on the board of Zhejiang Jihua, and, in accordance with business development requirements, will appoint additional personnel with a background in the dye industry to serve in management or advisory roles. Key personnel are as follows:

Personnel/Team	**Current position**	**Relevant experience**	**Key responsibilities after Completion**
Dr Su	Chairman of the Board and Chief Executive Officer of the Company and SUSONITY	15 years' experience in the operations of fine chemical materials, and in the acquisition and integration of CQV and SUSONITY	Strategic planning and governance oversight at board level
HAN Jixiu	Chief Financial Officer of the Group	Extensive experience in auditing, mergers and acquisitions, and finance and internal controls within multinational manufacturing companies	Integration of financial reporting, budgeting, funding and internal control systems

Personnel/Team	Current position	Relevant experience	Key responsibilities after Completion
Dr Carsten Plüg	Co-Chief Technology Officer (Co-CTO) of the Group	Extensive experience in the research, development and application of organic pigments and colours	Synergy between technological R&D and product applications
ZHU Chunlin	Chief Integration Officer of the Group	Extensive experience in auditing, mergers and acquisitions, and the integration of multinational manufacturing companies	Synergy between strategy, organization, business, processes and culture
Jihua Group's existing operation team		Experience in process operations, plant operations and quality control in sectors such as dyes; experience in hazardous chemicals, safe production, and environmental compliance, etc.	Day-to-day production and process management, health and safety, environmental protection and licence management, etc.

Upon the Completion, the necessary procedures regarding adjustments to the board and senior management of Jihua Group will be carried out in accordance with the Share Transfer Agreement, the articles of association of Zhejiang Jihua and applicable laws and regulations. On this basis, the Group intends to retain key personnel in the areas of technology, production, sales, safety, environmental protection and management who play a vital role in Jihua Group's business continuity and possess relevant industry experience, with the management team following the adjustments being responsible for Jihua Group's day-to-day operations. In particular, the Company intends to retain the senior management of Jihua Group in the business sectors in pharmaceuticals and healthcare as the Group does not currently operate or is most familiar with such businesses, despite having the capability to exercise prudent management over such businesses.

The Group will primarily exercise oversight over Jihua Group's strategy, governance, finance, internal controls and safety and environmental protection matters through the board of directors, budget management, financial reporting, internal audit and integration supervision mechanisms. The Board believes that, by combining the management and professional capabilities of both parties, the Group has the capacity to maintain the stable operations of Jihua Group and drive sustainable development following the Completion.

The entering into of the Supplemental Agreement

Pursuant to the Share Transfer Agreement, if the results of the due diligence are satisfactory to Junheng LLP to a reasonable extent, the parties shall negotiate and sign the Supplemental Agreement as soon as possible after the completion of the due diligence to expedite the Acquisition.

Accordingly, on the basis that the due diligence performed on the Jihua Group is satisfactory to Junheng LLP, it is a contractual requirement to enter into the Supplemental Agreement for the purpose of proceeding with the Acquisition.

Furthermore, the Supplemental Agreement provides additional benefits for and protection to Junheng LLP (for instance, the additional conditions precedent, the indemnification provided by the Guarantors, and the specific undertakings and guarantees given by the Guarantors) as illustrated above.

The entering into of the Second Supplemental Agreement

The Second Supplemental Agreement is entered into as a result of commercial and arm's length negotiations between the relevant parties.

Furthermore, the Second Supplemental Agreement provides additional benefits to Junheng LLP (i.e. the right of first refusal) as illustrated above.

The entering into of the Option Agreement

The Grant of Put Option and the Call Option form part of the negotiations for Junheng LLP Formation, which allows the Group to increase its participation in the Acquisition by acquiring 60% interest in Junheng LLP, thereby Junheng LLP will become a wholly-owned subsidiary of the Company. Such arrangement allows the Group to acquire additional interest in Junheng LLP, given that Jihua Group will become a member of the Group, as well as the potential business synergies that could be created between the Group and Jihua Group.

From a macro-perspective, the entire commercial arrangements (including the Junheng LLP Formation, the Acquisition, the Put Option and the Call Option) are designed to confer the following benefits to the Group: (i) in forming Junheng LLP, which is established for the purpose of the Acquisition and to fund part of the Purchase Price, the Group does not need to fund the Purchase Price alone, and the Group could also rely on the capital to be provided by Hongzun LLP (being an associate of Dr Su), so that the Group could preserve some of its working capital for its other business purposes; (ii) the Acquisition of Jihua Group, particularly in mid-to-long run, could expectedly create synergies with the Group in terms of their respective businesses (details of which are set out above) and could broaden the Group's business presence and exposure; and (iii) the Put Option and Call Option arrangement, having a 10-year Option Period, enables the Group to have sufficient time to observe and assess the business and financial performance of Jihua Group, and to consider by then, if it is commercially desirable to purchase the remaining 60% interest in Junheng LLP. In particular,

Hongzun LLP and Dr Su have confirmed that they have no present intention or concrete timetable to exercise the Put Option in the near term, nor does the Company have any present intention to exercise the Call Option in the near term. Based on the foregoing, the Directors are satisfied that these entire commercial arrangements are commercially beneficial to the Group.

Having considered the above, all the Directors (excluding Dr Su who has material interest in the Acquisition and the Option Agreement and the independent non-executive Directors whose views will be given after considering the advice from the Independent Financial Adviser) are of the view that the terms and conditions of the Share Transfer Agreement, the Supplemental Agreement, the Second Supplemental Agreement and the Option Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. However, given its nature, it is not conducted within the ordinary course of the business of the Group.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for Dr Su (who, by reason of Hongzun LLP being an associate of Dr Su, has a material interest), who shall be required to abstain from voting on the relevant Board resolutions, none of the other Directors have any material interest in the Acquisition, Option Agreement and the transactions contemplated thereunder, and are therefore not required to abstain from voting on the relevant Board resolutions.

IMPLICATIONS UNDER THE LISTING RULES

Acquisition

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the announcement, circular, Shareholders' approval and reporting requirements under Chapter 14 of the Listing Rules.

Although the counterparties of the Share Transfer Agreement, the Supplemental Agreement and the Second Supplemental Agreement (i.e. the Vendors) are Independent Third Parties, on the bases that (i) on a see-through basis, Hongzun LLP could be considered as one of the purchasers in this transaction given that it is one of the partners of Junheng LLP, which is formed for the purpose of the Acquisition and (ii) the Junheng LLP Agreement, the Share Transfer Agreement (together with the Supplemental Agreement and the Second Supplemental Agreement) and the Option Agreement are part and parcel of a broader arrangement to facilitate the Acquisition, which may confer benefits on Dr Su and his associates (including Hongzun LLP) through entities controlled by him, the Company has agreed to treat the Acquisition as if it is a connected transaction of the Company following discussion with the Stock Exchange, and thus the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules in respect of this transaction, including but not limited to the requirement to obtain Independent Shareholders' approval.

Grant of Put Option

The Grant of Put Option constitutes a transaction under Rule 14.04(1)(b), Rule 14.73, Rule 14A.24(2)(a) and Rule 14A.61 of the Listing Rules. As the exercise of the Put Option is not at the discretion of the Company, under Rule 14.74(1) and Rule 14A.61 of the Listing Rules, the transaction will be classified as if the Put Option had been exercised at the time of the Grant of Put Option. As (i) the highest of the applicable percentage ratio in respect of the Grant of Put Option is more than 25% but less than 100%; (ii) the Option Price payable cannot be quantified or determined at this stage as it will be linked to the fair market value of Junheng LLP at the time of the exercise of the Put Option, and as such, the transaction will be classified as at least a major transaction pursuant to Rule 14.76(1) and will be required to comply with all the connected transaction requirements under Rule 14A.79(5); and (iii) Hongzun LLP is an associate of Dr Su (being a connected person of the Company), the Grant of Put Option will constitute a connected and major transaction for the Company and is subject to the announcement, circular, Independent Shareholders' approval and reporting requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Given that the Option Price cannot be ascertained at the current stage, the EGM will be convened for the Independent Shareholders to consider approving the Grant of Put Option subject to and on the condition that the total consideration to be paid under this transaction (i.e. the Option Price) would be and remain as RMB420 million, which is determined with reference to the total capital commitment contributed or to be contributed by Hongzun LLP, as the limited partner, to the Junheng LLP pursuant to the Junheng LLP Agreement. If the final Option Price to be paid by the Company (which is ultimately determined with reference to the then fair market value of 60% interest in Junheng LLP) is different from RMB420 million, the Company will convene another general meeting to approve the payment of the final Option Price pursuant to the requirements under the Listing Rules.

Grant of and Possible Exercise of Call Option

The grant of the Call Option constitutes a transaction under Rule 14.04(1)(b), Rule 14.73 and Rule 14A.24(2)(a) of the Listing Rules. As the exercise of the Call Option is at the discretion of the Company, under Rule 14.75(1) and Rule 14A.79(2) of the Listing Rules, the transaction will be classified based on the amount of the premium payable by the Company for the Call Option. As the consideration for the grant of Call Option is nil, the grant of Call Option will constitute a fully exempt connected transaction under Rule 14A.76 of the Listing Rules and would not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

The Possible Exercise of Call Option constitutes a possible transaction under Rule 14.04(1)(b), Rule 14.73 and Rule 14A.24(2)(a) of the Listing Rules. As (i) the exercise of the Call Option is at the discretion of the Company; (ii) the Option Price payable cannot be quantified or determined at this stage as it will be linked to the fair market value of Junheng LLP at the time of the exercise of the Call Option; and (iii) Hongzun LLP is an associate of Dr Su (being a connected person of the Company), the Possible Exercise of Call Option, if exercised in the future, will constitute a connected and notifiable transaction for the Company and, depending on the applicable percentage ratio in respect of the exercise of the Call Option, could be subject to the announcement, circular, Independent Shareholders' approval and reporting requirements (where applicable) under Chapter 14 and Chapter 14A of the Listing Rules.

Given that (i) the Call Option is part and parcel to the Put Option and both transactions are being agreed in the same Option Agreement and (ii) the Option Price cannot be ascertained at the current stage, the EGM will be convened for the Independent Shareholders to consider approving the Possible Exercise of Call Option subject to and on the condition that the Company will re-comply with the relevant requirements under the Listing Rules before the Call Option can be exercised by the Company in the future, i.e. to convene another general meeting for Independent Shareholders to approve the exercise of the Call Option once the final Option Price could be ascertained.

WAIVER FROM STRICT COMPLIANCE WITH THE REQUIREMENTS UNDER THE LISTING RULES

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, this circular must contain, among others, an accountants' report on Zhejiang Jihua in accordance with Chapter 4 of the Listing Rules.

Waiver sought

The Company has applied to the Stock Exchange and the Stock Exchange has granted waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules on the following grounds:

(a) Zhejiang Jihua is a joint stock limited liability company established in the PRC, with its shares listed on the Shanghai Stock Exchange (Stock code: 603980) since 15 June 2017 and is subject to the regulatory requirements and guidelines as set forth by The China Securities Regulatory Commission (the "**CSRC**");

(b) Zhejiang Jihua has published its annual audited financial statements for the three years ended and as of 31 December 2025 in accordance with the China Accounting Standards for Business Enterprises, Application Guides for the Accounting Standards for Business Enterprises, Interpretations of the Accounting Standards for Business Enterprises and other relevant provisions (collectively referred to as the "**CASBE**") issued by the Ministry of Finance of the PRC (the "**MoF**"). The Directors understand that the disclosure of the financial information by Zhejiang Jihua is subject to the supervision by the Shanghai Stock Exchange and other regulatory authorities in the PRC and is open to the investment public through the link at https://www.sse.com.cn/;

(c) the auditors of Zhejiang Jihua, namely 天健會計師事務所(特殊普通合夥)(Pan-China Certified Public Accountants LLP) ("**Pan-China CPA**"), being a certified public accounting firm recognised by MoF and CSRC and one of the approved mainland accounting firms eligible for acting as auditors of the companies established in the PRC whose shares are listed on the Shanghai Stock Exchange, has issued a clean audit opinion on the consolidated results of Zhejiang Jihua for the three years ended 31 December 2025; and has not issued any qualified audit opinion on the consolidated results of Zhejiang Jihua for three years ended 31 December 2025. Nor has such auditor indicated in its audit report any matter that need to be brought to the attention of the shareholders of Zhejiang Jihua and the regulators in the PRC;

(d) in addition to the information set forth in paragraph (c) above, based on the information publicly available, Pan-China CPA was first established in 1983 and is one of the largest accounting firms in the PRC, holding A+H share audit qualification. It ranks among the Top 2 of China-based accounting firms in terms of comprehensive strength (per CICPA rankings) in consecutive years, and within the Top 25 worldwide according to the IAB World Survey. The firm has over 8,000 staff members, including more than 2,400 CPAs, over 1,400 holding doctoral or master's degrees, and more than 260 professionals with overseas practicing qualifications. There are currently more than 300 partners across audit, taxation, and advisory disciplines. Within mainland China, Pan-China CPA has branches in Beijing, Shanghai, Chongqing, Shenzhen, Shandong, Jiangsu, Anhui, Xiamen, Guangdong, Hunan, Hubei, Sichuan, Yunnan and Xinjiang. Outside of mainland China, the firm founded its own network brand which spans across Hong Kong, Taiwan of China, Singapore, Germany, the United States, Belgium, Mexico, Australia, Saudi Arabia, Cyprus, Malaysia, Indonesia, Vietnam, and Cambodia, covering major economies throughout Asia, the Americas, Europe, and Oceania;

(e) the Directors are confirmed by the auditors of the Company, RSM Hong Kong, that there is no material difference between CASBE and the Hong Kong Standards on Auditing ("**HKSA**"), the auditing standards adopted for auditing the consolidated financial statements of the Company;

(f) the Directors consider that it is unduly burdensome and practically difficult for the Company to engage internal and external resources to prepare an accountants' report on Zhejiang Jihua under Rule 14.67(6)(a)(i) of the Listing Rules because of the following reasons:

(i) as the Company currently has no shareholding in, and does not exercise any degree of control over Zhejiang Jihua, prior to Completion, the Company is not able to gain full access to confidential non-public information, including the accounting records and books or other supporting information of Zhejiang Jihua to facilitate its auditors, RSM Hong Kong, in the preparation of the financial statements in accordance with the accounting standards, i.e. IFRS Accounting Standards, adopted by the Company. Furthermore, no consent has been granted by Zhejiang Jihua to publicly disclose such confidential financial information;

(ii) despite that Zhejiang Jihua will be treated as a non-wholly owned subsidiary of the Company where the results of the Jihua Group will be consolidated into the results of the Company (as confirmed by RSM Hong Kong) because the board of directors of Zhejiang Jihua will be controlled by Junheng LLP upon Completion, prior to the Completion and up to the Latest Practicable Date, neither the Company nor Junheng LLP could exercise any control over the board of directors of Zhejiang Jihua. Upon Completion, the Company (through Junheng LLP) will become the single largest shareholder of Zhejiang Jihua;

(iii) if a full-blown audit of the financial statements of Zhejiang Jihua were required to be performed by the auditors of the Company in accordance with the requirements of the Listing Rules, it would have involved a significant number of repeating audit procedures, such as sending out bank confirmations and attending stock-taking procedures, the completion time of which would be outside the control of the Company and Zhejiang Jihua and it would be very likely that this circular could not be issued in due course and thus the Acquisition could not be completed within the reasonable timeframe as expected by the Directors;

(iv) as a preliminary estimate, the Directors, having discussed with RSM Hong Kong, confirm that the likely time involved would not be less than four months and the likely cost would not be less than RMB2.5 million for the preparation of the accountants' report of Zhejiang Jihua for the three years ended 31 December 2025. This preliminary estimate has not included the additional costs that would be incurred on the internal resources (such as additional manpower, record retrieval and translation) that would be required to be committed by the Group (and Zhejiang Jihua, if it permits the Group to do so) as well as the assistance by the existing auditors of Zhejiang Jihua for the purpose of preparing the accountants' report of Zhejiang Jihua in accordance with the Listing Rules;

(v) Zhejiang Jihua has been listed on the Shanghai Stock Exchange and its audited financial statements are publicly available on the website at https://www.sse.com.cn/. As part of its financial due diligence, the scope of which is customary to transactions of similar nature, the Company has performed review of these financial statements but without full access to the underlying confidential financial records. Also, Zhejiang Jihua would not be willing to publicly disclose any of its confidential financial information; and

(vi) given that the financial information of Zhejiang Jihua, which is material in assessing its performance and financial position, has already been provided in the published annual reports of Zhejiang Jihua and will be included in this circular, together with other alternative disclosure (as set forth below) in this circular, taking together with the related management discussion and analysis of Zhejiang Jihua will provide the Shareholders with the material information necessary to assess the financial performance of the Zhejiang Jihua throughout the periods presented, the grant of the waiver sought is unlikely to result in any undue risks to the Shareholders and the investment public.

Alternative disclosures

In replacement of an accountants' report of Zhejiang Jihua prepared in accordance with the IFRS Accounting Standards, the Company therefore proposes to include the following disclosure in this circular:

(a) the English translation of the audited consolidated financial statements of Zhejiang Jihua for the three years ended 31 December 2025 and the unaudited consolidated financial statements of Zhejiang Jihua for the three months ended 31 March 2026 prepared in accordance with CASBE, extracted from the published annual or quarterly reports of Zhejiang Jihua, the contents of which already fulfilled the disclosure requirements under Chapter 4 of the Listing Rules for an accountants' report;

(b) a line-by-line reconciliation of the financial statements of Zhejiang Jihua for the three years ended 31 December 2025 and the three months ended 31 March 2026 to address the differences in Zhejiang Jihua's financial statements had they been prepared in accordance with the IFRS Accounting Standards, with explanations of the differences of the accounting treatment and the resulting financial impact (the "**Reconciliation**"), which will be reviewed by RSM Hong Kong, the auditors of the Company in accordance with the Hong Kong Standard of Assurance Engagement 3000 (Revised) issued by the Hong Kong Institute of Certified Public Accountants. The Reconciliation will demonstrate the differences and financial impact of each line items of

Zhejiang Jihua's financial results and assets and liabilities between its accounting policies under CASBE and the accounting policies of the Group under the IFRS Accounting Standards, with an explanation of the differences and financial impact of each line items in accompanying notes, which will include, as confirmed by RSM Hong Kong, reclassification and presentation adjustments of the line items for the purpose of conforming with the presentation of the consolidated financial statements of the Company. As such, the Reconciliation will provide Zhejiang Jihua's financial information under the IFRS Accounting Standards to facilitate the Shareholders' assessment of its historical performance and financial position of Zhejiang Jihua during the three years ended 31 December 2025 and the three months ended 31 March 2026; and

(c) the management discussion and analysis of the results of operations of Zhejiang Jihua for the three years ended 31 December 2025 and the three months ended 31 March 2026 as extracted from the annual and quarterly reports of Zhejiang Jihua together with the findings from the Company's financial due diligence that fulfil the disclosure requirements under Rule 14.67(7) and paragraph 32 of Appendix D2 of the Listing Rules.

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange has granted the waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all four independent non-executive Directors who do not have a material interest in the Acquisition and the Option Agreement, to consider and to advise the Independent Shareholders on whether the terms of the Acquisition, the Option Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and how to vote on the Acquisition, the Option Agreement and the transactions contemplated thereunder at the EGM, after taking into account the advice of the Independent Financial Adviser.

Innovax Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the foregoing matters.

Your attention is drawn to the letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders as set forth on pages 45 to 46 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which is set forth on pages 47 to 82 of this circular containing their advice and recommendation to the Independent Board Committee and the Independent Shareholders regarding the Acquisition, the Option Agreement and the transactions contemplated thereunder as well as the principal factors and reasons taken into consideration in arriving at their advice.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 28 August 2026 to Wednesday, 2 September 2026 (both days inclusive), during which no transfer of Shares will be registered. The record date for entitlement to attend and vote at the EGM is Wednesday, 2 September 2026. In order to qualify to attend and vote at the EGM, all share transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 27 August 2026.

EGM

The notice of the EGM is set forth on pages EGM-1 to EGM-3 of this circular. The EGM will be convened at 10:00 a.m. on Wednesday, 2 September 2026 at 6th Floor, Guangxi Chesir Pearl Material Co., Ltd., Pearlescent Industrial Park, No. 380, Feilu Road, Luzhai Town, Luzhai County, Liuzhou City, Guangxi, China for the Independent Shareholders to consider and, if thought fit, to pass the resolutions approving, among others, the Acquisition, the Option Agreement and the transactions contemplated thereunder.

Pursuant to the Listing Rules, as Dr SU, Hongzun Investment, Hongzun International and their respective associates have material interest in the Acquisition, the Option Agreement and the transactions contemplated thereunder, they would abstain from voting on the relevant resolutions at EGM.

Holders of treasury shares (as such terms defined under the Listing Rules) (if any) shall abstain from voting on matters that require shareholders' approval at the Company's general meetings.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, no other Shareholders would be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

PROXY ARRANGEMENT

A form of proxy for use at the EGM is enclosed with this circular and is also published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chesir.com). Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for the EGM, i.e. before 10:00 a.m. on Monday, 31 August 2026 or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at the general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. In compliance with the Listing Rules, poll voting for all proposed resolutions of the Company will be proceeded with at the EGM.

The poll results will be published on the Stock Exchange's website and the Company's website after the conclusion of the EGM.

GENERAL

Shareholders and prospective investors of the Company should note that the Acquisition, Option Agreement and the transactions contemplated thereunder are subject to the satisfaction of the conditions precedent set forth in the Share Transfer Agreement, the Supplemental Agreement, the Second Supplemental Agreement and the Option Agreement, respectively, therefore may or may not proceed. Shareholders and prospective investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

RECOMMENDATION

The Directors (including the independent non-executive Directors whose views are set forth in the letter from the Independent Board Committee) consider that the terms and conditions of the Acquisition, the Option Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and is in the interests of the Company and its Shareholders as a whole.

Accordingly, the Directors (including all the independent non-executive Directors but excluding Dr Su) would recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Option Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the general information as set forth in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Global New Material International Holdings Limited
Dr SU Ertian
Chairman and Chief Executive Officer

GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED
环球新材国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 06616)

14 August 2026

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED AND MAJOR TRANSACTIONS
ACQUISITION OF JH SALE SHARES
OPTION AGREEMENT

We refer to the circular ("**Circular**") dated 14 August 2026 of the Company of which this letter forms part. Unless the context requires otherwise, terms and expressions defined or adopted in the Circular shall have the same respective meanings in this letter.

We have been appointed by the Board to advise the Independent Shareholders in respect of the Acquisition, the Option Agreement and the transactions contemplated thereunder, further information on which is set forth in the "Letter from the Board" contained in the Circular. Innovax Capital Limited has been appointed as the Independent Financial Adviser.

We wish to draw your attention to the "Letter from the Board" as set forth on pages 8 to 44 of the Circular and the "Letter from the Independent Financial Adviser" as set forth on pages 47 to 82 of the Circular.

Having taken into account the advice of the Independent Financial Adviser, we are of the opinion that the Acquisition, the Option Agreement and the transactions contemplated thereunder are on normal commercial terms, fair, and reasonable. Although they were not entered into in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Acquisition, the Option Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr HUI Chi Fung	**Professor HAN Gaorong**	**Mr LEUNG Kwai Wah Alex**	**Professor CHEN Fadong**

Independent Non-Executive Directors

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.

Innovax Capital

14 August 2026

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONNECTED AND MAJOR TRANSACTIONS
ACQUISITION OF JH SALE SHARES
THE OPTION AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Acquisition, the Option Agreement and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular (the "**Circular**") issued by the Company to the Shareholders dated 14 August 2026, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 3 February 2026, Junheng LLP was established pursuant to the Junheng LLP Agreement as a special purpose investment vehicle for the Acquisition. Shenzhen Chesir, an indirectly wholly-owned subsidiary of the Company, acts as the general partner and holds a 40% interest in Junheng LLP, while Hongzun LLP, an associate of Dr Su, acts as the limited partner and holds the remaining 60% interest. The partners agreed to contribute an aggregate of RMB700 million to Junheng LLP in their respective 40:60 proportions. As at the Latest Practicable Date, the partners had contributed RMB600 million to Junheng LLP in proportion to their interest and intended to contribute the remaining RMB100 million before Completion. Notwithstanding the Group's 40% economic contribution to Junheng LLP, Shenzhen Chesir, as the general partner, has daily operational and management power over Junheng LLP. On such basis, Junheng LLP and in turn Zhejiang Jihua are expected to be consolidated into the Group's financial statements following Completion.

On 6 February 2026, Junheng LLP entered into the Share Transfer Agreement with the Vendors, pursuant to which Junheng LLP conditionally agreed to acquire, and the Vendors conditionally agreed to sell, an aggregate of 202,308,716 ordinary shares of Zhejiang Jihua, representing approximately 29.89% of the issued shares of Zhejiang Jihua, at the Purchase Price of approximately RMB1,494.5

million. Zhejiang Jihua is listed on the Shanghai Stock Exchange and the Vendors are Independent Third Parties. Following completion of due diligence on the Jihua Group, Junheng LLP and the Vendors entered into the Supplemental Agreement on 16 July 2026 to agree additional conditions precedent, indemnities, undertakings and other contractual protections relating to the Acquisition.

On 6 August 2026, the same parties entered into the Second Supplemental Agreement for amendments of certain terms under the Share Transfer Agreement and incorporation of certain new terms. Pursuant to the Second Supplemental Agreement, (i) Junheng LLP agreed to purchase, and the Vendors agreed to sell, an aggregate of 202,308,616 JH Sale Shares, representing approximately 29.89% of the issued share capital of Zhejiang Jihua, as opposed to 202,308,716 original JH Sale Shares; (ii) the Purchase Price was reduced correspondingly by approximately RMB739 as a result of the reduction of 100 JH Sale Shares and remains approximately RMB1,494.5 million; and (iii) Mr Shao agreed to grant Junheng LLP a right of first refusal in respect of his remaining shares in Zhejiang Jihua.

On 7 May 2026, the Company, Hongzun Investment and Hongzun LLP entered into the Option Agreement. Pursuant to the Option Agreement, (i) the Company granted the Put Option to Hongzun LLP, under which Hongzun LLP may require the Company or its nominee to purchase the Option Interests, being Hongzun LLP's 60% limited partnership interest in Junheng LLP, at the Option Price; and (ii) Hongzun LLP granted the Call Option to the Company, under which the Company may require Hongzun LLP to transfer the Option Interests to the Company or its nominee at the Option Price.

As disclosed in the Circular, the Junheng LLP Agreement, the Share Transfer Agreement (as supplemented by the Supplemental Agreement and the Second Supplemental Agreement) and the Option Agreement are considered part and parcel of a broader arrangement to facilitate the Acquisition, which may confer benefits on Dr Su and his associates through entities controlled by him. Accordingly, the Acquisition, in addition to constituting a major transaction, is treated as a connected transaction of the Company. The Grant of Put Option constitutes a connected and major transaction of the Company. The Possible Exercise of Call Option, if exercised in the future, will constitute a connected and notifiable transaction of the Company, subject to the applicable requirements under Chapters 14 and 14A of the Listing Rules at the relevant time. The Acquisition, the Option Agreement and the transactions contemplated thereunder are therefore subject to, among other things, the announcement, circular, reporting and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Pursuant to the Listing Rules, as Dr Su, Hongzun Investment, Hongzun International and their respective associates have a material interest in the Acquisition, the Option Agreement and the transactions contemplated thereunder, they would abstain from voting at the EGM. Save as disclosed above, no other Shareholders would be required to abstain from voting on the relevant resolutions to be proposed at the EGM.

The Independent Board Committee comprising all four independent non-executive Directors, namely Mr HUI Chi Fung, Professor HAN Gaorong, Mr LEUNG Kwai Wah Alex and Professor CHEN Fadong, has been established to provide advice to the Independent Shareholders in respect of the Acquisition, the Option Agreement and the transactions contemplated thereunder.

We, Innovax Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Acquisition, the Option Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, we did not have any relationships with or interests in the Company, Hongzun LLP, Hongzun Investment, Dr Su, Zhejiang Jihua, Junheng LLP, the Vendors or any of their respective ultimate beneficial owners which could reasonably be regarded as relevant to our independence. We were engaged as independent financial adviser in respect of a connected transaction as set out in the circular dated 19 December 2025. Save for the aforesaid engagement, we have not previously acted as the financial adviser or independent financial adviser to the Company during the two years prior to the Latest Practicable Date. Apart from the normal advisory fee paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the aforesaid companies. As at the Latest Practicable Date, we were not connected with the Directors, chief executive and substantial Shareholders of the Company or any of their respective subsidiaries or associates. Therefore, we consider ourselves suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the Acquisition, the Option Agreement and the transactions contemplated thereunder pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on, among other things, (i) the information and facts contained or referred to in the Circular; (ii) the Share Transfer Agreement, the Supplemental Agreement, the Second Supplemental Agreement, the Junheng LLP Agreement, the Hongzun LLP Agreement and the Option Agreement; (iii) the annual reports of the Company and Zhejiang Jihua for FY2024 and FY2025 and the latest available financial and operating information of Zhejiang Jihua; (iv) the relevant corporate registration records and other corporate documents relating to Junheng LLP; (v) the business plan and other information provided by the Company; (vi) the opinions expressed by and the representations of the Directors and the management of the Group (the "**Management**"); and (vii) our review of relevant public information.

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinions expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position, financial forecast or future prospects of the Group. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in this Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management and its representatives.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have considered the following principal factors and reasons:

(A) THE ACQUISITION

1. Information of the Group

(i) Business of the Group

The Group is a global new materials technology platform enterprise focusing on the research and development, manufacturing and commercial application of surface performance materials. As stated in the FY2025 Annual Report, its principal products include pearlescent effect pigments, synthetic mica and cosmetic active ingredients, which are applied in automobiles, cosmetics, electronic appliances, new energy, high-end manufacturing and skincare products. Through the acquisitions of CQV Co., Ltd. ("**CQV**") in Korea and SUSONITY in Germany, formerly Merck KGaA's surface solutions business, the Group has established operations and capabilities across Asia, Europe and the Americas.

(ii) Financial information of the Group

The table below summarises financial information of the Group for the years ended 31 December 2023 ("**FY2023**"), 2024 ("**FY2024**") and 2025 ("**FY2025**") as extracted from the annual reports for the year ended 31 December 2024 (the "**2024 Annual Report**") and 2025 (the "**2025 Annual Report**") of the Company.

	For the year ended/as at 31 December		
	2025	**2024**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
Revenue	2,917,235	1,648,763	1,064,055
- *Pearlescent pigment*	2,533,523	1,528,263	964,003
- *Functional mica filler and related products*	176,066	98,689	89,433
- *Cosmetic actives*	187,430	—	—
- *Trading of pigment*	—	—	10,593
- *Others*	20,216	21,811*	26
Gross profit	1,140,143	873,659	528,329
Net profit for the year	(306,358)	320,272	213,285
Total assets	14,801,113	7,054,508	5,155,282
Total liabilities	10,327,642	2,701,383	1,070,137
Net assets	4,473,471	4,353,125	4,085,145
Bank and cash balances	3,748,921	3,411,401	3,203,476

* *According to the 2025 Annual Report, it was regrouped from revenue generated from trading of pigment and others.*

According to the 2025 Annual Report, the Group's revenue increased from RMB1,648.8 million for FY2024 to approximately RMB2,917.2 million for FY2025, representing a year-on-year increase of approximately 76.9%. Such increase was mainly attributable to (i) the growth in sales volume of pearlescent pigment products under the Group's PRC business operation, which mainly represents the Group's pearlescent pigment and related materials business in the PRC; (ii) the increase in average selling price of the Group's Korea business operation, which mainly represents the business of CQV consolidated into the Group following its acquisition; and (iii) the consolidation of five-month revenue of the Group's German business operation, which mainly represents SUSONITY. The Group's gross profit also increased from RMB873.7 million for FY2024 to RMB1,140.1 million for FY2025, generally in line with the revenue growth. However, the Group recorded a loss for the year of RMB306.4 million for FY2025, compared with a profit of RMB320.3 million for FY2024, mainly due to the increase in selling expenses, administrative and other operating expenses and finance costs following the consolidation of the German business operation and the acquisition-related costs incurred during the year.

According to the 2024 Annual Report, the Group's revenue increased from approximately RMB1,064.1 million for the FY2023 to approximately RMB1,648.8 million for the FY2024, representing a year-on-year increase of approximately 55.0%. Such increase was mainly due to the increase in sales in natural mica-based and synthetic mica-based pearlescent pigment products. The increase in gross profit and net profit during the FY2024 was mainly attributable to the increase in revenue.

According to the 2023 Annual Report, the Group's revenue increased from approximately RMB916.8 million for the FY2022 to approximately RMB1,064.1 million for the FY2023, representing a year-on-year increase of approximately 16.1%. Such increase was mainly due to the increase in sales in synthetic mica-based pearlescent pigment products. Further, following the acquisition of CQV in August 2023, the Group recorded revenue generated from its business operation in Korea, by way of the consolidation of CQV into the accounts of the Group as a non-wholly owned subsidiary of the Company, amounting to approximately RMB103.1 million for the FY2023. The increase in gross profit during the FY2023 was mainly attributable to the increase in revenue. However, the Group's net profit decreased from approximately RMB236.5 million for the FY2022 to approximately RMB213.3 million for the FY2023, representing a decrease of approximately 9.8%. Such decrease in net profit was mainly due to the increase in administrative and other operating expenses after the consolidation of CQV's results. Further, such decrease in net profit was mainly due to an increase in finance costs arising from the increase in bank loans and other borrowings and the interest expenses on the Tranche A Convertible Bond and the First Tranche Initial Bond.

As at 31 December 2023, 2024 and 2025, the Group's total assets amounted to approximately RMB5,155.3 million, RMB7,054.5 million and RMB14,801.1 million, respectively, while its total liabilities amounted to approximately RMB1,070.1 million, RMB2,701.4 million and RMB10,327.6 million, respectively. The significant increase in total assets and liabilities in FY2025 was mainly due to the consolidation of the business operation in Germany into the Group's financial statements and the increase in bank loans and other borrowings. The Group's net assets remained relatively stable at approximately RMB4,085.1 million, RMB4,353.1 million and RMB4,473.5 million as at 31 December 2023, 2024 and 2025, respectively.

As at 31 December 2025, the Group had cash and cash equivalents of approximately RMB3,748.9 million, representing approximately 2.5 times the Purchase Price. This indicates that the Group had substantial financial resources to support the Acquisition. We nevertheless note that part of the Group's cash will need to be retained for its working capital, debt servicing and other existing obligations. Having considered the Group's cash position and the funding arrangements for the Acquisition, we consider that the Acquisition would not place undue pressure on the Group's liquidity position.

2. Information of the Jihua Group

(i) Background information of Jihua Group

As stated in the Letter from the Board, Zhejiang Jihua is a joint stock company established in the PRC with limited liability, and all its issued shares are currently listed on the Shanghai Stock Exchange (stock code: 603980). The Jihua Group is principally engaged in the research and development, production and sale of dyes, dye intermediates and related fine chemical products. It also operates non-stick coating, polyurethane foam and pharmaceutical-related businesses. As stated in the Letter from the Board, dyes and intermediates represented approximately 86.11% of the Jihua Group's revenue for FY2025, while coatings, polyurethane foam and other products represented the balance. The Jihua Group has an integrated industrial chain covering raw materials, energy, intermediates, production and waste treatment, together with manufacturing sites, land, utilities, environmental facilities, research and development resources and established domestic and export customer relationships.

(ii) Financial information of Jihua Group

The table below sets forth a summary of the audited financial information of the Jihua Group for the three years ended 31 December 2025 (prepared in accordance with the PRC generally accepted accounting principles) and the unaudited financial information for the three months ended 31 March 2026:

	Year ended 31 December			Three months ended 31 March
	2023	**2024**	**2025**	**2026**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Revenue	1,691,279	1,638,374	1,523,875	411,431
Net profit/(loss) before taxation	(240,294)	229,309	65,335	21,564
Net profit/(loss) after taxation	(245,100)	169,669	51,410	16,539

The Jihua Group's revenue decreased by approximately 3.1% in FY2024 and 7.0% in FY2025, mainly due to selling price adjustments made in response to intensive competition in the dye market. Notwithstanding the decrease in revenue, its gross profit margin improved from approximately 6.0% in FY2023 to approximately 12.0% in FY2024 and 12.4% in FY2025, and further to approximately 15.8% for the three months ended 31 March 2026, reflecting improved cost control and underlying operating margins.

We also noted that the Jihua Group's profitability during the period was affected by certain non-recurring items. In particular, charges relating to the suspension of the Yancheng plant decreased from approximately RMB296.7 million in FY2023 to approximately RMB67.3 million in FY2024 and RMB44.4 million in FY2025, while government compensation of approximately RMB162.8 million was recognised in FY2024 in relation to the expropriation and demolition of the Hongshan Logistics Park site. Accordingly, the loss in FY2023 was mainly attributable to the Yancheng plant suspension charges and the relatively low gross profit margin, while the profit in FY2024 reflected the improvement in gross profit margin, lower suspension charges and the non-recurring government compensation. The decrease in profit in FY2025 was mainly attributable to the absence of such government compensation, partially offset by the further reduction in suspension charges and the improvement in gross profit margin.

For the three months ended 31 March 2026, the Jihua Group recorded revenue of approximately RMB411.4 million and profit after tax of approximately RMB16.5 million. We further noted that the sales volume and revenue of dyes and intermediates increased by approximately 18.2% and 22.8%, respectively, as compared with the corresponding period in 2025. Together with the improvement in gross profit margin, this indicates an improvement in its recent operating performance. Nevertheless, as such results covered only a three-month period, they may not be indicative of the Jihua Group's performance for the full year.

The following table summarises selected financial position items of the Jihua Group as at 31 March 2026:

As at 31 March 2026	*RMB in million*
Bank and cash balances	1,153.1
Current assets	3,180.3
Total assets	4,446.7
Current liabilities	381.1
Total liabilities	494.9
Net assets	3,951.8

Source: Appendix II to this circular

As at 31 March 2026, the Jihua Group had bank and cash balances of approximately RMB1,153.1 million, net assets of approximately RMB3,951.8 million and relatively low liabilities. We also noted that the Supplemental Agreement requires the Jihua Group to maintain freely disposable and unencumbered net cash of not less than RMB1.8 billion at Completion and contains protections relating to its latest financial position, land-use rights, regulatory compliance and pre-Completion liabilities. We are of the view that these arrangements provide reasonable protection against material deterioration in the Jihua Group's financial position prior to the Completion.

3. Industry overview on dyes and related chemical products

Dyes, dye intermediates and related chemical products are important upstream and supporting materials for the textile printing and dyeing value chain. Their demand is affected by the production activities of textile and dyeing enterprises, domestic apparel consumption, export demand, raw material prices, environmental compliance requirements and market competition.

According to the website of China National Textile and Apparel Council ("**CNTAC**"), the PRC textile industry achieved a generally stable start in the first quarter of 2026. Production, domestic sales, export and investment indicators recorded positive growth, while the industrial added value of textile enterprises above designated size increased by 3.9% year-on-year. Among the 15 major textile product categories monitored by the National Bureau of Statistics, 10 categories, including chemical fibre, cloth, dyed and printed cloth, non-woven fabric and apparel, recorded stable growth. Capacity utilisation of textile enterprises and chemical fibre enterprises above designated size was 76.5% and 84.7%, respectively, both higher than the national industrial average of 73.6%.

From the demand perspective, domestic textile and apparel consumption also recorded growth in the first quarter of 2026. Retail sales of garments, shoes, hats and knitted textiles by enterprises above designated size increased by 9.3% year-on-year, while online retail sales of apparel products increased by 11.6% year-on-year. Textile and apparel exports amounted to approximately US$71.3 billion, representing a year-on-year increase of 1.4%, among which textile exports increased by 2.6% year-on-year.

At the same time, CNTAC noted that the industry continued to face pressure from weak demand and rising raw material costs. In the first quarter of 2026, revenue of textile enterprises above designated size recorded a slight year-on-year decrease of 0.4%, while profit of certain mid- and downstream sub-sectors, including printing and dyeing, decreased to varying degrees. CNTAC also noted that geopolitical conflicts had increased global production and logistics costs, disrupted international supply chains and affected the recovery of end-consumer demand.

In our view, the above industry background indicates that the downstream operating base for textile-related chemical products remained generally stable, while cost control, production efficiency, environmental compliance and supply chain management remained important for manufacturers of dyes and related chemical products. Accordingly, production efficiency, cost control, environmental compliance, working capital management and customer coverage remain important to the future performance of the Jihua Group.

4. Assessment of the business plan

As stated in the Letter from the Board, the Group's business plan for the Jihua Group is guided by the principles of "stabilising operations, improving efficiency and enhancing synergies". Following Completion, the Group intends to maintain the stability of the Jihua Group's core business, customer relationships, supply chain and professional team, while progressively strengthening its corporate governance, financial management, internal controls and environmental, health and safety systems. The principal measures and our assessment are set out below.

(i) Core dyes and dye intermediates business

The Group intends to continue focusing on dyes and dye intermediates as the Jihua Group's core business and to optimise its product portfolio, production efficiency, procurement costs, inventory and accounts receivable management.

We note that the Jihua Group's revenue declined in FY2024 and FY2025 amid selling price pressure and intense market competition. Nevertheless, its gross profit margin improved over the same period, while the revenue from dyes and intermediates increased year-on-year for the three months ended 31 March 2026. In our view, this indicates that the Jihua Group retains an established operating and customer base, but further improvement will depend on its ability to enhance product mix, control unit production and procurement costs and convert sales into operating cash flow.

The proposed measures are therefore directed at identifiable areas affecting profitability and liquidity. In particular, optimising the product portfolio may enable the Jihua Group to allocate production capacity towards products with more sustainable demand and margins, while improved inventory and receivables management may reduce working capital tied up in stocks and customer balances. We consider this approach more prudent than relying on an immediate recovery in selling prices or a material expansion of production capacity.

(ii) Customer retention and overseas sales

The Group intends to stabilise the Jihua Group's existing customers and sales network and, subject to product certification and regulatory requirements, explore overseas sales opportunities through the Group's global channels.

Having considered the generally stable domestic textile consumption and export indicators in the first quarter of 2026, we consider customer retention to be an appropriate near-term priority. Maintaining existing customer relationships is particularly important in the dyes industry, where product consistency, technical support, delivery reliability and customer qualification may affect purchasing decisions.

The Group's international network may also provide the Jihua Group with additional market information, distributor introductions and access to potential overseas customers. However, such channels cannot by themselves generate sales. The Jihua Group will still need to satisfy the relevant product specifications, certification, regulatory and technical-service requirements in different markets. We have therefore treated overseas expansion as a reasonable medium-term opportunity, rather than an immediate or assured source of revenue.

(iii) Coatings, functional materials and research and development cooperation

The Group intends to promote product research and development and market synergies between the Jihua Group's coatings business and the Group's pearlescent pigments, effect pigments and functional materials businesses.

In our view, the Jihua Group's existing coatings business provides a more specific area of potential cooperation than a general assertion of synergy. Where technically suitable, the Group's effect pigments and functional materials may be evaluated for use in the Jihua Group's coating formulations, while the Jihua Group's formulation, chemical production and industrialisation capabilities may support product trials and commercial-scale production.

The parties may also share technical resources in formulation development, surface treatment, product testing and customer application support. Nevertheless, any new or modified product will require formulation trials, compatibility and performance testing, production validation and customer approval. As no committed orders or quantified benefits have been identified, we consider the proposed cooperation commercially plausible but expect any benefits to be realised progressively.

(iv) Prudent management of other business segments

The Group intends to manage the Jihua Group's polyurethane, pharmaceutical and healthcare-related businesses prudently and determine their future development by reference to market prospects, profitability and return on investment.

As disclosed in the Letter from the Board, the Jihua Group obtained a drug registration certificate for the Rivastigmine Transdermal Patch in June 2025, representing progress in its pharmaceutical and healthcare-related business. The obtaining of the registration certificate does not by itself indicate that commercial sales or revenue have commenced. Its polyurethane business also contributed approximately RMB79 million of revenue in FY2025.

We consider it reasonable to assess these businesses separately, as they have different market conditions, technical requirements and capital needs from the core dyes business. Evaluating future investment by reference to profitability and expected returns may also reduce the risk of resources being committed to businesses without sufficient commercial prospects.

As stated in the Letter from the Board, the Group intends to nominate directors with business integration and management experience to the board of Zhejiang Jihua and appoint personnel with dye-industry experience where necessary. The Group will also draw on its experience in integrating CQV and SUSONITY, while retaining the Jihua Group's existing professional and technical personnel.

We consider the proposed allocation of responsibilities reasonable. Group-level oversight may strengthen governance, financial management and internal controls, while retaining the Jihua Group's existing personnel may preserve industry knowledge, customer relationships and continuity of operations.

Having considered (i) the prevailing industry conditions; (ii) the Jihua Group's established operations but recent revenue decline and earnings volatility; (iii) the proposed measures relating to efficiency, working capital, customers and product development; and (iv) the proposed management arrangements, we consider that the business plan is generally responsive to the Jihua Group's operating circumstances. In particular, we consider it prudent for the Group to prioritise stabilising the Jihua Group's existing operations and improving efficiency before pursuing broader synergies. Nevertheless, the business plan does not constitute a profit forecast, and its implementation will remain subject to industry conditions, management execution, customer demand and the retention of key personnel.

5. Reasons for and benefits of the Acquisition

As stated in the Letter from the Board, the Acquisition stems from Junheng LLP's recognition of Jihua Group's intrinsic value and confidence in the future prospects of Jihua Group, with the intention to gain control of Zhejiang Jihua through the Acquisition. Upon Completion, the Acquisition is expected to expand the Company's market share in the coatings and chemicals sector, positively impacting its market capitalisation management in both the A-share market and global markets, thereby benefiting the Company's long-term development. The Directors also consider that Jihua Group possesses competitive strengths and advantages which could strategically expand or complement the Group's existing businesses.

We have also reviewed the Group's development strategy as disclosed in its 2025 Annual Report. The Group has positioned itself as a global new materials technology platform enterprise and has pursued both organic growth and external acquisitions, including the acquisitions of CQV and SUSONITY. We therefore consider the Acquisition generally consistent with the Group's established development approach. Our assessment of the transaction structure and the principal strategic benefits is set out below.

(i) Junheng LLP Formation as a funding and investment structure

We understand from the Management that the Acquisition consideration is substantial. If the Group were to conduct the Acquisition directly without the participation of Hongzun LLP through Junheng LLP, the Group would need to fund the full Purchase Price of approximately RMB1,494.5 million, before taking into account transaction costs, taxes and other ancillary expenses. Under the Junheng LLP structure, the Group's initial capital commitment is RMB280.0 million, while Hongzun LLP's initial capital commitment is RMB420.0 million. As stated in the Letter from the Board, the Purchase Price will be settled in cash and around 50% of the consideration will be funded by the internal financial resources of Junheng LLP, with the remaining 50% by an acquisition financing facility entered into by Junheng LLP with a PRC bank on 16 July 2026.

On this basis, we consider that the participation of Hongzun LLP as a 60% limited partner of Junheng LLP reduces the Group's upfront equity funding requirement for pursuing the Acquisition, while allowing the Group, through Shenzhen Chesir as the general partner of Junheng LLP, to retain management and decision-making power over Junheng LLP. As further discussed in Part B — THE OPTION AGREEMENT below, the Grant of Put Option formed part of the broader commercial arrangements relating to Hongzun LLP's participation and its RMB420.0 million initial capital commitment to Junheng LLP.

(ii) Strategic benefits of the Acquisition

As stated in the Letter from the Board, the Directors consider that the Jihua Group possesses seven principal competitive strengths, namely its integrated industrial chain, integrated chemicals businesses, technological research and development capabilities, brand, geographical position, asset and financial resources and product mix. The Directors further consider that these strengths will broaden the Group's products, applications and customer base, create potential synergies in coatings and functional materials, complement its research and development and manufacturing capabilities, strengthen its industrial coverage in the PRC and diversify its revenue streams. We have considered the above competitive strengths and their relevance to the Group as follows.

(a) Integrated production platform

Jihua Group is a major producer of dyes and dye intermediates with an integrated industrial chain covering raw materials, energy supply, supporting intermediates and waste treatment. We consider such integrated production platform relevant to the Group as it may, subject to technical feasibility, available production capacity, the necessary permits and regulatory approvals, support production continuity, cost control, quality stability and environmental compliance in chemical and colour-materials production.

We note that the dyes and fine chemicals industry is asset-intensive and is affected by raw material prices, energy costs and environmental and production safety requirements. The Jihua Group's integrated facilities and internal supporting capabilities reduce its reliance on external processing and provide an established base for production planning, quality control and environmental management. The Acquisition will therefore provide the Group with control of an established PRC-listed industrial platform possessing organic fine-chemical manufacturing, formulation development, scale-up production, environment treatment and operational capabilities, together with the related facilities, operating systems, permits, workforce and industry experience. We consider that these capabilities provide a practical foundation for the Group to implement operational improvements, expand its presence in the chemicals sector and, subject to the factors referred to above, support its longer-term development in selected advanced functional materials, without having to develop equivalent capabilities from the outset.

(b) Integrated chemical businesses

As stated in the Letter from the Board, in addition to its principal dyes and dye intermediates business, the Jihua Group has developed businesses in coatings, polyurethane products and pharmaceutical and healthcare products. It obtained a drug registration certificate for the Rivastigmine Transdermal Patch in June 2025, representing progress in its pharmaceutical and healthcare-related business.

These businesses extend across different parts of the chemicals and materials value chain and broaden the Enlarged Group's exposure beyond its existing effect pigments, synthetic mica and surface performance materials businesses. In particular, the Jihua Group's coatings business has a closer connection with the Group's effect pigments and functional materials, as such materials may be applied in coating formulations to provide colour, gloss and other surface effects. We consider that the Jihua Group's wider chemicals platform provides the Group with additional product development

and application opportunities. The proposed approach of assessing the polyurethane, pharmaceutical and healthcare-related businesses by reference to their individual market prospects, profitability and returns should also allow the Group to allocate resources to commercially viable areas in a disciplined manner.

(c) Technological research and development capabilities

As stated in the Letter from the Board, Jihua Group holds 119 patents, has led or participated in formulating 41 national and industry standards, and possesses 249 provincial-level high-tech products and 94 provincial-level industrial new products.

The Group has complementary experience in effect pigments, synthetic mica, surface treatment, application testing and product development. Therefore, we are of the view that the combination of the Group's surface performance material and application capabilities with the Jihua Group's organic chemical, formulation and industrial production capabilities would provide a broader technical platform for developing colour materials, coating products and selected functional materials.

Further, as stated in the Letter from the Board, following Completion, the Group intends to nominate directors with business integration and management experience to the board of Zhejiang Jihua and, where necessary, appoint additional management personnel or advisers with experience in the dye industry. The Group's management and functional teams will provide oversight and support in strategy, governance, finance, internal controls, technology and business integration, while the Jihua Group's existing operating team will remain responsible for its day-to-day production, process management, environmental, health and safety and licensing matters.

We consider the proposed arrangement reasonable, as it combines the Group's management, technical and integration capabilities with the Jihua Group's industry-specific operating experience. In our view, this may support the stable operation and governance of the Jihua Group following Completion and provide a practical basis for future research and development and product application cooperation.

(d) Brand and market presence

As stated in the Letter from the Board, the Jihua Group has established market recognition through its operating history, product quality and experience in the dyes and chemicals industry. Its products are sold to domestic and overseas customers and have received various provincial and regional brand recognitions.

We note that product consistency, quality, delivery reliability and technical support are important considerations for customers of dyes and related chemical products. The Jihua Group's established operating record and customer relationships therefore provide a base for retaining existing business and developing new products and markets.

The Group's international operations and sales network may also provide the Jihua Group with additional market information, distributor resources and access to potential overseas customers. We consider that the combination of the Jihua Group's established domestic market presence and the Group's international network may enhance the Enlarged Group's overall market coverage.

(e) Geographical advantage

Jihua Group is located in Zhejiang and Jiangsu, within the Yangtze River Delta region, which is an important textile, dyeing, coatings and chemical manufacturing base in the PRC. The region has an established concentration of downstream customers, chemical manufacturers, raw material and auxiliary suppliers, logistics providers and technical personnel. The Jihua Group's proximity to these industry participants supports customer service, procurement, logistics efficiency and access to industry information.

We consider that the Jihua Group's presence in the Yangtze River Delta complements the Group's existing production and sales footprint and strengthens its coverage of customers and industrial resources in eastern China. This regional platform may also support future product promotion and technical cooperation within the wider materials and chemicals industries.

(f) Asset and financial resources

As disclosed in the Letter from the Board, Jihua Group had current assets of approximately RMB3.18 billion and owns industrial land, factories and production bases in Hongshan Industrial Park, Lingjiang, Yancheng and Nanjing.

These assets provide an established base for the Jihua Group's existing operations and may support future maintenance, production optimisation and selected product development. They also reduce the time, capital expenditure and execution risk which would otherwise be involved in constructing comparable chemical manufacturing, utility and environmental treatment facilities.

We further note that the Supplemental Agreement requires the Jihua Group to maintain freely disposable and unencumbered net cash of not less than RMB1.8 billion at Completion. In our view, this requirement provides additional protection over the financial and liquidity position of the business to be acquired and strengthens the asset and financial foundation of the Enlarged Group following Completion.

(g) Product mix and business scale

As stated in the Letter from the Board, the Jihua Group generated revenue of approximately RMB1.524 billion in FY2025, of which approximately RMB1.312 billion, or 86.1%, was derived from dyes and dye intermediates, approximately RMB99 million from coatings products and approximately RMB79 million from polyurethane products.

The Acquisition will therefore increase the Group's operating scale and expand the Group's product coverage from effect pigments, synthetic mica and surface performance materials to dyes, dye intermediates, coatings, polyurethane and other chemical products. It will also provide access to textile printing and dyeing customers and applications which are not a major part of the Group's existing business.

We consider that the broader product and application coverage will diversify the Enlarged Group's revenue base and reduce its dependence on its existing product categories. The Jihua Group's coatings business may also provide a practical point of cooperation with the Group's effect pigments and functional materials businesses, while its core dyes business will provide the Enlarged Group with exposure to an additional large downstream market.

Having considered the above, we consider that the Acquisition is consistent with the Group's stated strategy of pursuing organic growth and external mergers and acquisitions and its previous approach of expanding its product, technical and geographical coverage through the acquisitions of CQV and SUSONITY. While certain synergies, including new product development, coatings cooperation and overseas sales expansion, may take time to realise, the Jihua Group's established operations, production facilities, customer relationships, technical resources and asset base provide a tangible commercial basis for the Acquisition. On this basis, we consider that the Acquisition has a reasonable strategic rationale and is in line with the Group's long-term development.

In addition, we also noted from the Management that Zhejiang Jihua, as an A-share listed company, may provide the Group with an additional domestic capital market platform, which may enhance the Group's access to PRC capital markets for future fund raising, subject to market conditions and applicable regulatory requirements. We consider this as an ancillary benefit of the Acquisition, as such platform may support the Group's future financing flexibility.

6. Principal terms of the Acquisition

We have reviewed the principal terms of the Share Transfer Agreement dated 6 February 2026 and the Supplemental Agreement dated 16 July 2026 and the Second Supplemental Agreement dated 6 August 2026, as summarised in the Letter from the Board. The principal terms relevant to our assessment are set out below:

Date and Parties:

The Share Transfer Agreement was entered into on 6 February 2026 between:

(a) Junheng LLP, as the purchaser

(b) Hangzhou Jinhui, as one of the Vendors; and

(c) Mr Shao, as one of the Vendors

Following completion of the due diligence on the Jihua Group to the satisfaction of Junheng LLP, the same parties entered into the Supplemental Agreement on 16 July 2026 to provide additional conditions, undertakings, indemnities and other protections in relation to the Acquisition.

Subject matter:

Pursuant to the Share Transfer Agreement (as supplemented by the Second Supplemental Agreement), Junheng LLP conditionally agreed to acquire an aggregate of 202,308,616 JH Sale Shares, representing approximately 29.89% of the issued shares of Zhejiang Jihua, comprising:

(a) 196,000,000 JH Sale Shares to be sold by Hangzhou Jinhui; and

(b) 6,308,616 JH Sale Shares to be sold by Mr Shao.

The Acquisition will result in Junheng LLP obtaining control of Zhejiang Jihua.

Purchase Price:

Under the Second Supplemental Agreement, the Purchase Price was reduced correspondingly as a result of the reduction of 100 JH Sale Shares and remains approximately RMB1,494.5 million, equivalent to approximately RMB7.3873 per JH Sale Share and an agreed market capitalisation of Zhejiang Jihua of RMB5.0 billion. Based on the consideration of approximately RMB7.3873 per JH Sale Share, the corresponding reduction amounts to approximately RMB739.

As stated in the Letter from the Board, the Purchase Price was determined after arm's length negotiations with reference to, among other things, the historical financial performance, market price, net asset value and asset base of Zhejiang Jihua, the control to be obtained and the expected strategic benefits of the Acquisition. We consider the above adjustment immaterial and note that it does not affect our assessment of the Purchase Price set out in the section below.

Right of first refusal:

Following Completion, Mr Shao will retain 18,926,250 shares of Zhejiang Jihua, representing approximately 2.80% of its issued share capital. Pursuant to the Second Supplemental Agreement, if Mr Shao intends to transfer shares of Zhejiang Jihua, he is required to notify Junheng LLP in advance. In the case of a proposed transfer by way of block trade or negotiated transfer, Junheng LLP or its designated entity will have a right of first refusal on equal terms, which must be exercised within 10 Business Days after receipt of the relevant notice. The right does not oblige Junheng LLP to acquire any additional shares unless it elects to exercise such right. In addition, except for transfers to Junheng LLP or its designated entity, Mr Shao may not transfer such shares to any of the top 10 shareholders of Zhejiang Jihua as disclosed in its most recent public disclosure.

We note that the above arrangements provide Junheng LLP with additional flexibility and protection without imposing any obligation to acquire further shares, and are therefore favourable to Junheng LLP.

Payment terms:

The Purchase Price will be settled wholly in cash by instalments as follows:

(a) RMB100.0 million as an initial deposit, which was paid into the Escrow Account following the signing of the Share Transfer Agreement;

(b) RMB497.8 million into the Escrow Account following completion of due diligence and the signing of the Supplemental Agreement, subject to the relevant conditions precedent;

(c) RMB448.3 million into the Escrow Account following the receipt of the relevant regulatory, shareholder and other approvals;

(d) following completion of the transfer registration of the JH Sale Shares, RMB298.9 million, together with the remaining balance in the Escrow Account, will be paid to the Vendors; and

(e) the final amount of RMB149.5 million will be paid following completion of the board restructuring, senior management replacement and other handover procedures.

Any taxes and fees payable by the Vendors in relation to the Acquisition will be settled from the Escrow Account and will form part of the Purchase Price.

The Share Transfer Agreement also provides that:

(a) where the Acquisition is terminated due to objective reasons not attributable to either party, by mutual agreement or upon termination of the Share Transfer Agreement, the initial deposit, together with accrued interest, will be returned to Junheng LLP;

(b) where the Acquisition does not proceed due to the Vendors' decision without objective and reasonable grounds, the Vendors will return the initial deposit and pay Junheng LLP an additional amount equal to the deposit; and

(c) where the Acquisition does not proceed due to Junheng LLP's decision without grounds, the initial deposit will not be refunded.

Financing of the Purchase Price:

As stated in the Letter from the Board, 50% of the Purchase Price, being approximately RMB747.25 million, will be funded by the internal financial resources of Junheng LLP, while the remaining 50% will be funded by bank borrowings arranged by Junheng LLP.

The internal funding will be provided by Shenzhen Chesir and Hongzun LLP in proportion to their respective 40% and 60% interests in Junheng LLP. As at the Latest Practicable Date, the partners had injected RMB600 million and intended to inject the remaining RMB100 million and an additional RMB47.25 million before Completion. Junheng LLP also entered into an acquisition financing facility with a PRC bank on 16 July 2026, under which approximately RMB747.25 million was stated to be readily available for drawdown. In securing the repayment of the loan, as Hongzun LLP is the partner having majority interest in Junheng LLP, Hongzun LLP has given a corporate guarantee to the bank. No financial assistance or guarantee has been given by the Group.

Conditions precedent:

Pursuant to the Share Transfer Agreement, Completion is subject to the satisfaction of the following conditions precedent:

(a) the Share Transfer Agreement has been executed and has become effective;

(b) Junheng LLP has paid the corresponding Purchase Price into the Escrow Account in accordance with the terms of the Share Transfer Agreement and the Supplemental Agreement;

(c) Junheng LLP has completed due diligence on Zhejiang Jihua and has not identified any transaction impediments concerning the JH Sale Shares or Zhejiang Jihua, or all parties have reached agreement on solutions to any transaction impediments and the transaction plan;

(d) all other internal and external approvals/consents related to the Acquisition have been completed or obtained, including but not limited to, the confirmation by the Shanghai Stock Exchange on the transfer of the JH Sale Shares; Zhejiang Jihua's shareholders' meeting approving the commitment to waive its share lock-up/reduction restrictions; the Company obtaining necessary approvals or authorisations for the Acquisition, i.e. the passing of ordinary resolution(s) by the Shareholders at the EGM approving the terms of the Share Transfer Agreement and the transactions contemplated thereunder, and such resolution(s) have not been withdrawn; and passing the business concentration review by the Anti-Monopoly Bureau of the State Administration for Market Regulation (if required);

(e) no material adverse change has occurred in Zhejiang Jihua; and

(f) the representations and warranties made by the Vendors in the Share Transfer Agreement and the Supplemental Agreement are and will remain true, accurate, and complete, and the Vendors have not committed any breach of their respective obligations under the Share Transfer Agreement and the Supplemental Agreement that would affect the transfer of the JH Sale Shares.

As of the Latest Practicable Date, conditions (a), (b) and (c) set forth above have been satisfied.

The Supplemental Agreement contains further conditions and protections arising from the due diligence, including matters relating to: (a) the continued listing and normal operation of Zhejiang Jihua; (b) the latest management accounts and absence of material deterioration in the financial position of the Jihua Group; (c) the receipt of required consents from relevant counterparties; (d) the confirmation, renewal or rectification of specified land-use rights, construction and project approvals; and (e) compliance matters relating to environmental protection, energy consumption, production safety and fire safety. For further details, please refer to the Letter from the Board.

Completion, management and governance:

Within five (5) Business Days after the fulfilment of the foregoing conditions, all parties shall apply to CSDC for registration of the transfer of the JH Sale Shares.

Following Completion:

(a) Junheng LLP will hold approximately 29.89% of the issued shares of Zhejiang Jihua;

(b) all directors of Zhejiang Jihua will be nominated by Junheng LLP, and the chairman will be elected from the directors recommended by Junheng LLP;

(c) the Vendors will procure Zhejiang Jihua to convene the relevant board or shareholders' meeting to consider the board reorganisation within 20 Business Days after Completion;

(d) the replacement of the senior management of Zhejiang Jihua will be completed within five Business Days after the board reorganisation, or such other period as may be agreed; and

(e) Zhejiang Jihua will become a non-wholly owned subsidiary of the Company and the results of the Jihua Group will be consolidated into the financial statements of the Group.

Restrictions that apply to the subsequent sale of the JH Sale Shares:

Despite that the Share Transfer Agreement, the Supplemental Agreement and the Second Supplemental Agreement have not imposed any restrictions on Junheng LLP in respect of any subsequent sale of the JH Sale Shares following Completion, the Shanghai Stock Exchange has requested Junheng LLP, and Junheng LLP has given the following undertaking to the Shanghai Stock Exchange:

(a) within 60 months from Completion, Junheng LLP will not transfer any JH Sale Shares, nor shall it transfer the control of Zhejiang Jihua through any direct or indirect means;

(b) the JH Sale Shares shall not be pledged within 36 months from the date on which the transfer registration of such JH Sale Shares is completed; and

(c) within 36 months after Completion, Junheng LLP and its controlling shareholders, ultimate beneficial owners and related parties shall not inject any assets into Zhejiang Jihua that would constitute material asset reorganisation.

Principal protections under the Supplemental Agreement

The Supplemental Agreement provides additional contractual protection to Junheng LLP in respect of identified pre-Completion risks, including:

(a) indemnities in respect of specified litigation, losses relating to certain financial assets and other agreed pre-Completion matters;

(b) an undertaking that the Jihua Group will have freely disposable and unencumbered net cash of not less than RMB1.8 billion at Completion, with any shortfall to be replenished in accordance with the Supplemental Agreement;

(c) repurchase protection in specified circumstances where pre-Completion matters give rise to a risk of Zhejiang Jihua being delisted;

(d) non-compete undertakings for a period of five years; and

(e) obligations on the relevant parties to assist with Completion, management handover, regulatory enquiries, renewal of licences and other transitional matters. Such assistance obligations will continue for 12 months following Completion.

For further details, please refer to the Letter from the Board.

7. Assessment of the Purchase Price

The Purchase Price was determined after arm's length negotiations between the Vendors and Junheng LLP taking into consideration (a) the historical financial performance of the Jihua Group; (b) the final dividend declared and proposed by Zhejiang Jihua for the financial year ended 31 December 2025 for the total amount of approximately RMB99.5 million, which was subsequently approved at the annual general meeting of Zhejiang Jihua held in May 2026 and the relevant dividend was paid in June 2026; (c) the market capitalisation of Zhejiang Jihua of approximately RMB4.43 billion based on its closing trading price on the Shanghai Stock Exchange immediately before the trading suspension of the trading of the shares of Zhejiang Jihua on 31 January 2026; (d) an agreed market capitalisation of Zhejiang Jihua at RMB5.0 billion (which represents a premium of 12.78% over the market capitalisation of Zhejiang Jihua as of 31 January 2026), having regard to, among other things, the fact that the Jihua Group had RMB3.16 billion of current assets as of 30 September 2025 which represents more than 70% of the market capitalisation of Zhejiang Jihua as of 31 January 2026, the price-to-book ratio was 1.14 times as of 31 January 2026 which is relatively low, as well as its established operating platform and competitive strengths, its listing status and the expected business development and potential synergies with the Group.

The Purchase Price of RMB1,494.5 million may be translated into RMB7.3873 for each JH Sale Share, which represents:

(i) a premium of 12.78% over the closing price of RMB6.55 for each share of Zhejiang Jihua in issue as quoted on the Shanghai Stock Exchange on the trading day immediately prior to the date of the Share Transfer Agreement (which for the avoidance of doubt, exclude the trading days on which trading of the shares of Zhejiang Jihua was suspended);

(ii) a premium of 23.29% over the average closing price of RMB5.99 for each share of Zhejiang Jihua in issue as quoted on the Shanghai Stock Exchange for the five (5) consecutive trading days immediately prior to the date of the Share Transfer Agreement (which for the avoidance of doubt, exclude the trading days on which trading of the shares of Zhejiang Jihua was suspended);

(iii) a premium of 26.76% over the average closing price of RMB5.83 for each share of Zhejiang Jihua in issue as quoted on the Shanghai Stock Exchange for the ten (10) consecutive trading days immediately prior to the date of the Share Transfer Agreement (which for the avoidance of doubt, exclude the trading days on which trading of the shares of Zhejiang Jihua was suspended); and

(iv) a premium of 27.4% to the audited consolidated net asset value attributable to owners of Zhejiang Jihua of RMB5.80 per share of Zhejiang Jihua as of 31 December 2025 (the "**NAV per JH Share**") based on the information as set forth in the annual report of Zhejiang Jihua for the year ended 31 December 2025.

As the Acquisition will result in Junheng LLP obtaining control of Zhejiang Jihua, we have assessed the premium of approximately 12.78% over the closing price on the last trading day by reference to comparable transactions involving transfers of control. We have also assessed the premium of approximately 27.4% over the audited NAV per JH Share, which is equivalent to an implied PB Multiple of approximately 1.27 times, by reference to the trading PB Multiples of listed companies principally engaged in businesses comparable to those of the Jihua Group. Our analyses are set out below:

(i) Comparable transactions for assessment of the control premium

As the Acquisition will result in Junheng LLP obtaining control of Zhejiang Jihua, we consider it appropriate to assess the premium represented by the Purchase Price against premiums observed in comparable transactions involving transfers of control (the "**Comparable Control Transactions**"), rather than comparing the Purchase Price solely with ordinary market trading prices for minority shareholdings. For this purpose, we conducted an independent search for transactions announced during the two-year period from 6 February 2024 to 5 February 2026. We selected the Comparable Control Transactions based on the following criteria: (i) the target company was listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange and was principally engaged in manufacturing or the production of industrial products; (ii) a definitive agreement had been entered into for the cash acquisition of existing issued shares of the target company; and (iii) the transaction resulted, or was expected to result, in the purchaser becoming the controlling shareholder or actual controller of the target company. In selecting the Comparable Control Transactions, we considered, among others, whether the nature and structure of each transaction were similar to the Acquisition. Accordingly, we excluded transactions involving judicial or administrative transfers, debt restructurings, transactions where control was obtained solely through subscriptions of new shares, as well as transactions which had been terminated as at the Latest Practicable Date, as we considered such transactions not directly comparable to the Acquisition.

We did not impose any industry or market capitalisation criteria, as the purpose of this analysis is to assess the premium paid for obtaining control, rather than to compare the operating performance or valuation multiples of the target companies. Unlike a trading comparables analysis, a control premium analysis does not require the target companies to operate in the same industry, as the premium is more directly affected by factors such as the level of control obtained, the percentage of shares acquired and the terms negotiated between the parties. In addition, the control premium is calculated by comparing the transaction value with the target company's own market value, and therefore differences in the absolute market capitalisation of the target companies are less relevant. We therefore consider the above selection criteria appropriate. Nevertheless, as the circumstances of each transaction may differ, we have considered the Comparable Control Transactions as a market reference together with the other analyses set out in this letter.

Based on the above criteria and our review of publicly available information, the 14 Comparable Control Transactions set out below represent, to the best of our knowledge, an exhaustive list of transactions meeting the above selection criteria during the review period:

	Name	Stock Code	Principal business activities	Announcement date	Cash consideration for the share transfer *(RMB in million)*	Shares acquired for cash consideration	Implied equity value *(RMB in billion)*	Reference market capitalisation *(RMB in billion)*	Control premium/ (discount)
1	Zhejiang True Love Vogue Co., Ltd.	003041.SZ	Manufacture and sale of home textile products, principally blankets, carpets and bedding products.	12 November 2025	1,198.0	29.98%	4.00	4.44	(9.99%)
2	Zhejiang Yatai Pharmaceutical Co., Ltd.	002370.SZ	Research, manufacture and sale of generic pharmaceutical products.	14 October 2025	900.0	14.60%	6.16	4.23	45.7%
3	Kehua Holdings Co., Ltd.	603161.SH	Manufacture of automotive turbocharger housings and related components.	23 August 2025	517.7	16.18%	3.20	2.94	8.86%
4	Jiangsu Yangdian Science & Technology Co., Ltd.	301012.SZ	Manufacture of power transmission and distribution equipment, including energy-saving transformers.	15 July 2025	989.9	21.98%	4.5	3.80	18.49%
5	Landai Technology Group Corp., Ltd.	002765.SZ	Manufacture of automotive powertrain components and touch-display modules.	10 July 2025	1,347.6	18.00%	7.49	8.31	(9.96%)
6	HiteVision Co., Ltd.	002955.SZ	Research, manufacture and sale of smart interactive displays and education-information hardware.	11 June 2025	1,575.0	25.0%	6.30	6.03	4.44%
7	Sino Wealth Electronic Ltd.	300327.SZ	Integrated-circuit design, including MCU, battery-management and display-driver chips; classified within the electronic-equipment manufacturing sector.	10 June 2025	1,245	14.2%	8.77	7.31	19.93%
8	Tibet Aim Pharm. Inc.	002826.SZ	Research, manufacture and sale of pharmaceutical products.	4 June 2025	662.2	23.0%	2.88	2.32	23.97%
9	Anhui Shenjian New Materials Co., Ltd.	002361.SZ	Manufacture of polyester resins for powder coatings and high-end equipment.	2 January 2025	411.8	8.33%	4.95	4.28	15.56%
10	Hefei Taihe Intelligent Technology Group Co., Ltd.	603656.SH	Manufacture of intelligent sorting, inspection and industrial automation equipment using visual-recognition technologies.	19 October 2024	450.6	10.24%	4.40	2.18	101.51%
11	Hubei Jiuliang Co., Ltd.	300808.SZ	Design, manufacture and sale of LED mobile and household lighting products and portable energy-storage products.	9 May 2024	365.3	11.42%	3.20	2.70	18.69%

	Name	Stock Code	Principal business activities	Announcement date	Cash consideration for the share transfer *(RMB in million)*	Shares acquired for cash consideration	Implied equity value *(RMB in billion)*	Reference market capitalisation *(RMB in billion)*	Control premium/ (discount)
12	Huayou Huibopu Technology Co., Ltd.	002554.SZ	Manufacture and provision of oil-and-gas-field equipment and environmental engineering systems, including water treatment, oilfield automation and oily-sludge treatment equipment.	15 January 2026	1,174.5	25.60%	4.59	4.73	(3.10%)
13	Jiangsu Jinzhi Technology Co., Ltd.	002090.SZ	Manufacture and provision of power-automation, smart energy and smart-city systems and related products.	23 July 2025	705.5	16.01%	4.41	4.43	(0.63%)
14	Zhen'an Technology Co., Ltd.	300767.SZ	Research, manufacture and sale of building seismic-isolation, vibration-control and energy-dissipation products, together with related technical services.	18 June 2025	616.1	18.12%	3.40	3.53	16.59%
								Average (excluding the maximum and minimum) *(Note 4)*	13.21%
								Adjusted range (excluding the highest and lowest) (Note 4)	Discount of 9.96% to premium of 45.7%
								Maximum	101.51%
								Minimum	(9.99%)
							The Acquisition — premium over last trading day		12.78%

Source: Public announcements of the respective comparable companies published on the websites of the Shanghai Stock Exchange and the Shenzhen Stock Exchange

Notes:

1. The announcement date refers to the date on which the definitive share transfer transaction resulting, or expected to result, in a change of control was announced by the relevant comparable company.

2. The reference market capitalisation represents the market capitalisation of 100% of the issued shares of the relevant comparable company, calculated based on its total number of issued shares and, where trading was suspended before the announcement, the closing price on the last trading day immediately preceding the suspension, or where there was no trading halt or suspension, the closing price on the transaction announcement date.

3. Voting-right entrustments, voting-right waivers and other governance arrangements were considered in determining whether the transaction involved a change of control, but were not added to the paid share acquisition percentage because no purchase consideration was paid for such arrangements.

4. The maximum and minimum of the control premium (or discount) are considered to be outliers and are excluded in the calculation of the average and the adjusted range.

5. Implied equity value equals to the cash consideration for the share transfer divided by percentage of issued shares acquired for cash consideration.

6. Control premium (or discount) represents the premium or discount of the relevant acquisition price to the relevant trading price immediately before the announcement of the relevant transaction or, where trading was suspended before the announcement, immediately before the suspension.

As shown in the table above, the premiums or discounts represented by the Comparable Control Transactions ranged from a discount of approximately 9.99% to a premium of approximately 101.51%. Excluding the maximum and minimum observations, the adjusted range was from a discount of approximately 9.96% to a premium of approximately 45.70%. We noted that, under the relevant PRC rules, the transfer price for agreement transfers involving Main Board A-share companies is generally required to be no lower than 90% of the relevant closing price and therefore, the maximum discounts recorded by the Comparable Control Transactions of which are Main Board A-share companies were close to 10%. As the highest premium was significantly higher than the other observations, we calculated an adjusted average of approximately 13.21% after excluding the highest and lowest observations. The differences in the premiums or discounts are not uncommon, as the pricing of a control transaction may be affected by the financial position and prospects of the target, the percentage of shares acquired, the relevant control arrangements and the commercial negotiations between the parties. Notwithstanding such differences, we consider the Comparable Control Transactions to provide a meaningful market reference for assessing the control premium represented by the Purchase Price.

Taking into account that (i) the premium of approximately 12.78% represented by the Purchase Price falls within the range of the Comparable Control Transactions; (ii) such premium is below the adjusted average premium of approximately 13.21%; and (iii) Junheng LLP will obtain control of Zhejiang Jihua upon Completion, we consider that the Purchase Price is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) Comparable companies for assessment of the implied PB Multiple

As the Jihua Group is principally engaged in an asset-intensive chemical manufacturing business and its earnings fluctuated during the recent financial years, we consider that the price to book ratio (the "**PB Multiple**") provides a more meaningful valuation reference than the price to earnings multiple for assessing the Purchase Price. The Purchase Price represents a premium of approximately 27.4% over the audited NAV per JH Share as at 31 December 2025 and an implied PB Multiple of approximately 1.27 times.

Accordingly, we conducted an independent search for companies listed on the Shanghai Stock Exchange or the Shenzhen Stock Exchange which were principally engaged in the manufacture and sale of dyes, dye intermediates, textile chemicals or other closely related colour-chemical products. We selected companies which had sufficient publicly available information to determine their respective market capitalisations and latest published net assets attributable to shareholders. We considered industry comparability important because PB Multiples are affected by factors such as asset structure, profitability and business risks, which may differ across industries. We did not impose a market capitalisation range, as company size does not by itself determine the PB Multiple and may exclude otherwise relevant industry comparables. Accordingly, we considered business and industry comparability to be more relevant for this analysis.

Based on the above criteria and our review of publicly available information, to the best of our knowledge, the seven comparable companies (the "**Market Comparables**") set out below represent an exhaustive list of market comparables meeting the above selection criteria:

	Name	Stock Code	Principal business activities	PB Multiple *(times)*
1	Zhejiang Longsheng Group Co., Ltd.	600352.SH	Dyes, dye intermediates and related chemicals, including construction and property interests.	1.29
2	Zhejiang Runtu Co., Ltd.	002440.SZ	Disperse dyes, reactive dyes, dye intermediates and textile chemicals.	1.47
3	Shanghai Anoky Group Co., Ltd.	300067.SZ	Specialty dyes, textile chemicals, digital printing materials and related new-material products.	2.59
4	Jiangsu Yabang Dye Co., Ltd.	603188.SH	Dyes and dye intermediates, principally disperse and vat dyes and related chemical products.	3.27
5	Jiangsu Jinji Industrial Co., Ltd.	300798.SZ	Reactive dyes and dye intermediates for textile printing and dyeing.	2.18
6	Shanghai Yayun Textile Chemical Co., Ltd.	603790.SH	Textile dyes, auxiliaries and integrated dyeing and finishing solutions.	3.18
7	Zhejiang Wanfeng Chemical Co., Ltd.	603172.SH	Disperse dyes and related dye products for textile applications.	2.02
			Average (excluding the maximum and minimum)	2.29
			Maximum	3.27
			Minimum	1.29
	Zhejiang Jihua	**603980.SH**	**Research and development, production and sale of dyes, dye intermediates and related fine chemical products.**	**1.27**

Source: Public announcements, annual reports, interim reports and quarterly reports of the respective Market Comparables.

Notes:

1. The market capitalisation of each Market Comparable was calculated based on its closing share price as at the Latest Practicable Date and the total number of its issued shares as at such date.

2. The net assets of each Market Comparable represent the latest published consolidated net assets attributable to its shareholders available as at the Latest Practicable Date.

3. The PB Multiple of each Market Comparable was calculated by dividing its market capitalisation by its latest published consolidated net assets attributable to shareholders.

4. The implied PB Multiple of Zhejiang Jihua was calculated by dividing the agreed market capitalisation of RMB5.0 billion by its audited consolidated net assets attributable to shareholders as at 31 December 2025.

Based on the above, we noted that the PB Multiple of the Market Comparables ranged from approximately 1.29 times to approximately 3.27 times, with an average of approximately 2.29 times after excluding the maximum and minimum, which we consider to be outliers. The implied PB Multiple of Zhejiang Jihua of approximately 1.27 times is below the average PB Multiple of the Market Comparables and the minimum PB Multiple of the Market Comparables.

Taking into account that (i) the Jihua Group operates an asset-intensive chemical manufacturing business; and (ii) such implied PB Multiple is below the average and the minimum PB Multiples of the Market Comparables, we consider that the Purchase Price is fair and reasonable so far as the Independent Shareholders are concerned.

8. Financial effects of the Acquisition

(i) Earnings

Upon Completion, Zhejiang Jihua will become a non-wholly owned subsidiary of the Company and the results of the Jihua Group will be consolidated into the financial statements of the Group. Accordingly, the Acquisition is expected to broaden the Group's revenue base. The actual effect of the Acquisition on the earnings of the Group will, however, depend on, among other things, the future operating performance of the Jihua Group, the integration of its business with the Group, the finance costs arising from the acquisition financing and the purchase price allocation and other accounting adjustments upon Completion.

Given that the profitability of the Jihua Group fluctuated during the recent financial years, the Acquisition may not necessarily be immediately earnings-accretive. Nevertheless, the Group will be entitled to consolidate the future results of the Jihua Group and benefit from any improvement in its operating performance following Completion.

(ii) Assets and liabilities

Based on the unaudited pro forma financial information of the Enlarged Group set out in Appendix V to the Circular, and assuming that Completion had taken place on 31 December 2025, the total assets of the Group would have increased from approximately RMB14,801.1 million to approximately RMB19,636.2 million, while its total liabilities would have increased from approximately RMB10,327.6 million to approximately RMB11,849.6 million. The net assets of the Group would have increased from approximately RMB4,473.5 million to approximately RMB7,786.5 million.

The increase in total assets and net assets mainly reflects the consolidation of the assets and liabilities of the Jihua Group and the related acquisition accounting adjustments, while the increase in total liabilities mainly reflects the consolidation of the Jihua Group's liabilities and the acquisition financing.

(iii) Gearing

According to the 2025 Annual Report, the Group calculates its gearing ratio by dividing total interest-bearing debts by total assets. The gearing ratio of the Group was approximately 56.8% as at 31 December 2025. For this purpose, the total interest-bearing debts of the Group of approximately RMB8,412.4 million as at 31 December 2025 comprised bank loans and other borrowings of approximately RMB7,489.2 million, loan from a related company of approximately RMB68.4 million, convertible bonds of approximately RMB412.6 million and lease liabilities of approximately RMB442.2 million.

Based on the unaudited pro forma financial information in Appendix V to the Circular and adopting the same calculation basis, the total interest-bearing debts of the Group would have increased from approximately RMB8,412.4 million to approximately RMB9,239.7 million upon Completion, while its total assets would have increased to approximately RMB19,636.2 million. Accordingly, the gearing ratio of the Enlarged Group would have decreased from approximately 56.8% to approximately 47.1% on a pro forma basis. The decrease is principally attributable to the consolidation of the substantial asset base of the Jihua Group. Notwithstanding the decrease in the pro forma gearing ratio, the absolute amount of the Group's interest-bearing borrowings and its finance costs will increase following Completion, principally due to the acquisition financing of approximately RMB747.3 million.

(B) THE OPTION AGREEMENT

9. Reasons for and benefits of the Option Agreement

As stated in the Letter from the Board, the Grant of Put Option and the grant of the Call Option form part of the negotiations for Junheng LLP Formation. The Option Agreement provides a mechanism under which Hongzun LLP may transfer its 60% interest in Junheng LLP to the Company or its nominee pursuant to the Put Option, while the Company is also granted the Call Option to acquire such interest from Hongzun LLP. Upon exercise of either option, Junheng LLP would become a wholly-owned subsidiary of the Company, thereby increasing the Group's economic interest in the Jihua Group.

As discussed under the section headed "Reasons for and benefits of the Acquisition", Hongzun LLP's initial capital commitment to Junheng LLP is RMB420.0 million, representing 60% of the aggregate initial capital commitment. Its participation reduces the Group's initial funding commitment for the Acquisition. Notwithstanding its larger economic contribution, Hongzun LLP acts only as a limited partner without management or decision-making power, while Shenzhen Chesir, as the general partner, retains control over Junheng LLP and, following Completion, Zhejiang Jihua.

In this context, the Put Option provides Hongzun LLP with an exit mechanism in respect of its investment and forms part of the overall funding arrangement for the Acquisition. In assessing the Put Option, we have taken into account that the approval sought at the current EGM is subject to the Option Price being and remaining at RMB420.0 million, which corresponds to Hongzun LLP's initial capital commitment and does not provide any fixed or guaranteed return. If the final Option Price differs from RMB420.0 million, another general meeting will be convened in accordance with the Listing Rules.

We also note that the Call Option provides the Company with a right, but not an obligation, to acquire Hongzun LLP's interest in Junheng LLP. We further note that, notwithstanding the approval of the Possible Exercise of Call Option sought at the current EGM, the Company will be required to recomply with the applicable Listing Rules and seek further approval from the Independent Shareholders before any future exercise of the Call Option once the final Option Price has been ascertained. On balance, we consider that the Option Agreement has a reasonable commercial rationale as part of the funding and investment arrangements for the Acquisition.

10. Principal terms and conditions of the Option Agreement

Date:	7 May 2026
Parties:	(a) the Company, being the grantor of the Put Option and the grantee of the Call Option; (b) Hongzun LLP, being the grantee of the Put Option and the grantor of the Call Option; and (c) Hongzun Investment, being the limited partner of Hongzun LLP that owns 99% of its interest.
Put Option:	Subject to the fulfilment of the Condition, the Company irrevocably granted to Hongzun LLP an option, but not the obligation, to require the Company (or its nominee) to acquire 60% interest in Junheng LLP at the Option Price. The Put Option is exercisable within the Option Period in accordance with the terms set forth in the Option Agreement.
Call Option:	Subject to the fulfilment of the Condition, Hongzun LLP irrevocably granted to the Company an option, but not the obligation, to require Hongzun LLP to sell 60% interest in Junheng LLP at the Option Price. The Call Option is exercisable within the Option Period in accordance with the terms set forth in the Option Agreement.
Option Period:	The option period means a period of ten (10) years commencing from the date of the satisfaction of the Condition (both days inclusive). Our assessment of the Option Period is set out in the section headed "Assessment of the exercise period" below.
Consideration of the Grant of Put Option and the grant of the Call Option:	The Put Option has been granted by the Company to Hongzun LLP at nil consideration. The Call Option has been granted by Hongzun LLP to the Company at nil consideration.

Exercise of the Put Option and the Call Option:

Subject to the satisfaction of the Condition:

(a) Hongzun LLP shall be entitled to exercise the Put Option; or

(b) the Company shall be entitled to exercise the Call Option,

in each case, on any business day in Hong Kong during the Option Period.

In respect of the exercise of the Put Option, the Put Option shall be exercised by the delivery of an exercise notice from Hongzun LLP (or its agent) to the Company, or in respect of the exercise of the Call Option, the Call Option shall be exercised by the delivery of an exercise notice from the Company (or its agent) to Hongzun LLP, specifying the Option Price.

Each of the Put Option and the Call Option shall be exercisable in full only and not in part.

Option price:

The Option Price shall be determined with reference to the higher of (a) the underlying asset value of 60% interest in Junheng LLP as of the date of exercise notice and (b) the fair value of 60% interest in Junheng LLP as of the date of the exercise notice confirmed by the independent valuer jointly appointed by the Company and Hongzun LLP using such valuation methodology as agreed upon by the Company and Hongzun LLP.

Upon the delivery of the exercise notice, the Company and Hongzun LLP shall jointly appoint an independent valuer for the above purpose. The valuation date is expected to be identical to the date of the exercise notice.

Our assessment of the Option Price and the valuation mechanism is set out in the section headed "Assessment of the Option Price and valuation mechanism" below.

Payment of the Option Price:

The Company shall pay the Option Price to Hongzun LLP within 3 (three) business days of receipt (or delivery) of the exercise notice in accordance with the provisions below:

(a) made direct payment to Hongzun LLP's account (as so notified in the exercise notice) in Hong Kong; or

(b) made direct payment to other designated receiver's account in Hong Kong as notified by Hongzun LLP to the Company in the exercise notice; or

in each case, on mutually acceptable arrangements to be agreed between the parties.

Non-legally binding nature until fulfilment of condition:

It has been expressly agreed between the parties under the Option Agreement that none of the Put Option or the Call Option shall be legally binding on the parties under the Option Agreement until the date of fulfilment of the Condition.

Condition precedent:

The Put Option and the Call Option will only become effective and exercisable upon the passing by the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at the EGM of the necessary resolutions to approve (i) the grant and the exercise of the Put Option or the exercise of the Call Option (as the case may be); (ii) the Option Price; and (iii) all other transactions contemplated under the Option Agreement.

As of the Latest Practicable Date, such Condition has not been satisfied. As disclosed in the Letter from the Board, in respect of the Put Option, the approval sought at the current EGM is subject to the Option Price being and remaining at RMB420.0 million. If the final Option Price is higher or lower than RMB420.0 million, another general meeting will be convened before the Put Option may be exercised. In respect of the Call Option, notwithstanding the approval of the Possible Exercise of Call Option sought at the current EGM, the Company will re-comply with the applicable requirements under the Listing Rules and convene another general meeting to seek approval from the Independent Shareholders before the Call Option may be exercised in the future once the final Option Price has been ascertained.

Lapse of the Put Option and the Call Option:

The Put Option and the Call Option will lapse in the event that:

(a) the Condition has not been fulfilled; or

(b) the Put Option or the Call Option has not been exercised within the Option Period.

11. Assessment of the Option Price and valuation mechanism

Pursuant to the Option Agreement, the Option Price shall be determined with reference to the higher of (a) the underlying asset value of 60% interest in Junheng LLP as of the date of the exercise notice; and (b) the fair value of 60% interest in Junheng LLP as of the date of the exercise notice, as confirmed by an independent valuer jointly appointed by the Company and Hongzun LLP.

We consider the above valuation mechanism appropriate in principle because Junheng LLP is expected to be principally an investment holding vehicle holding shares in Zhejiang Jihua. Accordingly, the value of the 60% interest in Junheng LLP should principally reflect the value of Junheng LLP's underlying assets and liabilities, including the then market value of the shares of Zhejiang Jihua held by Junheng LLP and any cash, borrowings and other assets and liabilities of Junheng LLP at that relevant time. In assessing the Option Price mechanism, we have taken into account that the Option Price will be determined by reference to the higher of the underlying asset value and the fair value of the 60% interest in Junheng LLP, with such fair value to be confirmed by an independent valuer. Given the nature of Junheng LLP as an investment holding vehicle, we consider it reasonable for the Option Price to take into account the value of Junheng LLP's principal underlying investment, together with its other assets and liabilities at the relevant time. We also note that the Option Price is not a fixed amount and does not provide Hongzun LLP with any fixed return, guaranteed investment return, interest, compensation or premium merely by reason of its holding of the 60% interest in Junheng LLP.

Accordingly, the Option Price may increase or decrease over time depending on the business performance and market valuation of Zhejiang Jihua and the then financial position of Junheng LLP, and the Company will not be required to pay a fixed return irrespective of the future performance or market value of Zhejiang Jihua.

In addition, as discussed in the section headed "Reasons for and benefits of the Option Agreement", while the Option Price is to be determined in accordance with the above valuation mechanism, the Independent Shareholders' approval sought at the current EGM only covers an exercise at an Option Price of RMB420.0 million, which corresponds to the total initial capital commitment contributed or to be contributed by Hongzun LLP to Junheng LLP. If the final Option Price determined under the Option Agreement differs from RMB420 million, the Company will convene another general meeting before the Put Option may be exercised. In respect of the Call Option, notwithstanding the approval of the Possible Exercise of Call Option sought at the current EGM, the Company will be required to re-comply with the applicable Listing Rules and seek further approval from the Independent Shareholders before any future exercise once the final Option Price has been ascertained. The Company and the Independent Shareholders will therefore have the opportunity to assess the then prevailing circumstances, including the valuation of the 60% interest in Junheng LLP, the financial position of the Group and the performance and market value of Zhejiang Jihua, before any future exercise of the Call Option and, in respect of the Put Option, where the final Option Price differs from RMB420 million. On this basis, we consider that the above Option Price and valuation mechanism under the Option Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

12. Assessment of the exercise period

We noted that the Option Period is ten years. We have reviewed precedent transactions involving put option and/or call option arrangements in acquisition of companies listed on the Stock Exchange. Based on our review, while certain precedent transactions involved multi-year option arrangements, we have not identified any precedent transaction which is directly comparable to the Option Agreement in all material respects, including the nature of the underlying asset, the fair market value-based pricing mechanism, etc. In particular, we noted that the ten-year Option Period is longer than the exercise periods observed in the precedent transactions reviewed by us.

Notwithstanding the above, we do not consider the length of the Option Period, by itself, to render the terms of the Option Agreement unfair or unreasonable. As advised by the Directors, the Option Period was agreed having regard to the nature of the Acquisition as a long-term strategic investment in a listed chemical manufacturing platform, and the fact that the integration of Jihua Group into the Group, the realisation of potential business synergies, and the market reflection of any operating improvement may take time. Hongzun LLP and Dr Su have also confirmed that they have no present intention or concrete timetable to exercise the Put Option in the near term, nor does the Company have any present intention to exercise the Call Option in the near term. The Directors also considered that the timing of any future acquisition of Hongzun LLP's interest in Junheng LLP would depend on, among other things, the then business performance and valuation of Jihua Group, the Group's financial position, funding availability, gearing level, market conditions and the applicable regulatory requirements at the relevant time.

In assessing the ten-year Option Period, we have taken into account that the grant of the Put Option does not require any immediate cash payment or transfer of Hongzun LLP's interest in Junheng LLP. In respect of the Put Option, the approval sought at the current EGM is subject to the Option Price being and remaining at RMB420.0 million, and if the final Option Price differs from RMB420.0 million, a further general meeting will be required before exercise. In respect of the Call Option, notwithstanding the approval of the Possible Exercise of Call Option sought at the current EGM, the Company will recomply with the applicable Listing Rules and seek further approval from the Independent Shareholders before any future exercise once the final Option Price has been ascertained. The Option Price will also be subject to the independent valuation mechanism and the applicable regulatory and approval requirements at the relevant time.

We further note that the same ten-year period applies to the Call Option, which gives the Company a right, but not an obligation, to acquire Hongzun LLP's interest in Junheng LLP if the Directors consider it appropriate at the relevant time during the Option Period, subject to the applicable Listing Rules requirements and further Independent Shareholders' approval before any actual exercise.

Taking into account the long-term nature of the underlying investment, the flexibility provided by the Call Option, the absence of an immediate payment upon the grant of the options, the independent valuation mechanism and the above shareholder approval arrangement, we consider that the ten-year Option Period is fair and reasonable so far as the Independent Shareholders are concerned.

13. Financial effects of the Option Agreement

As the Put Option and the Call Option are granted at nil consideration and no transfer of the Option Interests will take place upon entering into the Option Agreement, the Option Agreement itself is not expected to result in any immediate cash outflow by the Group. However, as set out in Appendix VI to the Circular, the grant of the Put Option is expected to result in the recognition of a written put option liability on a pro forma basis.

(i) Earnings

As stated in the Letter from the Board, the grants of the Put Option and the Call Option are not expected to have any specific immediate impact on the earnings of the Group. Upon Completion, Junheng LLP and Zhejiang Jihua will already be consolidated into the financial statements of the Group. Accordingly, any future acquisition by the Group of Hongzun LLP's interest in Junheng LLP pursuant to the Put Option or the Call Option is not expected to change the consolidation basis of Junheng LLP or Zhejiang Jihua, but would affect the allocation of profit or loss between the owners of the Company and the non-controlling interest.

The actual effect on earnings will depend on the future financial performance of Junheng LLP and Zhejiang Jihua, the Option Price, the funding method for payment of the Option Price and the accounting treatment to be adopted at the relevant time. If the Option Price is funded by borrowings, the Group may incur additional finance costs.

(ii) Assets and liabilities

Based on the unaudited pro forma financial information of the Further Enlarged Group set out in Appendix VI to the Circular, the grant of the Put Option would result in the recognition of a written put option liability of approximately RMB163.4 million. Such amount was calculated, for illustrative purposes, based on 60% of the underlying asset value of Junheng LLP as at 31 December 2025.

On this basis, the pro forma net assets of the Enlarged Group would decrease from approximately RMB7,786.5 million to approximately RMB7,623.1 million, representing a decrease of approximately RMB163.4 million or 2.1%. The pro forma information further assumes that, upon exercise of either option, the cash settlement amount would equal the written put option liability of approximately RMB163.4 million. Accordingly, the payment would result in a corresponding decrease in cash and cash equivalents and the derecognition of the written put option liability, without a further change in net assets on such illustrative basis.

We note, however, that the illustrative amount of approximately RMB163.4 million is different from the RMB420 million Option Price contemplated under the approval sought at the current EGM. In respect of the Put Option, if the final Option Price differs from RMB420 million, another general meeting will be required before exercise. In respect of the Call Option, the Company will in any event re-comply with the applicable Listing Rules and seek further Independent Shareholders' approval before any future exercise once the final Option Price has been ascertained. The actual financial effects upon exercise may therefore differ from the unaudited pro forma illustration and will depend on the final Option Price, the financial position of Junheng LLP and the accounting treatment at the relevant time.

(iii) Gearing

The entering into of the Option Agreement is not expected to have any immediate impact on the Group's gearing, as no Option Price is payable upon grant of the Put Option or the Call Option. Upon any future exercise, the Group's gearing may increase if the Option Price is funded by borrowings.

CONCLUSION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Acquisition, the Option Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the Acquisition, the Option Agreement and the transactions contemplated thereunder may not be in the ordinary and usual course of business of the Company, they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolutions to be proposed at the EGM to approve the Acquisition, the Option Agreement and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully
For and on behalf of
Innovax Capital Limited
Peter, Ng Kai Pong
Director

Note: Mr. Peter Ng is a licensed person under the SFO to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and is regarded as a responsible officer of Innovax Capital Limited. Mr. Peter Ng has over 15 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the financial years ended 31 December 2023, 2024 and 2025 are disclosed in the following annual reports of the Company which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chesir.com):

(i) Annual report of the Company for the year ended 31 December 2023: https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042901147.pdf

(ii) Annual report of the Company for the year ended 31 December 2024: https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042903169.pdf

(iii) Annual report of the Company for the year ended 31 December 2025: https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0428/2026042801418.pdf

2. INDEBTEDNESS STATEMENT OF THE GROUP, THE ENLARGED GROUP AND THE FURTHER ENLARGED GROUP

As of the close of business on 30 June 2026, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the indebtedness of the Group, the Enlarged Group and the Further Enlarged Group was as follows:

Borrowings

	As of 30 June 2026			
	The Group	**Zhejiang Jihua**	**The Enlarged Group**	**The Further Enlarged Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and other borrowings (Note (i))	7,253,184	20,112	7,273,296	7,273,296
Convertible loan (Note (ii))	1,228,139	—	1,228,139	1,228,139
Bond payable (Note (iii))	193,735	—	193,735	193,735
Lease liabilities (Note (iv))	403,386	9,484	412,870	412,870
Total	9,078,444	29,596	9,108,040	9,108,040

Notes:

(i) As of 30 June 2026, the Enlarged Group had bank and other borrowings of:

(a) bank loans of RMB6,605 million, comprising RMB3,193 million which were secured and guaranteed, RMB212 million which were secured but not guaranteed, and RMB3,200 million which were guaranteed but not secured. The Group's bank loans were secured by certain property, plant and equipment, right-of-use assets, patents and restricted deposits of the Group, and the guarantees were provided by companies held by a substantial shareholder (who is also an executive director of the Company), together with personal guarantees of this substantial shareholder and a close family member of this substantial shareholder;

(b) other borrowings of RMB114 million, comprising RMB33 million which were secured and guaranteed and RMB81 million which were secured but not guaranteed. The Group's other borrowings were secured by certain property, plant and equipment, and patents of the Group, and certain of such borrowings were also guaranteed by companies held by the same substantial shareholder (who is also an executive director of the Company), together with personal guarantees of this substantial shareholder and a close family member of this substantial shareholder;

(c) and unsecured and unguaranteed bank and other borrowings of RMB554 million.

(ii) As of 30 June 2026, the Enlarged Group had outstanding unsecured and guaranteed convertible bonds with an aggregate principal amount of RMB374 million, with also unsecured and unguaranteed convertible bonds with an aggregate principal amount of RMB854 million.

(iii) As of 30 June 2026, the Enlarged Group had an outstanding unsecured bond payable with a principal amount of RMB194 million.

(iv) As of 30 June 2026, the Enlarged Group had lease liabilities of RMB413 million for the lease of plant, machinery and equipment, motor vehicles, and other properties leased for own use, which were unsecured and unguaranteed.

Contingent liabilities

According to the civil judgment of the Guangzhou Yuexiu District People's Court, Guangdong Province dated 29 September 2025 (Docket No. (2025) Yue 0104 Min Chu No. 14972), Kangbeide, a subsidiary of Zhejiang Jihua is required to refund research and development costs of RMB1 million to Guangzhou Tuoleshu Pharmaceutical Technology Partnership Enterprise (Limited Partnership), which has been recognised as a provision. Kangbeide is dissatisfied with the judgment and has filed an appeal. As of the date of the auditor's report, the second-instance trial had not yet been concluded.

Saved as disclosed above, as of 30 June 2026, there was no material contingent liability of the Enlarged Group.

Amounts due to related parties

As of 30 June 2026, Zhejiang Jihua had RMB36 million of amounts due to related parties which are of non-trade nature, unsecured and repayable on demand.

Save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities, at the close of business on 30 June 2026, none of the members of the Enlarged Group had (a) any debt securities issued and outstanding, and authorised or otherwise created but unissued; (b) any term loans; (c) any borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptances credits or hire purchase commitments; (d) any debentures, mortgages or charges; or (e) any guarantee or other material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY

After due and careful consideration, the Directors are of the opinion that, taking into account the effect of the Grant of Put Option, Possible Exercise of Call Option and the Acquisition, the financial resources available to the Enlarged Group including cash flows to be generated from the operating activities and the available credit facilities, the Enlarged Group will have sufficient working capital for its requirements for at least 12 months from the date of this circular, in the absence of unforeseen circumstances.

As of the Latest Practicable Date, the Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

The Company issued a profit warning announcement on 10 August 2026 regarding its expected unaudited results for the six months ended 30 June 2026. Save as disclosed in that profit warning announcement, the Directors confirm that, as of the Latest Practicable Date, there has been no material adverse change in the financial or trading position of the Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Group were prepared.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP AND THE FURTHER ENLARGED GROUP

The Enlarged Group (or the Further Enlarged Group) aims to lead the sustainable growth of material technology by applying technological innovation to develop materials for use across multiple sectors and applications. The strategy of the Enlarged Group (or the Further Enlarged Group) will continue to centre on the three core areas of green manufacturing, advanced materials, and intelligent applications.

Moving forward, the Enlarged Group (or the Further Enlarged Group) intends to further increase its investment in research and development and continue pursuing global collaborative research initiatives to strengthen its technological capabilities in synthetic mica and pearlescent materials. The Enlarged Group (or the Further Enlarged Group) also aims to advance the commercial development of cosmetic active ingredients and new energy materials for application in the industrial, consumer electronics, and high-end cosmetics sectors.

The Enlarged Group (or the Further Enlarged Group) will continue to focus on integrating its global surface solutions business, which is expected to deliver technological synergies, supply chain cost reductions, and cross-selling opportunities through the combined use of the Enlarged Group's (or the Further Enlarged Group) product patents and proprietary systems, core technologies, global customer relationships, and upstream and downstream channel networks.

The Enlarged Group (or the Further Enlarged Group) has further established key long-term strategies to ensure sustainable growth. The Enlarged Group (or the Further Enlarged Group) intends to capitalise on the distinct strengths and characteristics of each distribution channel to achieve operational synergy and complementarity. Through the systematic implementation of cross-selling initiatives and the facilitation of seamless channel transitions, the Enlarged Group (or the Further Enlarged Group) anticipates enhanced market penetration across diverse global markets and customer segments.

The Enlarged Group (or the Further Enlarged Group) is committed to broadening its product matrix across premium, mid-range, and value segments. This expansion encompasses industrial-grade, automotive weather-resistant grade, cosmetic-grade, and bespoke product offerings. Such diversification is designed to address the requirements of multi-tiered markets, specialised applications, and niche sectors, thereby strengthening industry competitiveness and fostering customer loyalty.

The Enlarged Group (or the Further Enlarged Group) will undertake a strategic review and optimisation of production capacity allocation across its global manufacturing facilities, with the objective of improving utilisation rates and energy efficiency. Upon completion of the production facility in Tonglu, Hangzhou, the Enlarged Group (or the Further Enlarged Group) will benefit from an additional 100,000 tonnes of synthetic mica production capacity, representing a material increase in overall manufacturing output. Concurrently, the Enlarged Group (or the Further Enlarged Group) intends to pursue efficiencies through centralised global procurement arrangements, which are expected to reduce raw material costs, enhance supplier negotiations, and contribute positively to gross profit margins and product quality consistency.

The Enlarged Group (or the Further Enlarged Group) will continue to leverage its collaborative research and development capabilities across its five principal locations in China, Germany, Korea, Japan, and the United States. This integrated approach is intended to reduce barriers to research and development, accelerate technology incubation cycles, and strengthen the Enlarged Group's (or the Further Enlarged Group) innovation capabilities through increased investment. Furthermore, the Enlarged Group (or the Further Enlarged Group) remains focused on identifying and cultivating new growth opportunities, including expansion into functional and sustainable manufacturing applications, to capitalise on emerging market opportunities and evolving technical specifications.

6. ACQUISITIONS AFTER THE DATE OF THE LATEST PUBLISHED AUDITED ACCOUNTS

Save for the Grant of Put Option and Possible Exercise of Call Option contemplated under the Option Agreement (details of which are disclosed in this circular) and the Acquisition contemplated under the Share Transfer Agreement, the Supplemental Agreement and the Second Supplemental Agreement, since 31 December 2025 (being the date of which the latest published audited consolidated accounts of the Company were made up to), no member of the Group has acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the auditor's report or next published accounts of the Company.

The aggregate of the remuneration payable to and benefits in kind received by the Directors will not be varied in consequence of the Grant of Put Option, Possible Exercise of Call Option and the Acquisition.

FINANCIAL INFORMATION OF JIHUA GROUP

The following is an extract of the audited financial statements of Zhejiang Jihua for the years ended 31 December 2023, 2024 and 2025 and the unaudited financial statements of Zhejiang Jihua for the three months ended 31 March 2026, which were prepared in accordance with CASBE, as extracted from the respective annual or quarterly reports and financial statements of Zhejiang Jihua for the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2026. These financial statements were issued in simplified Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the simplified Chinese version shall prevail.

The annual or quarterly reports and financial statements of Zhejiang Jihua for the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2026 are available at the website of the Shanghai Stock Exchange (https://www.sse.com.cn/).

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Company has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

I. Audit Report

√ Applicable □ Not applicable

Audit Report

Tian Jian Shen [2024] No. 4335

To all shareholders of Zhejiang Jihua Group Co., Ltd.:

I. Audit Opinion

We have audited the financial statements of Zhejiang Jihua Group Co., Ltd. (hereinafter referred to as Jihua Group Company), including the consolidated and parent company statement of assets and liabilities as at 31 December 2023, the consolidated and parent company profit statement, consolidated and parent company cash flow statement, consolidated and parent company statement of changes in owner's equity for the year 2023, and the related notes to the financial statements.

In our opinion, the attached financial statements have been prepared in all material respects in accordance with the Accounting Standards for Business Enterprises, and fairly reflect the consolidated and parent company financial position of Jihua Group Company as at 31 December 2023, as well as the consolidated and parent company operating results and cash flows for the year 2023.

II. Basis for Forming the Audit Opinion

We have performed our audit in accordance with the China Standards on Auditing for Certified Public Accountants. Our responsibilities under these standards are further set out in the section "Certified Public Accountants' Responsibilities for the Audit of Financial Statements" of the audit report. In accordance with the Code of Professional Ethics for Certified Public Accountants of China, we are independent of Jihua Group Company and have fulfilled other professional ethical obligations. We believe that the audit evidence we have obtained is sufficient and appropriate, which provides a basis for expressing the audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not express an opinion on these matters individually.

(I) Revenue Recognition

1. Description of the Matter

For relevant information disclosure, please refer to note 3(24), note 5(2)1 and note 15(2) to the financial statements.

The Revenue of Jihua Group Company mainly comes from selling dyes, intermediates and other products. For the year 2023, the revenue of Jihua Group Company was RMB 1,691,279,100, among which the revenue from dyes and intermediates business was RMB 1,463,982,800, accounting for 86.56% of the revenue.

Since revenue is one of the key performance indicators of Jihua Group Company, there exists inherent risk that the management of Jihua Group Company (hereinafter referred to as the Management) may achieve specific targets or expectations through improper revenue recognition. Therefore, we identify revenue recognition as a key audit matter.

2. Audit Responses

In respect of revenue recognition, the audit procedures we performed mainly include:

(1) Understand the key internal controls related to revenue recognition, evaluate the design of such controls, confirm whether they have been implemented, and test the operating effectiveness of relevant internal controls;

(2) Examine sales contracts, understand the main contract terms and conditions, and evaluate whether the revenue recognition method is appropriate;

(3) Conduct analytical procedures on revenue and gross profit margin by month, product and customer, identify any material or abnormal fluctuations and find out the reasons for such fluctuations;

(4) For domestic sales income, inspect supporting documents related to revenue recognition on a sampling basis, including inquiry sheets, delivery orders and invoices; for export income, obtain electronic port information and reconcile it with book records, and inspect supporting documents such as sales contracts, export customs declarations, bills of lading and sales invoices on a sampling basis;

(5) In conjunction with accounts receivable confirmation, confirm the current period sales amount to major customers on a sampling basis;

(6) Perform cut-off tests on revenue recognised before and after the statement of assets and liabilities date, and evaluate whether revenue is recognised in the appropriate period;

(7) Check whether the information related to revenue has been appropriately presented in the financial statements.

(II) Net Realisable Value of Inventories

1. Description of the Matter

For relevant information disclosure, please refer to Notes 3(12) and 5(1)8 to the financial statements.

As of 31 December 2023, the book balance of inventories of Jihua Group Company was RMB 585,646,700, the provision for inventory impairment was RMB 38,686,400, and the carrying value was RMB 546,960,300.

As the amount of inventories is material and the determination of net realisable value of inventories involves significant management judgement, we identify the net realisable value of inventories as a key audit matter.

2. Audit Responses

In respect of the net realisable value of inventories, the audit procedures we performed mainly include:

(1) Understand the key internal controls related to the net realisable value of inventories, evaluate the design of such controls, confirm whether they have been implemented, and test the operating effectiveness of relevant internal controls;

(2) Review the previous years' forecasts on the net realisable value of inventories made by the management and the actual operating results, and evaluate the accuracy of the management's past forecasts;

(3) Review the management's forecasts on the estimated selling prices of inventories on a sampling basis, and compare the estimated selling prices with historical data and post-period conditions;

(4) Evaluate the reasonableness of the management's estimates of the costs to be incurred until the completion of inventories, selling expenses and relevant taxes and fees;

(5) Test whether the calculations on the net realisable value of inventories made by the management are accurate;

(6) In conjunction with inventory observation, inspect whether there are inventories with long inventory age, outdated models, decreased output, fluctuating production costs or selling prices among the closing inventories, and evaluate whether the management has reasonably estimated the net realisable value;

(7) Check whether the information related to the net realisable value of inventories has been appropriately presented in the financial statements.

(III) Impairment of Long-term Assets

1. Description of the Matter

For relevant information disclosure, please refer to Notes 3(19), 5(1)13, 5(1)14, 5(1)21 and 5(2)11 to the financial statements.

As of 31 December 2023, the carrying value of property, plant and equipment of Jihua Group Company was RMB 881,557,500, the carrying value of other non-current assets was RMB 88,564,200, and the carrying value of construction in progress was RMB 9,645,700. A total of RMB 160,431,200 of impairment provisions for the aforesaid long-term assets were recognised during the current period.

As the amount of long-term assets is material and significant to the financial statements, and asset impairment involves significant management judgement, we identify the impairment of such long-term assets as a key audit matter.

2. Audit Responses

In respect of asset impairment losses, the audit procedures we performed mainly include:

(1) Understand the key internal controls related to impairment of long-term assets, evaluate the design of such controls, confirm whether they have been implemented, and test the operating effectiveness of relevant internal controls;

(2) Review the management's judgment on impairment indicators of long-term assets, and assess whether the management has conducted impairment tests in accordance with the requirements of Accounting Standards for Business Enterprises;

(3) Based on the status of long-term assets, analyse and review the key assumptions adopted by the management of Jihua Group Company in forecasting the present value of future cash flows during impairment tests, and inspect relevant supporting evidence;

(4) Carry out inventory observation and on-site inspection procedures for physical assets, verify whether there is idle status, and judge whether impairment indicators exist;

(5) In conjunction with confirmation of trust assets and post-period recovery status, evaluate the accuracy of impairment provisions recognised by the management;

(6) Check whether the information related to the net realisable value of long-term assets such as property, plant and equipment and other non-current assets has been appropriately presented in the financial statements.

IV. Other Information

The management is responsible for other information. Other information includes the information contained in the annual report, but excludes the financial statements and our audit report.

The audit opinion we expressed on the financial statements does not cover other information, and we do not express any form of assurance conclusion on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information, and in this process, consider whether other information is materially inconsistent with the financial statements or the matters we have learned during the audit, or appears to contain material misstatements.

Based on the work we have performed, if we determine that there are material misstatements in other information, we shall report such facts. In this respect, we have no matters to report.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve fair presentation, and for designing, implementing and maintaining necessary internal controls to ensure that the financial statements are free from material misstatement arising from fraud or error.

When preparing the financial statements, the management is responsible for assessing the going concern ability of Jihua Group Company, disclosing matters related to going concern (if applicable), and adopting the going concern assumption, unless liquidation, cessation of operation is planned or there is no other realistic alternative.

Those charged with governance of Jihua Group Company (hereinafter referred to as those charged with governance) are responsible for supervising the financial reporting process of Jihua Group Company.

VI. Responsibilities of Certified Public Accountants for the Audit of Financial Statements

Our objective is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report containing the audit opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error, and misstatements are generally considered material if they could reasonably be expected to influence the economic decisions made by users of the financial statements on the basis of the financial statements, either individually or in the aggregate.

In the course of performing audit work in accordance with auditing standards, we exercise professional judgement and maintain professional scepticism. Meanwhile, we carry out the following work:

(I) Identify and assess the risks of material misstatement in the financial statements arising from fraud or error, design and implement audit procedures to address such risks, and obtain sufficient and appropriate audit evidence as the basis for expressing the audit opinion. As fraud may involve collusion, forgery, intentional omission, misrepresentation or override of internal controls, the risk of failing to detect material misstatement arising from fraud is higher than that arising from error.

(II) Obtain an understanding of internal controls relevant to the audit so as to design appropriate audit procedures.

(III) Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates made and relevant disclosures.

(IV) Draw a conclusion on the appropriateness of the management's use of the going concern assumption. Meanwhile, based on the audit evidence obtained, draw a conclusion on whether there exists material uncertainty regarding events or conditions that may cast significant doubt on the going concern ability of Jihua Group Company. If we conclude that material uncertainty exists, auditing standards require us to draw the attention of users of the financial statements to the relevant disclosures in the financial statements in the audit report; if the disclosures are inadequate, we shall express a modified opinion. Our conclusions are based on information available as at the date of the audit report. Nevertheless, future events or conditions may cause Jihua Group Company to be unable to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, and assess whether the financial statements fairly present the relevant transactions and events.

(VI) Obtain sufficient and appropriate audit evidence in respect of the financial information of entities or business activities within Jihua Group Company for the purpose of expressing an audit opinion on the financial statements. We are responsible for directing, supervising and performing the group audit, and assume full responsibility for the audit opinion.

We communicate with those charged with governance on matters such as the planned audit scope, timetable and significant audit findings, including the significant deficiencies in internal control identified during our audit.

We also provide those charged with governance with a statement that we have complied with the ethical requirements relating to independence, and communicate all relationships and other matters that may reasonably be deemed to affect our independence, together with relevant safeguards (if applicable).

Among the matters communicated with those charged with governance, we determine those matters that are of most importance to the audit of the financial statements for the current period and accordingly constitute key audit matters. We describe these matters in the audit report, unless laws and regulations prohibit public disclosure of such matters, or in extremely rare circumstances, where we reasonably expect that the adverse consequences of disclosing a matter in the audit report would outweigh the benefits to the public interest, we determine not to disclose such matter in the audit report.

Pan-China Certified Public Accountants LLP
(Engagement Partner)

Certified Public Accountant of China:

Hangzhou, China

Certified Public Accountant of China:

26 April 2024

II. Financial Statement

Consolidated Statement of Assets and Liabilities
31 December 2023

Prepared by: Zhejiang Jihua Group Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	31 December 2023	31 December 2022
Current assets:			
Bank and cash balances		774,169,421.93	892,382,714.98
Settlement reserve fund			
Lendings to banks and other financial institutions			
Financial assets at fair value through profit or loss ("FVTPL")		420,656,714.19	774,527,833.41
Derivatives			
Bills receivables (應收票據)		237,500.00	
Trade receivables		266,183,563.47	193,357,603.07
Bills receivables (應收款項融資)		437,379,856.91	343,699,637.97
Prepayments		11,507,501.86	7,786,209.13
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables		31,020,937.49	328,091.92
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under resale agreements			
Inventories		546,960,326.12	676,627,043.09
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		414,285,873.96	431,070,823.63
Total current assets		2,902,401,695.93	3,319,779,957.20
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivable			
Long term investments		111,216,024.27	96,173,277.70
Investments in other equity instruments			
Other non-current financial assets		100,760,049.40	86,187,233.87

Item	Note	31 December 2023	31 December 2022
Investment properties		289,245,651.09	210,971,347.57
Property, plant and equipment		881,557,468.45	1,179,089,787.79
Construction in progress		9,645,693.47	80,379,291.56
Productive biological assets			
Oil and gas assets			
Right-of-use assets		2,327,224.66	3,841,770.53
Intangible assets		106,456,957.29	103,678,248.70
Development expenditures		17,522,047.31	35,044,094.63
Goodwill		7,500,892.68	7,500,892.68
Long term prepaid expenses		764,576.07	825,337.11
Deferred tax assets		12,170,933.82	14,108,505.32
Other non-current assets		88,564,199.29	102,197,411.07
Total non-current assets		1,627,731,717.80	1,919,997,198.53
Total assets		4,530,133,413.73	5,239,777,155.73
Current liabilities:			
Short-term borrowings		60,010,694.44	263,517,110.49
Borrowings from central bank			
Loans from banks and other financial institutions			
Transactional financial liabilities			41,098.00
Derivative financial liabilities			
Bills payables		12,300,000.00	94,451,800.00
Trade payables		322,219,024.76	463,930,905.73
Advances from customers		3,783,939.24	1,729,553.49
Contract liabilities		75,660,462.68	53,686,355.78
Financial assets sold under repurchase agreements			
Deposits from customers and interbank deposits			
Amount paid for agency securities trading			
Amount paid for agency securities underwriting			
Employee benefits payables		37,046,551.30	31,741,867.34
Current tax liabilities		19,506,171.13	18,659,786.36
Other payables		22,737,720.28	22,764,233.40
Including: Interests payable			
Dividends payable			
Fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year		1,234,417.40	1,642,149.11
Other current liabilities		8,827,330.28	6,275,055.73
Total current liabilities		563,326,311.51	958,439,915.43

Item	Note	31 December 2023	31 December 2022
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		1,337,032.89	2,435,253.18
Long-term payables			
Long-term employee remuneration payable			
Provisions		135,665.52	5,979,826.68
Deferred revenue		42,056,635.36	46,046,109.46
Deferred tax liabilities		16,753,740.14	22,889,853.65
Other non-current liabilities		6,000,000.00	6,000,000.00
Total non-current liabilities		66,283,073.91	83,351,042.97
Total liabilities		629,609,385.42	1,041,790,958.40
Equity:			
Share capital		700,000,000.00	700,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,152,556,162.08	1,144,722,827.57
Less: Treasury shares			
Other comprehensive income			
Special reserve		2,022,006.85	175,504.27
Statutory surplus reserve		358,421,889.12	335,497,754.07
General risk reserves			
Retained earnings		1,674,126,688.96	1,993,896,617.82
Equity attribute to owners of the Company		3,887,126,747.01	4,174,292,703.73
Non-controlling interests		13,397,281.30	23,693,493.60
Total equity		3,900,524,028.31	4,197,986,197.33
Total liabilities and equity		4,530,133,413.73	5,239,777,155.73

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Parent Company Statement of Assets and Liabilities
31 December 2023

Prepared by: Zhejiang Jihua Group Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	31 December 2023	31 December 2022
Current assets:			
Bank and cash balances		568,135,823.92	746,561,660.26
Financial assets at fair value through profit or loss ("FVTPL")		344,281,501.48	666,979,448.41
Derivatives			
Bills receivables (應收票據)			
Trade receivable		296,494,796.71	170,491,861.53
Bills receivables (應收款項融資)		405,962,544.11	286,868,299.85
Prepayments		415,564,598.22	476,889,862.21
Other receivables		453,926,435.03	240,448,856.57
Including: Interests receivable			
Dividends receivable			
Inventories		1,179,469.03	
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		185,221,579.81	298,725,182.85
Total current assets		2,670,766,748.31	2,886,965,171.68
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivable			
Long term investments		1,026,498,387.37	1,001,454,967.49
Investments in other equity instruments			
Other non-current financial assets		88,345,099.40	73,772,283.87
Investment properties			
Property, plant and equipment		6,658,579.63	6,571,181.09
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets			160,514.11
Intangible assets		109,622.83	125,719.88
Development expenditures			
Goodwill			
Long term prepaid expenses			

Item	Note	31 December 2023	31 December 2022
Deferred tax assets		2,556,251.81	3,933,295.48
Other non-current assets		84,954,660.56	98,773,732.28
Total non-current assets		1,209,122,601.60	1,184,791,694.20
Total assets		3,879,889,349.91	4,071,756,865.88
Current liabilities:			
Short-term borrowings			
Transactional financial liabilities			
Derivative financial liabilities			
Bills payables		50,000,000.00	327,500,000.00
Trade payables		33,320,598.03	152,720,065.57
Advances from customers			
Contract liabilities		66,774,509.33	37,931,286.26
Employee benefits payables		6,640,057.70	4,671,010.01
Current tax liabilities		4,038,044.42	8,164,433.08
Other payables		11,216,682.71	10,027,427.00
Including: Interests payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year			168,018.48
Other current liabilities		8,527,355.25	4,931,067.20
Total current liabilities		180,517,247.44	546,113,307.60
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee remuneration payable			
Provisions			
Deferred revenue		613,135.80	689,777.78
Deferred tax liabilities		563,835.68	
Other non-current liabilities			
Total non-current liabilities		1,176,971.48	689,777.78
Total liabilities		181,694,218.92	546,803,085.38
Equity:			
Share capital		700,000,000.00	700,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,349,264,443.04	1,349,264,443.04

Item	Note	31 December 2023	31 December 2022
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Statutory surplus reserve		359,595,485.74	336,671,350.69
Retained earnings		1,289,335,202.21	1,139,017,986.77
Total equity		3,698,195,130.99	3,524,953,780.50
Total liabilities and equity		3,879,889,349.91	4,071,756,865.88

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Consolidated Profit Statement
January to December 2023

Unit: Yuan Currency: RMB

Item		Note	2023	2022
I. Total operating income			1,691,279,147.00	1,931,693,894.55
Including:	Revenue		1,691,279,147.00	1,931,693,894.55
	Interest income			
	Premium earned			
	Fees and commissions income			
II. Total operating costs			1,780,775,051.15	2,104,768,184.41
Including:	Cost of goods sold		1,589,537,986.56	1,898,242,292.10
	Interest expense			
	Fees and commissions expenses			
	Surrender value			
	Net amount of compensation payout			
	Net amount withdrawn for insurance liability reserves			
	Policy dividend expenses			
	Reinsurance expenses			
	Sales related tax and auxiliary charges		14,749,695.05	13,926,328.02
	Selling expenses		22,336,445.07	19,596,709.12
	Administrative expenses		109,767,571.76	102,760,074.73
	Research and development expenses		81,276,566.40	90,055,561.25
	Financial costs		-36,893,213.69	-19,812,780.81
	Including: Interest expenses		1,927,048.29	6,827,196.11
	Interest income		31,965,248.36	14,783,160.79
Add:	Other income		23,161,864.06	16,615,200.31
	Investment income ("-" for losses)		54,525,579.40	96,199,854.07
	Including: Investment income in associates and joint ventures		17,970,507.90	12,196,432.29
	Gains from derecognition of financial assets measured at amortised cost			
	Gains from foreign exchange ("-" for losses)			
	Gains from net exposure hedging ("-" for losses)			
	Gains from changes in fair value ("-" for losses)		-42,178,775.28	-5,608,645.97
	Credit impairment losses ("-" for losses)		-7,406,740.18	3,574,071.37

Item	Note	2023	2022
Asset impairment losses ("-" for losses)		-183,554,004.37	-132,761,386.26
Gains on disposal of assets ("-" for losses)		6,040,166.67	-2,634,914.10
III. Operating profits ("-" for losses)		-238,907,813.85	-197,690,110.44
Add: non-operating income		940,646.32	786,948.31
Less: non-operating expenses		2,326,750.89	13,704,862.78
IV. Total profits ("-" for total losses)		-240,293,918.42	-210,608,024.91
Less: income tax expense		4,805,553.18	3,222,529.24
V. Net profit ("-" for net loss)		-245,099,471.60	-213,830,554.15
(I) Classified by operating continuity			
1. Net profit from continued operation ("-" for net loss)		-245,099,471.60	-213,830,554.15
2. Net profit from discontinued operation ("-" for net loss)			
(II) Classified by the ownership			
1. Owners of the Company ("-" for losses)		-240,845,793.81	-209,649,216.97
2. Non-controlling interests ("-" for losses)		-4,253,677.79	-4,181,337.18
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income, net of tax, attributable to owners of the parent company			
1. Other comprehensive income that cannot be reclassified into profit or loss			
(1) Changes in re-measurement of the defined benefit plan			
(2) Other comprehensive income that cannot be transferred to profit or loss under the equity method			
(3) Changes in fair value of other equity instruments investments			
(4) Changes in fair value of the Company's own credit risk			
2. Other comprehensive income that will be reclassified into profit or loss			
(1) Other comprehensive income that can be transferred into profit or loss under the equity method			
(2) Changes in fair value of other debt investments			

Item	Note	2023	2022
(3) Amount of financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedging reserves			
(6) Exchange differences from translation of financial statements denominated in foreign currencies			
(7) Others			
(II) Other comprehensive income, net of tax, attributable to minority interests			
VII. Total comprehensive income		-245,099,471.60	-213,830,554.15
(I) Total comprehensive income attributable to owners of the company		-240,845,793.81	-209,649,216.97
(II) Total comprehensive income attributable to Non-controlling interests		-4,253,677.79	-4,181,337.18
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		-0.34	-0.30
(II) Diluted earnings per share (RMB/share)		-0.34	-0.30

If business combination under common control occurred during the current period, the net profit realised by the combined party before combination: RMB 0, the net profit realised by the combined party in the previous period: RMB 0.

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Parent Company Profit Statement
January to December 2023

Unit: Yuan Currency: RMB

Item			Note	2023	2022
I.	Revenue			1,451,621,236.23	1,595,703,530.79
	Less:	Cost of good sold		1,453,540,886.47	1,593,253,276.73
		Sales related tax and auxiliary charges		544,884.59	578,391.61
		Selling expenses		12,204,961.68	10,295,576.38
		Administrative expenses		18,999,139.36	16,953,797.41
		Research and development expenses			
		Financial costs		-24,010,831.50	-10,069,295.48
		Including: Interest expenses		26,191.74	436,682.56
		Interest income		24,246,423.75	10,825,260.60
	Add:	Other income		539,227.43	1,192,777.04
		Investment income ("-" for losses)		258,430,641.77	234,539,774.46
		Including: Investment income in associates and joint ventures		17,971,181.21	12,198,139.70
		Gains from derecognition of financial assets measured at amortised cost			
		Gains from net exposure hedging ("-" for losses)			
		Gains from changes in fair value		3,021,236.38	-10,216,712.38
		Credit impairment losses ("-" for losses)		-7,806,811.38	6,146,605.47
		Asset impairment losses ("-" for losses)		-9,197,136.00	-28,121,729.26
		Gains from disposal of assets ("-" for losses)		-70,327.96	2,099.23
II.	Operating profits ("-" for losses)			235,259,025.87	188,234,598.70
	Add: non-operating income			2,835.66	95.21
	Less: non-operating expenses			194,010.62	525,762.04
III.	Total profits ("-" for total losses)			235,067,850.91	187,708,931.87
	Less: income tax expenses			5,826,500.42	6,034,092.23
IV.	Net profit ("-" for net loss)			229,241,350.49	181,674,839.64
	(I) Net profit from continued operation ("-" for net loss)			229,241,350.49	181,674,839.64
	(II) Net profit from discontinued operation ("-" for net loss)				

Item	Note	2023	2022
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investments			
4. Changes in fair value of the Company's own credit risk			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be transferred into profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserves			
6. Exchange differences from translation of financial statements denominated in foreign currencies			
7. Others			
VI. Total comprehensive income		229,241,350.49	181,674,839.64
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Consolidated Cash Flow Statement
January to December 2023

Unit: Yuan Currency: RMB

Item		Note	2023	2022
I.	Cash flows from operating activities:			
	Cash received from sale of goods and rendering of services		551,572,069.97	774,989,828.52
	Net increase in deposits from customers and interbank deposits			
	Net increase in borrowings from central bank			
	Net increase in loans from other financial institutions			
	Cash received from premiums of original insurance contracts			
	Net cash received from reinsurance business			
	Net increase in deposits and investments from policy holders			
	Cash received from interests, fees and commissions			
	Net increase in loans from banks and other financial institutions			
	Net increase in capital from repurchase business			
	Net cash received from agency securities trading			
	Tax refund received		2,164,294.43	23,398,873.34
	Cash received relating to other operating activities		138,661,451.43	84,419,678.93
	Subtotal of cash inflows from operating activities		692,397,815.83	882,808,380.79
	Cash paid for goods purchased and services received		455,801,723.95	478,577,436.33
	Net increase in customers' loans and advances			
	Net increase in deposits with central bank and interbank			
	Cash paid for original insurance contract compensation			
	Net increase in lendings to banks and other financial institutions			
	Cash paid for interests, fees and commissions			
	Cash paid for policy dividends			
	Cash paid to and for employees		181,671,246.20	197,136,388.09

Item		Note	2023	2022
	Taxes paid		56,085,234.42	130,174,467.58
	Cash paid relating to other operating activities		124,683,410.94	89,094,664.92
	Subtotal of cash outflows from operating activities		818,241,615.51	894,982,956.92
	Net cash flow from operating activities		-125,843,799.68	-12,174,576.13
II.	Cash flows from investing activities:			
	Cash received from disposal of investments		1,336,030,129.09	1,487,554,401.66
	Cash received from investment income		38,118,342.67	96,860,457.60
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		7,319,304.90	492,026.75
	Net cash received from disposal of subsidiaries and other business units			
	Cash received relating to other investing activities		1,393,135.23	2,159,568.54
	Subtotal of cash inflows from investing activities		1,382,860,911.89	1,587,066,454.55
	Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		62,508,507.13	97,431,545.45
	Cash paid for investments		1,027,705,122.20	1,236,852,958.39
	Net increase in pledge loans			
	Net cash paid to acquire subsidiaries and other business units			
	Cash paid relating to other investing activities			1,393,135.23
	Subtotal of cash outflows from investing activities		1,090,213,629.33	1,335,677,639.07
	Net cash flows from investing activities		292,647,282.56	251,388,815.48
III.	Cash flows from financing activities:			
	Cash received from investment			2,273,600.00
	Including: Cash received by subsidiaries from minority shareholders' investment			
	Cash received from borrowings		110,000,000.00	150,944,645.79
	Cash received relating to other financing activities		348,290,694.43	242,943,636.17
	Subtotal of cash inflows from financing activities		458,290,694.43	396,161,881.96
	Cash paid for repayment of debts		663,500,000.00	229,944,645.79
	Cash paid for dividends, profit distribution or interest payment		60,805,543.19	110,118,047.50
	Including: Dividends and profits paid by the subsidiaries to minority shareholders			
	Cash paid relating to other financing activities		1,921,056.00	2,708,974.50

Item		Note	2023	2022
	Subtotal of cash outflows from financing activities		726,226,599.19	342,771,667.79
	Net cash flow from financing activities		-267,935,904.76	53,390,214.17
IV.	Effect of change in exchange rate on cash and cash equivalents		8,742,624.06	17,266,289.11
V.	Net increase in cash and cash equivalents		-92,389,797.82	309,870,742.63
	Add: Opening balance of cash and cash equivalents		854,081,219.75	544,210,477.12
VI.	Closing balance of cash and cash equivalents		761,691,421.93	854,081,219.75

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Parent Company Cash Flow Statement
January to December 2023

Unit: Yuan Currency: RMB

Item		Note	2023	2022
I.	Cash flows from operating activities:			
	Cash received from sale of goods and rendering of services		317,873,979.35	658,778,101.75
	Tax refund received			
	Cash received relating to other operating activities		86,324,755.73	32,916,086.51
	Subtotal of cash inflows from operating activities		404,198,735.08	691,694,188.26
	Cash paid for goods purchased and services received		918,160,291.69	86,245,062.74
	Cash paid to and for employees		10,464,028.30	13,512,091.17
	Taxes paid		9,082,866.40	40,482,778.52
	Cash paid relating to other operating activities		87,564,596.39	54,899,882.18
	Subtotal of cash outflows from operating activities		1,025,271,782.78	195,139,814.61
	Net cash flow from operating activities		-621,073,047.70	496,554,373.65
II.	Cash flows from investing activities:			
	Cash received from disposal of investments		1,062,891,007.96	881,620,437.56
	Cash received from investment income		233,570,033.77	231,759,030.63
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		30,000.00	
	Net cash received from disposal of subsidiaries and other business units			
	Cash received relating to other investing activities		7,079,208.33	107,957,073.49
	Subtotal of cash inflows from investing activities		1,303,570,250.06	1,221,336,541.68
	Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		1,131,772.01	808,085.53
	Cash paid for investments		633,801,913.30	1,001,470,758.39
	Net cash paid to acquire subsidiaries and other business units			
	Cash paid relating to other investing activities		145,827,353.39	29,197,233.00
	Subtotal of cash outflows from investing activities		780,761,038.70	1,031,476,076.92
	Net cash flow from investing activities		522,809,211.36	189,860,464.76

Item	Note	2023	2022
III. Cash flows from financing activities			
Cash received from investment			
Cash received from borrowings			124,944,645.79
Cash received relating to other financing activities			
Subtotal of cash inflows from financing activities			124,944,645.79
Cash paid for repayment of debts			124,944,645.79
Cash paid for dividends, profit distribution or interest payment		56,000,000.00	105,421,081.43
Cash paid relating to other financing activities		162,000.00	176,000.00
Subtotal of cash outflows from financing activities		56,162,000.00	230,541,727.22
Net cash flow from financing activities		-56,162,000.00	-105,597,081.43
IV. Effect of change in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-154,425,836.34	580,817,756.98
Add: Opening balance of cash and cash equivalents		712,551,660.26	131,733,903.28
VI. Closing balance of cash and cash equivalents		558,125,823.92	712,551,660.26

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Consolidated Statement of Changes in Equity
January to December 2023

Unit: Yuan Currency: RMB

Item	2023														
	Equity attributable to owners of the Company														
	Other equity instruments					Less:	Other		Statutory	General					
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	comprehensive income	Special reserve	surplus reserve	risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total Equity
I. Closing balance of prior year	700,000,000.00				1,144,722,827.57			175,504.27	335,497,754.07		1,993,896,617.82		4,174,292,703.73	23,693,493.60	4,197,986,197.33
Add: Changes in accounting policies															
Correction of errors in prior periods															
Others															
II. Beginning balance of current year	700,000,000.00				1,144,722,827.57			175,504.27	335,497,754.07		1,993,896,617.82		4,174,292,703.73	23,693,493.60	4,197,986,197.33
III. Increase/decrease amount in the current period ("-" for decrease)					7,833,334.51			1,846,502.58	22,924,135.05		-319,769,928.86		-287,165,956.72	-10,296,212.30	-297,462,169.02
(I) Total comprehensive income											-240,845,793.81		-240,845,793.81	-4,253,677.79	-245,099,471.60
(II) Capital contributed and reduced by owners					7,833,334.51								7,833,334.51	-2,993,334.51	4,840,000.00
1. Common stock contributed by owners															
2. Capital contributed by the holders of other equity instruments															
3. Amounts of share-based payments recognised in Equity					1,237,028.52								1,237,028.52	722,971.48	1,960,000.00
4. Others					6,596,305.99								6,596,305.99	-3,716,305.99	2,880,000.00
(III) Profit distribution										22,924,135.05	-78,924,135.05		-56,000,000.00	-3,049,200.00	-59,049,200.00
1. Withdrawal of statutory surplus reserve										22,924,135.05	-22,924,135.05				
2. Withdrawal of general risk reserves															
3. Distributions to owners (or shareholders)											-56,000,000.00		-56,000,000.00	-3,049,200.00	-59,049,200.00
4. Others															

2023

Item	Equity attributable to owners of the Company														
	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	General risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total Equity
(IV) Internal carry-forward of owners' equity															
1. Conversion of capital reserve into Share capital															
2. Conversion of statutory surplus reserve into Share capital															
3. Statutory surplus reserve offsetting losses															
4. Carry-forward of changes in the defined benefit plans for retained earnings															
5. Carry-forward of other comprehensive income for retained earnings															
6. Others															
(V) Special reserve								1,846,502.58					1,846,502.58		1,846,502.58
1. Withdrawal in the current period								10,067,837.85					10,067,837.85		10,067,837.85
2. Usage in the current period								-8,221,335.27					-8,221,335.27		-8,221,335.27
(VI) Others															
IV. Closing balance of current period	700,000,000.00				1,152,556,162.08			2,022,006.85	358,421,889.12		1,674,126,688.96		3,887,126,747.01	13,397,281.30	3,900,524,028.31

2022

Equity attributable to owners of the Company

Item	Other equity instruments: Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	General risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total Equity
I. Closing balance of prior year	700,000,000.00				1,144,076,584.83				317,330,032.90		2,326,689,074.25		4,488,095,691.98	29,883,528.70	4,517,979,220.68
Add: Changes in accounting policies									237.21		24,244.50		24,481.71	3,885.24	28,366.95
Correction of errors in prior periods															
Others															
II. Beginning balance of current year	700,000,000.00				1,144,076,584.83				317,330,270.11		2,326,713,318.75		4,488,120,173.69	29,887,413.94	4,518,007,587.63
III. Increase/decrease amount in the current period ("-" for decrease)					646,242.74			175,504.27	18,167,483.96		-332,816,700.93		-313,827,469.96	-6,193,920.34	-320,021,390.30
(I) Total comprehensive income											-209,649,216.97		-209,649,216.97	-4,181,337.18	-213,830,554.15
(II) Capital contributed and reduced by owners					646,242.74								646,242.74	1,107,416.84	1,753,659.58
1. Common stock contributed by owners														2,273,600.00	2,273,600.00
2. Capital contributed by the holders of other equity instruments															
3. Amounts of share-based payments recognised in equity					656,382.48								656,382.48	383,617.52	1,040,000.00
4. Others					-10,139.74								-10,139.74	-1,549,800.68	-1,559,940.42
(III) Profit distribution									18,167,483.96		-123,167,483.96		-105,000,000.00	-3,120,000.00	-108,120,000.00
1. Withdrawal of statutory surplus reserve									18,167,483.96		-18,167,483.96				
2. Withdrawal of general risk reserves															
3. Distributions to owners (or shareholders)											-105,000,000.00		-105,000,000.00	-3,120,000.00	-108,120,000.00
4. Others															
(IV) Internal carry-forward of Equity															
1. Conversion of capital reserve into Share capital															
2. Conversion of statutory surplus reserve into Share capital															
3. Statutory surplus reserve offsetting losses															

2022

Equity attributable to owners of the Company

Item	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	General risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total Equity
4. Carry-forward of changes in the defined benefit plans for retained earnings															
5. Carry-forward of other comprehensive income for retained earnings															
6. Others															
(V) Special reserve								175,504.27					175,504.27		175,504.27
1. Withdrawal in the current period								11,581,442.54					11,581,442.54		11,581,442.54
2. Usage in the current period								-11,405,938.27					-11,405,938.27		-11,405,938.27
(VI) Others															
IV. Closing balance of current period	700,000,000.00				1,144,722,827.57			175,504.27	335,497,754.07		1,993,896,617.82		4,174,292,703.73	23,693,493.60	4,197,986,197.33

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Parent Company Statement of Changes in Equity
January to December 2023

Unit: Yuan Currency: RMB

	2023										
		Other equity instruments									
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	Retained earnings	Total Equity
I. Closing balance of prior year	700,000,000.00				1,349,264,443.04				336,671,350.69	1,139,017,986.77	3,524,953,780.50
Add: Changes in accounting policies											
Correction of errors in prior periods											
Others											
II. Beginning balance of current year	700,000,000.00				1,349,264,443.04				336,671,350.69	1,139,017,986.77	3,524,953,780.50
III. Increase/decrease amount in the current period (“-” for decrease)									22,924,135.05	150,317,215.44	173,241,350.49
(I) Total comprehensive income										229,241,350.49	229,241,350.49
(II) Capital contributed and reduced by owners											
1. Common stock contributed by owners											
2. Capital contributed by the holders of other equity instruments											
3. Amounts of share-based payments recognised in Equity											
4. Others											
(III) Profit distribution									22,924,135.05	-78,924,135.05	-56,000,000.00
1 · Withdrawal of statutory surplus reserve									22,924,135.05	-22,924,135.05	
2. Distributions to owners (or shareholders)										-56,000,000.00	-56,000,000.00
3. Others											
(IV) Internal carry-forward of Equity											
1. Conversion of capital reserve into Share capital											
2 · Conversion of statutory surplus reserve into Share capital											
3 · Statutory surplus reserve offsetting losses											

2023

Item	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	Retained earnings	Total Equity
4. Carry-forward of changes in the defined benefit plans for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal in the current period											
2. Usage in the current period											
(VI) Others											
IV. Closing balance of current period	700,000,000.00				1,349,264,443.04				359,595,485.74	1,289,335,202.21	3,698,195,130.99

2022

Item	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	Retained earnings	Total Equity
I. Closing balance of prior year	700,000,000.00				1,349,264,443.04				318,503,629.52	1,080,508,496.19	3,448,276,568.75
Add: Changes in accounting policies									237.21	2,134.90	2,372.11
Correction of errors in prior periods											
Others											
II. Beginning balance of current year	700,000,000.00				1,349,264,443.04				318,503,866.73	1,080,510,631.09	3,448,278,940.86
III. Increase/decrease amount in the current period ("-" for decrease)	—				—				18,167,483.96	58,507,355.68	76,674,839.64
(I) Total comprehensive income										181,674,839.64	181,674,839.64
(II) Capital contributed and reduced by owners											
1. Common stock contributed by owners											
2. Capital contributed by the holders of other equity instruments											
3. Amounts of share-based payments recognised in Equity											

2022

Item	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	Retained earnings	Total Equity
4. Others											
(III) Profit distribution									18,167,483.96	-123,167,483.96	-105,000,000.00
1. Withdrawal of statutory surplus reserve									18,167,483.96	-18,167,483.96	—
2. Distributions to owners (or shareholders)										-105,000,000.00	-105,000,000.00
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserve into Share capital											
2. Conversion of statutory surplus reserve into Share capital											
3. Statutory surplus reserve offsetting losses											
4. Carry-forward of changes in the defined benefit plans for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6 · Others											
(V) Special reserve											
1 · Withdrawal in the current period											
2 · Usage in the current period											
(VI) Others											
IV. Closing balance of current period	700,000,000.00				1,349,264,443.04				336,671,350.69	1,139,017,986.77	3,524,953,780.50

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

III. Basic Information of the Company

1. Company Overview

√ Applicable □ Not Applicable

Zhejiang Jihua Group Co., Ltd. (hereinafter referred to as the Company) is a joint stock limited company restructured entirely from Zhejiang Jihua Group Co., Ltd. It was registered with Zhejiang Administration for Market Regulation on 15 August 2003 and headquartered in Hangzhou City, Zhejiang Province. The Company currently holds a business licence with the Unified Social Credit Identifier 913300007530435745. Its registered capital is RMB 700,000,000, and the total number of shares is 700,000,000 with a par value of RMB 1 per share, all of which are unrestricted tradable shares. The shares of the Company were listed and traded on the Shanghai Stock Exchange on 15 June 2017.

The Company is engaged in the manufacturing of chemical raw materials and chemical products. Its principal business activities cover the research and development, production and sales of dyes, dye intermediates and other chemical products. The main products include dyes and intermediates.

These financial statements were approved for issuance by the 16th meeting of the 4th Board of Directors of the Company on 26 April 2024.

The Company has included a total of 11 companies in the scope of the consolidated financial statements for the current period, namely Hangzhou Jihua Jiangdong Chemical Co., Ltd. (hereinafter referred to as Jihua Jiangdong Company), Jiangsu Jihua Chemical Co., Ltd. (hereinafter referred to as Jiangsu Jihua Company), Hangzhou Jihua Import and Export Co., Ltd. (hereinafter referred to as Jihua Import and Export Company), Hangzhou Chuangli Polyurethane Co., Ltd. (hereinafter referred to as Chuangli Polyurethane Company), Hangzhou Jihua Polymer Materials Co., Ltd. (hereinafter referred to as Jihua Materials Company), Hangzhou Xiaoshan Jihua Technology Co., Ltd. (hereinafter referred to as Jihua Technology Company), Yancheng Youhua Pharmaceutical and Chemical Technology Co., Ltd. (hereinafter referred to as Yancheng Youhua Company), Jiangsu Jihua Pharmaceutical Technology Co., Ltd. (hereinafter referred to as Jihua Pharmaceutical Company), Jiangsu Kangbeide Pharmaceutical Co., Ltd. (hereinafter referred to as Kangbeide Company), Zhejiang Jihua Jizhi Dyeing and Chemical Technology Co., Ltd. (hereinafter referred to as Jihua Jizhi Company) and Jiangsu Jizhao Fine Chemical Trading Co., Ltd. (hereinafter referred to as Jiangsu Jizhao Company). For details, please refer to the explanations in Note 6 to these financial statements.

IV. Basis of Preparation of Financial Statements

1. Basis of Preparation

The financial statements of the Company are prepared on a going-concern basis.

2. Going Concern

√ Applicable □ Not Applicable

There are no events or circumstances that may cast significant doubt on the Company's ability to continue as a going concern within twelve months from the end of the reporting period.

V. Significant Accounting Policies and Accounting Estimates

Notes on specific accounting policies and accounting estimates:

□ Applicable √ Not Applicable

1. Statement of Compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the Accounting Standards for Business Enterprises, and truly and completely reflect the Company's financial position, operating results, changes in shareholders' equity, cash flows and other relevant information.

2. Accounting Period

The accounting year of the Company commences on 1 January and ends on 31 December of each Gregorian calendar year.

3. Operating Cycle

√ Applicable □ Not Applicable

The operating cycle of the Company's business is relatively short, and twelve months is adopted as the criterion for classifying current and non-current assets and liabilities.

4. Functional Currency

The functional currency of the Company is Renminbi.

5. Determination Method and Selection Basis of Materiality Standards

□ Applicable √ Not Applicable

The Company applies the principle of materiality in preparing and disclosing financial statements. The matters involving judgment on materiality standards as well as the determination method and selection basis of such standards disclosed in the notes to these financial statements are set out as follows:

Disclosures involving materiality criteria judgements	Disclosure sections of matters in the notes to the financial statements	Determination method and selection basis of materiality criteria
Material trade receivables with provision for bad debts on an individual basis	—	The company recognizes trade receivables with an individual account receivable exceeding 0.3% of total assets as material trade receivable.
Material written-off of trade receivables	—	The company recognizes trade receivables with an individual trade receivables exceeding 0.3% of total assets as material trade receivables.
Material written-off of other receivables	—	The Company recognizes other receivables with an individual other amount receivable exceeding 0.3% of total assets as material other trade receivables.
Material prepayments aged over 1 year	—	The Company recognizes prepayments with an individual prepayment amount exceeding 0.3% of total assets as material prepayment.
Material construction projects in progress	V.1.(14)	The Company recognizes construction projects in progress with the amount of an individual construction project in progress exceeding 0.3% of total assets as material construction projects in progress.
Material trade payables aged over 1 year	—	The Company recognizes payables with an individual payable amount exceeding 0.3% of total assets as material payables.
Material other payables aged over 1 year	—	The Company recognizes other payables with an individual other payable amount exceeding 0.3% of total assets as material other payables.

Disclosures involving materiality criteria judgements	Disclosure sections of matters in the notes to the financial statements	Determination method and selection basis of materiality criteria
Material contract liabilities aged over 1 year	—	The Company recognizes contract liabilities with an individual contract liability amount exceeding 0.3% of total assets as material contract liabilities.
Material provisions	—	The Company recognizes provisions with an individual estimated liability amount exceeding 0.3% of total assets as material provisions.
Material cash flows from investing activities	—	The Company recognizes investments with cash flow amounts exceeding 5% of total assets as material investing activities.
Material capitalised R&D projects and outsourced R&D projects	VI.2.(2)	The Company recognises capitalised R&D projects and outsourced R&D projects with an individual payable amount exceeding 0.3% of total assets as Material capitalised R&D projects and material outsourced R&D projects.
Material subsidiaries and non-wholly-owned subsidiaries	VII.	The Company recognises subsidiaries and public interest entities including NEEQ-listed companies with total assets exceeding 5% of the Group's total assets as Material subsidiaries and material non-wholly-owned subsidiaries.
Material joint ventures, associates and joint operations	—	The Company recognises joint ventures, associates and joint operations whose total assets are exceeding 5% of the Group's total assets as material joint ventures, associates and joint operations.
Material contingencies	XIII.2.	The Company recognises contingence with an individual contingence amount exceeding 0.3% of total assets as material contingence.

Disclosures involving materiality criteria judgements	Disclosure sections of matters in the notes to the financial statements	Determination method and selection basis of materiality criteria
Material post-balance sheet events	XIV.	The Company recognizes the balance sheet with impact amount of an individual post-balance sheet event exceeding 0.3% of total assets as material post-balance sheet events.

6. Accounting Treatment for Business Combinations Under Common Control and Not Under Common Control

√ Applicable □ Not Applicable

Assets and liabilities acquired by the Company in business combinations are measured at the carrying amounts of the combined party shown in the consolidated financial statements of the ultimate controlling party as at the combination date. The Company adjusts capital reserve for the difference between the share of the carrying amount of the combined party's owners' equity in the consolidated financial statements of the ultimate controlling party and the carrying amount of the consideration paid for the combination or the total par value of issued shares. If capital reserve is insufficient for offsetting the difference, retained earnings shall be adjusted.

2. Accounting Treatment for Business Combinations Not Under Common Control

The Company recognises goodwill for the difference where the combination cost exceeds the share of fair value of the acquiree's identifiable net assets obtained in the combination as at the acquisition date. If the combination cost is lower than the share of fair value of the acquiree's identifiable net assets obtained in the combination, the Company shall first review the measurement of fair value of all identifiable assets, liabilities and contingent liabilities of the acquiree as well as the combination cost. If the combination cost remains lower than the share of fair value of the acquiree's identifiable net assets obtained in the combination after review, the difference shall be recognised in profit or loss for the current period.

7. Judgment Criteria for Control and Preparation Methods of Consolidated Financial Statements

√ Applicable □ Not Applicable

1. Judgment of Control

Control is recognised when an investor has power over the investee, obtains variable returns by participating in the relevant activities of the investee, and is able to exercise such power to affect the amount of variable returns.

2. Preparation Methods of Consolidated Financial Statements

The parent company includes all subsidiaries under its control within the scope of consolidated financial statements. Based on the financial statements of the parent company and its subsidiaries together with other relevant information, the parent company prepares the consolidated financial statements in accordance with Accounting Standard for Business Enterprises No. 33 — Consolidated Financial Statements.

8. Classification of Joint Arrangements and Accounting Treatment for Joint Operations

☐ Applicable √ Not Applicable

9. Determination Criteria for Cash and Cash Equivalents

Cash presented in the cash flow statement refers to cash on hand and deposits available for payment at any time. Cash equivalents refer to short-term, highly liquid investments held by the enterprise that are readily convertible into known amounts of cash and subject to insignificant risk of changes in value.

10. Foreign Currency Business and Translation of Foreign Currency Financial Statements

√ Applicable ☐ Not Applicable

Foreign currency transactions shall be translated into Renminbi at the spot exchange rate on the transaction date upon initial recognition. At the statement of assets and liabilities date, foreign currency monetary items shall be translated at the spot exchange rate as at such date. Exchange differences arising from different exchange rates shall be recognised in profit or loss for the current period, except for exchange differences on the principal and interest of foreign currency specific borrowings relating to the construction of qualifying assets. Foreign currency non-monetary items measured at historical cost shall still be translated at the spot exchange rate on the transaction date without altering their Renminbi amounts. Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date of fair value determination, and the differences shall be recognised in profit or loss for the current period or other comprehensive income.

11. Financial Instruments

√ Applicable ☐ Not Applicable

1. Classification of Financial Assets and Financial Liabilities

Financial assets are classified into the following three categories upon initial recognition: (1) Financial assets measured at amortised cost; (2) Financial assets measured at fair value with changes recognised in other comprehensive income; (3) Financial assets measured at fair value with changes recognised in profit or loss.

Financial liabilities are classified into the following four categories upon initial recognition: (1) Financial liabilities measured at fair value with changes recognised in profit or loss; (2) Financial liabilities arising from the transfer of financial assets that do not meet the derecognition criteria or from continuing involvement in the transferred financial assets; (3) Financial guarantee contracts other than those specified in (1) or (2) above, and loan commitments other than those specified in (1) above that grant loans at below-market interest rates; (4) Financial liabilities measured at amortised cost.

2. Bases for Recognition, Measurement Methods and Derecognition Criteria of Financial Assets and Financial Liabilities

(1) Bases for Recognition and Initial Measurement Methods of Financial Assets and Financial Liabilities

The Company recognises a financial asset or a financial liability when it becomes a party to a financial instrument contract. Financial assets or financial liabilities are measured at fair value upon initial recognition. For financial assets and financial liabilities measured at fair value with changes recognised in profit or loss, relevant transaction costs are directly recognised in profit or loss for the current period. For other categories of financial assets or financial liabilities, relevant transaction costs are included in the initial recognised amount. However, if trade receivables initially recognised by the Company do not contain a significant financing component or the Company disregards the financing component in a contract with a term not exceeding one year, such trade receivables are initially measured at the transaction price as defined under Accounting Standard for Business Enterprises No. 14 — Revenue.

(2) Subsequent Measurement Methods of Financial Assets

1) Financial assets measured at amortised cost

The effective interest method is applied for subsequent measurement at amortised cost. Gains or losses arising from financial assets measured at amortised cost that are not part of any hedging relationship are recognised in profit or loss upon derecognition, reclassification, amortisation using the effective interest method or impairment recognition.

2) Debt instrument investments measured at fair value with changes recognised in other comprehensive income

Subsequent measurement is conducted at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains and losses are recognised in profit or loss, and other gains or losses are recognised in other comprehensive income. Upon derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss.

3) Equity instrument investments measured at fair value with changes recognised in other comprehensive income

Subsequent measurement is conducted at fair value. Dividends received (excluding portions representing recovery of investment cost) are recognised in profit or loss, and other gains or losses are recognised in other comprehensive income. Upon derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to retained earnings.

4) Financial assets measured at fair value with changes recognised in profit or loss

Subsequent measurement is conducted at fair value, and resulting gains or losses (including interest and dividend income) are recognised in profit or loss, unless such financial assets form part of a hedging relationship.

(3) Subsequent Measurement Methods of Financial Liabilities

1) Financial liabilities measured at fair value with changes recognised in profit or loss

Such financial liabilities include trading financial liabilities (including derivatives classified as financial liabilities) and financial liabilities designated as measured at fair value with changes recognised in profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in fair value of financial liabilities designated as measured at fair value with changes recognised in profit or loss arising from changes in the Company's own credit risk are recognised in other comprehensive income, unless such treatment would create or enlarge an accounting mismatch in profit or loss. Other gains or losses arising from such financial liabilities (including interest expenses and fair value changes excluding those caused by changes in the Company's own credit risk) are recognised in profit or loss, unless such financial liabilities form part of a hedging relationship. Upon derecognition, cumulative gains or losses previously recognised in other comprehensive income are transferred out of other comprehensive income and recognised in retained earnings.

2) Financial liabilities arising from the transfer of financial assets that do not meet the derecognition criteria or from continuing involvement in the transferred financial assets

Measurement is conducted in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Assets.

3) Financial guarantee contracts other than those specified in 1) or 2) above, and loan commitments other than those specified in 1) above that grant loans at below-market interest rates

After initial recognition, subsequent measurement is performed at the higher of the following two amounts: ① the amount of loss provision determined in accordance with the impairment provisions for financial instruments; ② the balance of the initial recognised amount less the accumulated amortisation determined pursuant to the relevant provisions of Accounting Standard for Business Enterprises No. 14 — Revenue.

4) Financial liabilities measured at amortised cost

Measured at amortised cost using the effective interest method. Gains or losses arising from financial liabilities measured at amortised cost that are not part of any hedging relationship are recognised in profit or loss upon derecognition or amortisation using the effective interest method.

(4) Derecognition of Financial Assets and Financial Liabilities

1) A financial asset shall be derecognised if any of the following conditions is satisfied:

① The contractual rights to collect cash flows from the financial asset have been terminated;

② The financial asset has been transferred, and such transfer complies with the provisions on derecognition of financial assets as stipulated in Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Assets.

2) Where the present obligation of a financial liability (or part thereof) has been discharged, such financial liability (or part thereof) shall be derecognised accordingly.

3. Bases for Recognition and Measurement Methods of Transfer of Financial Assets

Where the Company transfers substantially all the risks and rewards of ownership of a financial asset, it shall derecognise such financial asset, and separately recognise the rights and obligations arising from or retained in the transfer as assets or liabilities. Where the Company retains substantially all the risks and rewards of ownership of a financial asset, it shall continue to recognise the transferred financial asset. Where the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, the Company shall deal with the matters in accordance with the following circumstances: (1) If control over such financial asset is not retained, derecognise such financial asset and separately recognise the rights and obligations arising from or retained in the transfer as assets or liabilities; (2) If control over such financial asset is retained, recognise the relevant financial asset to the extent of continuing involvement in the transferred financial asset and recognise the corresponding liabilities accordingly.

Where the entire transfer of a financial asset meets the derecognition criteria, the difference between the following two amounts shall be recognised in profit or loss for the current period: (1) The carrying amount of the transferred financial asset as at the derecognition date; (2) The sum of the consideration received from the transfer of the financial asset and the portion of cumulative fair value changes previously recognised directly in other comprehensive income corresponding to the derecognised part (applicable where the transferred financial asset is a debt instrument investment measured at fair value with changes recognised in other comprehensive income). Where part of a financial asset is transferred and such transferred part as a whole meets the derecognition criteria, the total carrying amount of the financial asset prior to the transfer shall be allocated between the derecognised part and the continuing recognised part based on their respective relative fair values as at the transfer date, and the difference between the following two amounts shall be recognised in profit or loss for the current period: (1) The carrying amount of the derecognised part; (2) The sum of the consideration for the derecognised part and the portion of cumulative fair value changes previously recognised directly in other comprehensive income corresponding to the derecognised part (applicable where the transferred financial asset is a debt instrument investment measured at fair value with changes recognised in other comprehensive income).

4. Methods for determining the fair value of financial assets and financial liabilities

The Company adopts valuation techniques applicable under current circumstances and supported by sufficient available data and other information to determine the fair value of relevant financial assets and financial liabilities. The Company classifies the inputs used in valuation techniques into the following levels and applies them in sequence:

(1) Level 1 inputs are unadjusted quoted prices for identical assets or liabilities available in active markets as of the measurement date;

(2) Level 2 inputs are observable inputs for relevant assets or liabilities, whether directly or indirectly, other than Level 1 inputs, including: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; other observable inputs apart from quoted prices, such as observable interest rates and yield curves within normal quotation intervals; market-validated inputs and others;

(3) Level 3 inputs are unobservable inputs for relevant assets or liabilities, including interest rates and stock volatility that cannot be directly observed or verified by observable market data, future cash flows of decommissioning obligations assumed in business combinations, financial forecasts prepared based on the Company's own data and others.

5. Impairment of Financial Instruments

The Company conducts impairment processing and recognises loss provisions for financial assets at amortised cost, debt instrument investments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments other than financial liabilities classified as measured at fair value through profit or loss, and financial guarantee contracts which do not fall under financial liabilities measured at fair value through profit or loss, nor financial liabilities arising from failure to derecognise transferred financial assets or continuing involvement in transferred financial assets.

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss means the difference between all contractual cash flows receivable in accordance with contracts and all cash flows expected to be collected, discounted at the original effective interest rate of the Company, namely the present value of total cash shortfalls. Among them, for financial assets purchased or originated with incurred credit impairment, discounting shall be conducted at the credit-adjusted effective interest rate of such financial assets.

For financial assets purchased or originated with incurred credit impairment, the Company only recognises the cumulative changes in expected credit losses over the entire lifetime since initial recognition as loss provisions at the statement of assets and liabilities date.

With regard to lease receivables, receivables and contract assets arising from transactions governed by Accounting Standard for Business Enterprises No.14 — Revenue, the Company applies the simplified measurement method and measures loss provisions at an amount equivalent to the expected credit losses over the entire lifetime.

For financial assets other than those measured under the above methods, the Company assesses whether their credit risk has increased significantly since initial recognition at each statement of assets and liabilities date. If the credit risk has increased significantly since initial recognition, the Company measures loss provisions at the amount of expected credit losses over the entire lifetime. If the credit risk has not increased significantly since initial recognition, the Company measures loss provisions at the amount of expected credit losses of the financial instrument within the next 12 months.

The Company uses reasonable and supportable available information including forward-looking information to determine whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the default risk of the financial instrument at the statement of assets and liabilities date with that at the initial recognition date.

At the statement of assets and liabilities date, if the Company judges that a financial instrument has only low credit risk, it shall assume that the credit risk of such financial instrument has not increased significantly since initial recognition.

The Company assesses expected credit risk and measures expected credit losses on an individual financial instrument or portfolio of financial instruments basis. When adopting the portfolio basis, the Company divides financial instruments into different portfolios based on common risk characteristics.

The Company remeasures expected credit losses at each statement of assets and liabilities date. The increase or reversal of loss provisions arising therefrom shall be recognised as impairment loss or gain and credited to profit or loss. For financial assets at amortised cost, loss provisions offset the carrying amount of such financial assets presented in the statement of assets and liabilities. For debt investments measured at fair value through other comprehensive income, the Company recognises relevant loss provisions in other comprehensive income without offsetting the carrying amount of such financial assets.

6. Offset of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are presented separately in the statement of assets and liabilities and shall not be offset against each other. Where the following conditions are met simultaneously, the Company presents the net amount after offset in the statement of assets and liabilities: (1) the Company has a legally enforceable right to offset the recognised amounts, and such legal right is currently enforceable; (2) the Company intends to settle on a net basis, or realise the financial assets and settle the financial liabilities simultaneously.

For transfers of financial assets that do not meet the derecognition conditions, the Company shall not offset the transferred financial assets and relevant liabilities.

12. Bills Receivables (應收票據)

☐ Applicable √ Not applicable

13. Trade Receivables

√ Applicable ☐ Not applicable

Methods for determining expected credit losses of trade receivables and relevant accounting treatment methods

☐ Applicable √ Not applicable

Categories and determination basis of portfolios for provision for bad debts accrued by portfolios with common credit risk characteristics

√ Applicable ☐ Not applicable

Group categories	Grouping basis	Expected credit loss measurement approach
Trade receivables — group of related parties within the scope of combination	Related parties within the scope of corporation combination	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate.

Group categories	Grouping basis	Expected credit loss measurement approach
Trade receivables —ageing groups	Ageing	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the comparison table prepared for trade receivables ageing and expected credit loss rate.

Calculation method of aging for portfolios determined based on aging characteristics of credit risk

√ Applicable □ Not applicable

Ageing	Expected credit loss rate of trade receivables (%)
Within 1 year (inclusive, same below)	5
1 to 2 years	10
2 to 3 years	50
Over 3 years	100

Criteria for judging provision for bad debts accrued on an individual basis

□ Applicable √ Not applicable

14. Bills receivables (應收款項融資)

√ Applicable □ Not applicable

Methods for determining expected credit losses of bills receivables (應收款項融資) and relevant accounting treatment methods

□ Applicable √ Not applicable

Categories and determination basis of portfolios for provision for bad debts accrued by portfolios with common credit risk characteristics

√ Applicable □ Not applicable

Group categories	Grouping basis	Expected credit loss measurement approach
Bank acceptance bills receivables (應收票據)	Bill type	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate.
Commercial acceptance bills receivables (應收票據)	Bill type	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate.

Calculation method of aging for portfolios determined based on aging characteristics of credit risk

☐ Applicable √ Not applicable

Criteria for judging provision for bad debts accrued on an individual basis

☐ Applicable √ Not applicable

15. Other Receivables

√ Applicable ☐ Not applicable

Methods for determining expected credit losses of other receivables and relevant accounting treatment methods

☐ Applicable √ Not applicable

Categories and determination basis of portfolios for provision for bad debts accrued by portfolios with common credit risk characteristics

√ Applicable □ Not applicable

Group categories	Grouping basis	Expected credit loss measurement approach
Other receivables — group of related parties within the scope of combination	Related parties within the scope of corporation combination	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate.
Other receivables —ageing groups	Ageing	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the comparison table prepared for other receivables ageing and expected credit loss rate.

Calculation method of aging for portfolios determined based on aging characteristics of credit risk

√ Applicable □ Not applicable

Ageing	Expected credit loss rate of other receivables (%)
Within 1 year (inclusive, same below)	5
1 to 2 years	10
2 to 3 years	50
Over 3 years	100

Criteria for judging provision for bad debts accrued on an individual basis

√ Applicable □ Not applicable

For receivables and contract assets whose credit risk is significantly different from the portfolio credit risk, the Company accrues expected credit losses on an individual basis.

16. Inventories

√ Applicable □ Not applicable

Inventory categories, valuation methods for issued inventories, inventory system, amortisation methods for low-value consumables and packaging materials

√ Applicable □ Not applicable

1. Classification of Inventories

Inventories include finished goods or commodities held for sale in ordinary activities, work in progress in the production process, and materials and supplies consumed during production or provision of services.

2. Valuation Method for Issued Inventories

The weighted average method at month-end is adopted for issued inventories.

3. Inventory System

The perpetual inventory system is applied for inventories.

4. Amortisation Methods for Low-value Consumables and Packaging Materials

(1) Low-value consumables

Amortised by the one-off write-off method.

(2) Packaging materials

Amortised by the one-off write-off method.

5. Inventory Impairment Provision

As at the statement of assets and liabilities date, inventories are measured at the lower of cost and net realizable value, and inventory impairment provision is accrued based on the excess of cost over net realizable value. For inventories held for direct sale, their net realizable value is determined as the estimated selling price less estimated selling expenses and relevant taxes and fees in the ordinary course of business. For inventories requiring further processing, their net realizable value is determined as the estimated selling price of the finished goods produced less estimated costs to completion, estimated selling expenses and relevant taxes and fees in the ordinary course of business. Where part of a single item of inventory is subject to a contractual price and the remaining part is not as at the statement of assets and liabilities date, the net realizable value shall be determined respectively and compared with the corresponding cost, so as to calculate the amount of accrued or reversed inventory impairment provision separately.

Recognition criteria and accrual methods for inventory impairment provision

□ Applicable √ Not applicable

Categories and determination basis of portfolios for inventory impairment provision accrued by portfolio, and determination basis of net realizable value for different categories of inventories

☐ Applicable √ Not applicable

Calculation method and determination basis of net realizable value for each inventory age portfolio based on inventory age

☐ Applicable √ Not applicable

17. Contract Assets

☐ Applicable √ Not applicable

18. Non-current Assets or Disposal Groups Held for Sale

☐ Applicable √ Not applicable

Recognition criteria and accounting treatment methods for non-current assets or disposal groups classified as held for sale

☐ Applicable √ Not applicable

Identification criteria and presentation methods for discontinued operations

☐ Applicable √ Not applicable

19. Long-term Equity Investment

√ Applicable ☐ Not applicable

1. Judgement of Joint Control and Significant Influence

Joint control is recognised when parties jointly control an arrangement in accordance with relevant agreements, and decisions on relevant activities of such arrangement shall be made only with unanimous consent of the parties sharing control rights. Significant influence is recognised when an entity has the right to participate in decision-making on the financial and operating policies of the investee, but is unable to control or jointly control the formulation of such policies with other parties.

2. Determination of Investment Cost

(1) Formed under business combination under common control. Where the combining party settles the consideration for combination by paying cash, transferring non-cash assets, assuming liabilities or issuing equity securities, the initial investment cost shall be the share of the carrying amount of the equity of the combined party in the

consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the initial investment cost of long-term equity investment and the carrying amount of the consideration for combination paid or the total par value of shares issued shall be adjusted against capital reserve; if the capital reserve is insufficient for offset, retained earnings shall be adjusted. Where the Company obtains long-term equity investment through multiple transactions to achieve business combination under common control in phases, it shall judge whether such transactions constitute a "package deal". If they constitute a "package deal", all transactions shall be accounted for as a single transaction for obtaining control. If they do not constitute a "package deal", the initial investment cost shall be determined based on the share of the carrying amount of the net assets of the combined party held by the combined entity after combination in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the initial investment cost of long-term equity investment as at the combination date and the sum of the carrying amount of long-term equity investment held prior to the combination plus the carrying amount of the additional consideration paid for newly acquired shares as at the combination date shall be adjusted against capital reserve; if the capital reserve is insufficient for offset, retained earnings shall be adjusted.

(2) Formed under business combination not under common control. The initial investment cost shall be the fair value of the consideration for combination paid as at the acquisition date.

Where the Company obtains long-term equity investment through multiple transactions to achieve business combination not under common control in phases, relevant accounting treatments shall be made respectively in the separate financial statements and consolidated financial statements:

1) In the separate financial statements, the sum of the carrying amount of the originally held equity investment and the cost of additional investment shall be taken as the initial investment cost for subsequent accounting under the cost method.

2) In the consolidated financial statements, it shall judge whether such transactions constitute a "package deal". If they constitute a "package deal", all transactions shall be accounted for as a single transaction for obtaining control. If they do not constitute a "package deal", the equity interest in the acquiree held prior to the acquisition date shall be remeasured at its fair value as at the acquisition date, and the difference between fair value and carrying amount shall be recognised in investment income for the current period. Where the equity interest in the acquiree held prior to the acquisition date involves other comprehensive income recognised under the equity method, the related other comprehensive income shall be reclassified to income for the current period to which the acquisition date belongs, excluding other comprehensive income arising from changes in the remeasurement of net defined benefit liabilities or net assets of the investee.

(3) Formed otherwise than through business combination. Where acquired by paying cash, the initial investment cost shall be the actual purchase price paid. Where acquired by issuing equity securities, the initial investment cost shall be the fair value of the issued equity securities. Where acquired through debt restructuring, the initial investment cost shall be determined in accordance with Accounting Standard for Business Enterprises No.12 — Debt Restructuring. Where acquired through non-monetary asset exchange, the initial investment cost shall be determined in accordance with Accounting Standard for Business Enterprises No.7 — Exchange of Non-monetary Assets.

3. Subsequent Measurement and Profit or Loss Recognition Method

Long term investments over which control is exercised over the investee are accounted for using the cost method. Long term investments in associates and joint ventures are accounted for using the equity method.

4. Accounting Treatment for Disposal of Investment in a Subsidiary in Multiple Transactions until Loss of Control

(1) Principles for Judging whether Transactions Constitute a "Package Deal"

Where the Company disposes of equity investment in a subsidiary in multiple transactions until losing control, it shall judge whether the phased transactions constitute a "package deal" by referring to the terms of transaction agreements, disposal consideration received respectively, transferees of equity interests, disposal methods and disposal timing of each step of the phased transactions. The terms, conditions and economic effects of the transactions falling under one or more of the following circumstances generally indicate that the multiple transactions constitute a "package deal":

1) The transactions are concluded simultaneously or with mutual impacts taken into account;

2) A complete commercial result can only be achieved by all transactions as a whole;

3) The occurrence of one transaction is subject to the occurrence of at least one other transaction;

4) A single transaction is uneconomical on a standalone basis, but becomes economical when combined with other transactions.

(2) Accounting Treatment for Transactions not Constituting a "Package Deal"

1) Separate Financial Statements

The difference between the carrying amount of the disposed equity interest and the actual consideration received shall be recognised in profit or loss for the current

period. For the remaining equity interest, if the Company still has significant influence or exercises joint control over the investee together with other parties, it shall be reclassified to be accounted for under the equity method. If the Company no longer has control, joint control or significant influence over the investee, the remaining equity interest shall be accounted for in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments.

2) Consolidated Financial Statements

Prior to the loss of control, the difference between the disposal consideration and the share of net assets of the subsidiary calculated continuously from the acquisition date or combination date corresponding to the disposed long-term equity investment shall be adjusted against capital reserve (capital premium). If the capital premium is insufficient for offset, retained earnings shall be offset.

Upon the loss of control over the former subsidiary, the remaining equity interest shall be remeasured at its fair value as at the date of loss of control. The difference between the sum of consideration obtained from equity disposal and the fair value of remaining equity interest, and the share of net assets of the original subsidiary calculated continuously from the acquisition date or combination date in accordance with the original shareholding ratio shall be recognised as investment income for the current period when control is lost, and goodwill shall be offset accordingly. Other comprehensive income and other items related to the equity investment in the original subsidiary shall be reclassified to investment income for the current period upon the loss of control.

(3) Accounting Treatment for Transactions Constituting a "Package Deal"

1) Separate Financial Statements

Each transaction shall be accounted for as a single transaction of disposing of the subsidiary and losing control. However, the difference between each disposal consideration and the carrying amount of the corresponding disposed long-term equity investment prior to the loss of control shall be recognised as other comprehensive income in the separate financial statements, and shall be reclassified to profit or loss for the current period when control is lost.

2) Consolidated Financial Statements

Each transaction shall be accounted for as a single transaction of disposing of the subsidiary and losing control. However, the difference between each disposal consideration and the share of net assets of the subsidiary corresponding to the disposed investment prior to the loss of control shall be recognised as other comprehensive income in the consolidated financial statements, and shall be reclassified to profit or loss for the current period when control is lost.

20. Investment Property

(1). Where the cost measurement model is adopted:

Depreciation or Amortisation Method

1. Investment property includes land use rights leased out, land use rights held for appreciation and subsequent transfer, and buildings leased out.

2. Investment property is initially measured at cost and subsequently measured under the cost model. Depreciation or amortisation is provided using the same methods as for property, plant and equipment and intangible assets.

21. Property, plant and equipment

(1). Recognition Criteria

√ Applicable □ Not Applicable

Property, plant and equipment refer to tangible assets held for producing goods, rendering services, leasing or administration, with a useful life longer than one accounting year. Property, plant and equipment shall be recognised when it is probable that economic benefits will flow in and the cost can be measured reliably.

(2). Depreciation Method

√ Applicable □ Not Applicable

Category	Depreciation method	Depreciation term (years)	Residual value rate	Annual depreciation rate
Plants and buildings	Straight-line method	10-30	5	3.17-9.50
General equipment	Straight-line method	3-5	5	19.00-31.67
Special equipment	Straight-line method	10	5	9.50
Transportation tools	Straight-line method	4-5	5	19.00-23.75

22. Construction in Progress

√ Applicable □ Not Applicable

1. Construction in progress shall be recognised when it is probable that economic benefits will flow in and the cost can be measured reliably. Construction in progress is measured at the actual costs incurred before the asset reaches its intended usable condition.

2. When construction in progress reaches its intended usable condition, it shall be transferred to property, plant and equipment at the actual project cost. Where the asset has reached its intended usable condition while the final completion settlement has not been processed, it shall first be transferred to property, plant and equipment at estimated value. Upon completion of the final settlement, the original estimated value shall be adjusted according to the actual cost, and the depreciation already accrued shall not be adjusted further.

Category	Standards and timing for transferring construction in progress to property, plant and equipment
Machinery and equipment	Meet the design requirements or standards under the contract after installation and commissioning
Investment property	Meet the design requirements or standards under the contract after acceptance

23. Borrowing Costs

√ Applicable □ Not Applicable

1. Recognition Principles for Capitalisation of Borrowing Costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of qualifying assets shall be capitalised and included in the cost of the relevant assets. Other borrowing costs shall be recognised as expenses when incurred and credited to profit or loss for the current period.

2. Capitalisation Period of Borrowing Costs

(1) Capitalisation shall commence when all the following conditions are met simultaneously: 1) Asset expenditure has been incurred; 2) Borrowing costs have been incurred; 3) Activities necessary to prepare the asset for its intended use or sale have commenced.

(2) If the acquisition, construction or production of a qualifying asset is interrupted abnormally for a continuous period exceeding three months, the capitalisation of borrowing costs shall be suspended. Borrowing costs incurred during the interruption shall be recognised as expenses for the current period until the acquisition, construction or production activities resume.

(3) Capitalisation of borrowing costs shall cease when the qualifying asset under acquisition, construction or production is ready for its intended use or sale.

3. Capitalisation Rate and Capitalised Amount of Borrowing Costs

For specific borrowings obtained for the acquisition, construction or production of qualifying assets, the amount of interest to be capitalised shall be determined as the actual interest expenses incurred on the specific borrowings in the current period (including amortisation of discounts or premiums determined under the effective interest method), less interest income from bank deposits or investment income from temporary investment of unutilised borrowing funds. Where general borrowings are utilised for the acquisition, construction or production of qualifying assets, the amount of interest on general borrowings to be capitalised shall be calculated by multiplying the weighted average amount of asset expenditures in excess of specific borrowings by the capitalisation rate of the utilised general borrowings.

24. Biological Assets

☐ Applicable √ Not Applicable

25. Oil and Gas Assets

☐ Applicable √ Not Applicable

26. Intangible Assets

(1). Useful Life, Determination Basis, Estimation, Amortisation Method and Review Procedure

√ Applicable ☐ Not Applicable

1. Intangible assets include land use rights, patents, non-patented technologies, software and others, which are initially measured at cost.

2. Intangible assets with finite useful lives are amortised systematically and reasonably over their useful lives based on the expected pattern of realisation of economic benefits associated therewith. If such expected pattern cannot be reliably determined, the straight-line method shall be applied for amortisation. Details are set out below:

Item	Useful lives and its basis of Determination	Amortization method
Land use rights	20 to 50 years, the time when the lands are available for use	Straight-line method
Patent rights	10 to 20 years, useful lives	Straight-line method
Non-patented technology	10 years, useful lives	Straight-line method
Software	5 years, useful lives	Straight-line method

(2). Scope of Accumulation of Research and Development Expenditures and Relevant Accounting Treatment Methods

√ Applicable □ Not Applicable

1. Scope of Accumulation of Research and Development Expenditures

(1) Personnel Labour Costs

Personnel labour costs include salaries, basic pension insurance premiums, basic medical insurance premiums, unemployment insurance premiums, work injury insurance premiums, maternity insurance premiums and housing funds for the Company's research and development staff, as well as service fees for externally engaged research and development personnel.

Where research and development staff serve multiple research and development projects concurrently, personnel labour costs shall be allocated proportionally among different projects based on the working hour records of relevant staff provided by the Company's management department.

Where personnel directly engaged in research and development activities and externally engaged research and development personnel also undertake non-research and development activities, the Company shall allocate the actual incurred personnel labour costs between research and development expenses and production and operation expenses by reasonable methods such as the proportion of actual working hours based on working hour records for different positions.

(2) Direct Input Costs

Direct input costs refer to relevant expenses actually incurred by the Company for conducting research and development activities, including: 1) Costs of materials, fuels and power directly consumed; 2) Development and manufacturing costs of moulds and process equipment for intermediate tests and product trial production, purchase fees of samples, prototypes and general testing tools that do not constitute property, plant and equipment, and inspection fees for trial-produced products; 3) Expenses for operation, maintenance, adjustment, inspection, testing and repair of instruments and equipment used for research and development activities.

(3) Depreciation Expenses and Long-term Prepaid Expenses

Depreciation expenses refer to depreciation charges of instruments, equipment and buildings in use for research and development activities.

Where instruments, equipment and buildings in use for research and development activities are also used for non-research and development activities, necessary records on their usage shall be kept. The actually incurred depreciation expenses shall be allocated between research and development expenses and production and operation expenses by reasonable methods based on factors such as actual working hours and occupied area.

Long-term prepaid expenses refer to expenses arising from reconstruction, modification, decoration and repair of research and development facilities. They are accumulated based on actual expenditures and amortised equally by instalments within the prescribed period.

(4) Amortisation Expenses of Intangible Assets

Amortisation expenses of intangible assets refer to amortisation charges of software, intellectual property rights and non-patented technologies (including proprietary technologies, licences, designs and calculation methods) applied in research and development activities.

(5) Equipment Commissioning Expenses and Testing Expenses

Equipment commissioning expenses refer to expenses incurred on research and development activities during tooling preparation, including expenses for developing special and dedicated production machinery, adjusting production and quality control procedures, or formulating new methods and standards.

Expenses for routine tooling preparation and industrial engineering for mass and commercial production shall not be included in the scope of accumulation.

Testing expenses include clinical trial fees for new drug development, field test fees for exploration and development technologies, field trial fees and others.

(6) Outsourced Research and Development Expenses

Outsourced research and development expenses refer to expenses incurred when the Company entrusts other domestic and overseas institutions or individuals to carry out research and development activities (the achievements of research and development activities are owned by the Company and closely related to its principal business).

(7) Other Expenses

Other expenses refer to other expenses directly related to research and development activities apart from the above items, including fees for technical books and materials, document translation fees, expert consultation fees, high-tech research and development insurance premiums, expenses for retrieval, demonstration, review, appraisal and acceptance of research and development achievements, application fees, registration fees and agency fees for intellectual property rights, conference fees, travel expenses and communication fees.

2. Expenditures incurred in the research phase of internal research and development projects shall be recognised in profit or loss for the current period when incurred. Expenditures incurred in the development phase of internal research and development projects shall be recognised as intangible assets if all the following conditions are met: (1) It is technically feasible to complete the intangible asset for use or sale; (2) There is an intention to complete and use or sell the intangible asset; (3) The manner in which the intangible asset will generate economic benefits, including proof that a market exists for the products produced by using the intangible asset or for the intangible asset itself; if the intangible asset is for internal use, its usefulness can be demonstrated; (4) Sufficient technical, financial and other resources are available to complete the development of the intangible asset, and the Company has the ability to use or sell it; (5) Expenditures attributable to the development phase of the intangible asset can be measured reliably.

3. Specific criteria adopted by the Company to distinguish expenditures between the research phase and the development phase of internal research and development projects:

For expenditures in the development phase of purchased or outsourced research and development projects, as well as production technologies or formulas that have undergone clinical trials, the purchase price and subsequent clinical trial expenses shall be recognised as development expenditures, which shall be transferred to intangible assets upon obtaining the production approval documents.

27. Impairment of Long-term Assets

√ Applicable □ Not Applicable

For long-term assets measured under the cost model including investment property, property, plant and equipment, construction in progress, right-of-use assets and intangible assets with finite useful lives, the recoverable amount shall be estimated if there is any indication of impairment at the balance sheet date. Goodwill arising from business combinations and intangible assets with indefinite useful lives shall be tested for impairment annually regardless of whether there is any impairment indication. Goodwill shall be tested for impairment together with the related asset group or combination of asset groups.

If the recoverable amount of the aforesaid long-term assets is lower than their carrying amount, an asset impairment provision shall be recognised for the difference and credited to profit or loss for the current period.

28. Long term prepaid expenses

√ Applicable □ Not Applicable

Long term prepaid expenses account for various expenses already incurred with an amortisation period exceeding one year (excluding one year). Long term prepaid expenses are recorded at actual incurred amounts and amortised equally by instalments over the benefit period or prescribed period. If an item of long term prepaid expenses fails to generate benefits in subsequent accounting periods, the unamortised carrying amount of such item shall be fully recognised in profit or loss for the current period.

29. Contract Liabilities

□ Applicable √ Not Applicable

30. Employee Remuneration

(1). Accounting Treatment for Short-term Remuneration

√ Applicable □ Not Applicable

Short-term remuneration actually incurred shall be recognised as liabilities and credited to profit or loss for the current period or the cost of relevant assets during the accounting period when employees render services to the Company.

(2). Accounting Treatment for Post-employment Benefits

√ Applicable □ Not Applicable

Post-employment benefits are divided into defined contribution plans and defined benefit plans.

(1) During the accounting period when employees render services to the Company, the contribution amount calculated in accordance with defined contribution plans shall be recognised as liabilities and credited to profit or loss for the current period or the cost of relevant assets.

(2) The accounting treatment for defined benefit plans generally includes the following steps:

1) In accordance with the projected unit credit method, make estimates on relevant demographic variables and financial variables based on unbiased and consistent actuarial assumptions, measure the obligations arising from defined benefit plans and determine the periods to which such obligations relate. Meanwhile, discount the obligations arising from defined benefit plans to determine the present value of defined benefit plan obligations and current service cost;

2) Where assets exist under defined benefit plans, the deficit or surplus derived from deducting the fair value of defined benefit plan assets from the present value of defined benefit plan obligations shall be recognised as net defined benefit liability or net defined benefit asset. In the event of a surplus under defined benefit plans, the net defined benefit asset shall be measured at the lower of the surplus of the defined benefit plan and the asset ceiling;

3) At the end of the period, employee remuneration costs arising from defined benefit plans shall be classified into three components, namely service cost, net interest on net defined benefit liability or net defined benefit asset, and remeasurement gains and losses on net defined benefit liability or net defined benefit asset. Among them, service cost and net interest on net defined benefit liability or net defined benefit asset shall be credited to profit or loss for the current period or the cost of relevant assets. Remeasurement gains and losses on net defined benefit liability or net defined benefit asset shall be recognised in other comprehensive income and shall not be reclassified to profit or loss in subsequent accounting periods, while the amounts recognised in other comprehensive income may be transferred within equity.

(3). Accounting treatment for termination benefits

√ Applicable □ Not applicable

Accounting treatment for termination benefits

The employee remuneration liabilities arising from termination benefits provided to employees shall be recognised and credited to profit or loss at the earlier of the following two events: (1) when the Company cannot unilaterally withdraw the termination benefits offered under the labour relationship termination plan or redundancy proposal; (2) when the Company recognises the costs or expenses related to the restructuring involving payment of termination benefits.

(4). Accounting treatment for other long-term employee benefits

√ Applicable □ Not applicable

Other long-term benefits provided to employees that meet the conditions of defined contribution plans shall be accounted for in accordance with relevant provisions on defined contribution plans. Other long-term benefits apart from the aforesaid shall be accounted for in accordance with relevant provisions on defined benefit plans. To simplify relevant accounting treatment, the total net amount of component items including service cost, net interest on net liability or net asset of other long-term employee benefits, and changes arising from remeasuring net liability or net asset of other long-term employee benefits from the resulting employee remuneration costs shall be credited to profit or loss or the cost of relevant assets.

31. Provisions

√ Applicable □ Not applicable

1. When obligations arising from contingent matters including external guarantees, litigations, product quality guarantees and onerous contracts become present obligations borne by the Company, performance of such obligations will likely cause outflow of economic benefits from the Company, and the amount of such obligations can be reliably measured, the Company shall recognise such obligations as provisions.

2. The Company conducts initial measurement on provisions based on the best estimate of expenditures required to perform relevant present obligations, and reviews the carrying amount of provisions at the balance sheet date.

32. Share-based payment

√ Applicable □ Not applicable

1. Types of share-based payment

   Including equity-settled share-based payment and cash-settled share-based payment.

2. Relevant accounting treatment for implementation, amendment and termination of share-based payment plans

   (1) Equity-settled share-based payment

   For equity-settled share-based payment in exchange for employee services which are immediately exercisable after grant, the fair value of equity instruments shall be recognised into relevant costs or expenses at the grant date, with corresponding adjustment to capital reserve. For equity-settled share-based payment in exchange for employee services which become exercisable only upon completion of services during the vesting period or satisfaction of specified performance conditions, at each balance sheet date within the vesting period, based on the best estimate of the number of exercisable equity instruments, the services obtained in the current period shall be recognised into relevant costs or expenses at the fair value of equity instruments at the grant date, with corresponding adjustment to capital reserve.

For equity-settled share-based payment in exchange for services of other parties, if the fair value of such services can be reliably measured, it shall be measured at the fair value of the services on the acquisition date. If the fair value of such services cannot be reliably measured while the fair value of equity instruments can be reliably measured, it shall be measured at the fair value of equity instruments on the service acquisition date, recognised into relevant costs or expenses, with corresponding increase to Equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment in exchange for employee services exercisable immediately after grant, the fair value of liabilities assumed by the Company shall be recognised into relevant costs or expenses at the grant date, with corresponding increase to liabilities. For cash-settled share-based payment in exchange for employee services exercisable only after completing services during the vesting period or meeting specified performance conditions, at each balance sheet date within the vesting period, based on the best estimate of exercisable status and the fair value of liabilities assumed by the Company, the services obtained in the current period shall be recognised into relevant costs or expenses and corresponding liabilities.

(3) Amendment and termination of share-based payment plans

If the amendment increases the fair value of granted equity instruments, the Company shall recognise the increase of obtained services corresponding to the rise in fair value of equity instruments. If the amendment increases the quantity of granted equity instruments, the Company shall recognise the fair value of additional equity instruments as the increase of obtained services accordingly. If the Company amends vesting conditions in a manner favourable to employees, the amended vesting conditions shall be taken into account when dealing with vesting conditions.

If the amendment reduces the fair value of granted equity instruments, the Company shall continue to recognise the amount of obtained services based on the fair value of equity instruments at the grant date, regardless of the decrease in fair value of equity instruments. If the amendment reduces the quantity of granted equity instruments, the reduced portion shall be treated as cancellation of granted equity instruments. If the vesting conditions are amended in a manner unfavourable to employees, the amended vesting conditions shall not be taken into account when dealing with vesting conditions.

If the Company cancels or settles the granted equity instruments during the vesting period (excluding cancellation due to failure to meet vesting conditions), such cancellation or settlement shall be treated as accelerated vesting, and the amounts originally to be recognised during the remaining vesting period shall be recognised immediately.

33. Other financial instruments such as preference shares and perpetual bonds

□ Applicable √ Not applicable

34. Revenue

(1). Disclosure of accounting policies adopted for revenue recognition and measurement by business type

√ Applicable □ Not applicable

1. Revenue recognition principles

At the commencement date of a contract, the Company assesses the contract, identifies each separate performance obligation contained in the contract, and determines whether each separate performance obligation is satisfied over time or at a point in time.

A performance obligation is satisfied over time if any of the following criteria is met; otherwise, it is satisfied at a point in time: (1) the customer simultaneously receives and consumes the economic benefits arising from the Company's performance as the Company performs; (2) the customer controls the goods under construction during the Company's performance; (3) the goods produced by the Company in the course of performance have no alternative use, and the Company is entitled to receive payment for the portion of performance completed to date throughout the contract term.

For performance obligations satisfied over time, the Company recognises revenue over time in accordance with the progress of performance. When the progress of performance cannot be reasonably determined, if the incurred costs are expected to be recoverable, revenue shall be recognised at the amount of incurred costs until the progress of performance can be reasonably determined. For performance obligations satisfied at a point in time, revenue is recognised when the customer obtains control of the relevant goods or services. In judging whether the customer has obtained control of goods, the Company considers the following indicators: (1) the Company has a present right to receive payment for the goods, that is, the customer has a present obligation to pay for the goods; (2) the Company has transferred the legal ownership of the goods to the customer, that is, the customer has obtained the legal ownership of the goods; (3) the Company has transferred the physical possession of the goods to the customer, that is, the customer has physical possession of the goods; (4) the Company has transferred the principal risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the principal risks and rewards of ownership of the goods; (5) the customer has accepted the goods; (6) other indicators indicating that the customer has obtained control of the goods.

2. Revenue measurement principles

(1) The Company measures revenue at the transaction price allocated to each separate performance obligation. The transaction price refers to the amount of consideration that the Company expects to be entitled to receive for transferring goods or services to customers, excluding amounts collected on behalf of third parties and amounts expected to be refunded to customers.

(2) Where a contract contains variable consideration, the Company determines the best estimate of variable consideration by adopting the expected value or the most likely amount. The transaction price including variable consideration shall not exceed the amount at which the cumulative recognised revenue is highly probable of no significant reversal when the relevant uncertainty is eliminated.

(3) Where a contract contains a significant financing component, the Company determines the transaction price based on the payable amount assuming the customer makes cash payment upon obtaining control of goods or services. The difference between such transaction price and the contractual consideration is amortised by using the effective interest method over the contract period. At the commencement date of a contract, if the interval between the customer obtaining control of goods or services and making payment is expected to be no more than one year, the significant financing component existing in the contract shall not be taken into account.

(4) Where a contract contains two or more performance obligations, the Company allocates the transaction price to each separate performance obligation at the commencement date of the contract in accordance with the relative proportion of the standalone selling price of goods promised under each separate performance obligation.

3. Specific methods for revenue recognition

The sales business of dyes and intermediates of the Company constitutes performance obligations satisfied at a point in time. Revenue from domestic sales is recognised when customers confirm acceptance, payment is received or the right to receive payment is obtained, and the relevant economic benefits are highly probable to flow in. Revenue from export sales is recognised when the Company completes customs declaration and obtains bills of lading in accordance with contractual agreements, payment is received or the right to receive payment is obtained, and the relevant economic benefits are highly probable to flow in.

(2). Different revenue recognition and measurement methods adopted for the same type of business under different operation modes

□ Applicable √ Not applicable

35. Contract costs

√ Applicable □ Not applicable

Incremental costs incurred by the Company to obtain a contract shall be recognised as an asset as contract acquisition costs if they are expected to be recoverable.

Costs incurred by the Company to fulfil a contract that fall outside the scope of standards for inventories, property, plant and equipment, intangible assets and other relevant standards and meet all of the following conditions shall be recognised as an asset as contract fulfilment costs:

1. Such costs are directly related to a current contract or an expected contract to be obtained, including direct labour, direct materials, manufacturing overheads (or similar expenses), costs clearly borne by customers and other costs incurred solely for such contract;

2. Such costs increase the resources of the Company to perform performance obligations in the future;

3. Such costs are expected to be recoverable.

Assets related to contract costs are amortised by the Company on the same basis as the recognition of revenue from goods or services associated with such assets, and credited to profit or loss for the current period.

If the carrying amount of an asset related to contract costs exceeds the remaining consideration expected to be obtained from transferring the relevant goods or services less the estimated costs to be incurred, the Company shall provide for impairment on the excess portion and recognise it as an impairment loss on assets. If factors leading to impairment in prior periods change afterwards, resulting in the remaining consideration expected to be obtained from transferring the relevant goods or services less the estimated costs to be incurred being higher than the carrying amount of the asset, the previously recognised impairment loss on assets shall be reversed and credited to profit or loss for the current period. The carrying amount of the asset after reversal shall not exceed the carrying amount of the asset at the reversal date assuming no impairment had been recognised.

36. Government grants

√ Applicable □ Not applicable

1. Government grants are recognised when all of the following conditions are satisfied: (1) the Company is able to meet the conditions attached to the government grants; (2) the Company is able to receive the government grants. Government grants in the form of monetary assets are measured at the amount received or receivable. Government grants in the form of non-monetary assets are measured at fair value; if the fair value cannot be reliably obtained, they are measured at a nominal amount.

2. Judgement criteria and accounting treatment methods for asset-related government grants

Government grants stipulated in official documents to be used for the acquisition, construction or other formation of long-term assets are classified as asset-related government grants. If the official documents are not clear, judgement shall be made based on the basic requirements for obtaining such grants. Grants subject to the basic requirement of acquiring, constructing or otherwise forming long-term assets shall be classified as asset-related government grants. Asset-related government grants shall be offset against the carrying amount of relevant assets or recognised as deferred revenue. Where recognised as deferred revenue, such grants shall be recognised in profit or loss on a systematic and rational basis over the useful life of relevant assets. Government grants measured at a nominal amount shall be directly recognised in profit or loss for the current period. If relevant assets are sold, transferred, scrapped or impaired prior to the end of their useful lives, the unallocated balance of relevant deferred revenue shall be transferred to profit or loss for the period when the assets are disposed of.

3. Judgement criteria and accounting treatment methods for income-related government grants

All government grants other than asset-related government grants are classified as income-related government grants. Where a government grant contains both asset-related and income-related components and the two components cannot be distinguished reasonably, the entire grant shall be classified as income-related government grant. Income-related government grants intended to compensate relevant costs, expenses or losses for future periods shall be recognised as deferred revenue, and recognised in profit or loss for the current period or offset against relevant costs in the period when the relevant costs, expenses or losses are recognised. Those intended to compensate relevant costs, expenses or losses already incurred shall be directly recognised in profit or loss for the current period or offset against relevant costs.

4. Government grants related to the Company's daily business activities shall be recognised as other income or offset against relevant costs and expenses based on the substance of economic transactions. Government grants unrelated to the Company's daily activities shall be recognised as non-operating income or expenses.

37. Deferred tax assets / Deferred tax liabilities

√ Applicable □ Not applicable

1. Deferred tax assets or deferred tax liabilities are recognised by reference to the differences between the carrying amounts and tax bases of assets and liabilities. For items not recognised as assets or liabilities whose tax bases can be determined under tax laws, deferred tax shall be calculated based on the differences between such tax bases and book amounts, using the applicable tax rates for the periods in which the assets are expected to be recovered or the liabilities settled.

2. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available to offset deductible temporary differences. At the balance sheet date, if there is conclusive evidence that sufficient taxable profit will be available in future periods to offset deductible temporary differences, deferred tax assets unrecognised in prior accounting periods shall be recognised.

3. The carrying amounts of deferred tax assets are reviewed at each balance sheet date. If it is probable that sufficient taxable profit will not be available in future periods to realise the benefits of deferred tax assets, their carrying amounts shall be written down. The written-down amount shall be reversed when sufficient taxable profit is expected to be available.

4. Current tax and deferred tax of the Company are recognised as income tax expense or income in profit or loss for the current period, excluding income tax arising from: (1) business combinations; (2) transactions or items recognised directly in equity.

5. The Company presents deferred tax assets and deferred tax liabilities on a net basis when both of the following conditions are satisfied: (1) the Company has a statutory right to settle current tax assets and current tax liabilities on a net basis; (2) the deferred tax assets and deferred tax liabilities relate to income taxes imposed by the same taxation authority on the same taxable entity, or on different taxable entities that intend to settle current tax assets and current tax liabilities on a net basis, or to realise assets and settle liabilities simultaneously, in each future period when material deferred tax assets and deferred tax liabilities reverse.

38. Leases

√ Applicable □ Not applicable

Judgement criteria and accounting treatment for the simplified accounting applied by the lessee to short-term leases and low-value asset leases

√ Applicable □ Not applicable

1. The Company as lessee

At the commencement date of a lease, a lease with a lease term of no more than 12 months and no purchase option is classified as a short-term lease. A lease involving an asset that is of low value when new on an individual basis is classified as a low-value asset lease. If the leased asset is or is expected to be sublet by the Company, the original lease shall not be classified as a low-value asset lease.

For all short-term leases and low-value asset leases, the Company recognises lease payments in the cost of relevant assets or profit or loss for the current period on a straight-line basis over each period of the lease term.

Except for the above short-term leases and low-value asset leases accounted for under the simplified approach, the Company recognises right-of-use assets and lease liabilities for leases at the commencement date of a lease.

(1) Right-of-use assets

Right-of-use assets are initially measured at cost. Such cost comprises: 1) the initial measurement amount of lease liabilities; 2) lease payments made on or before the commencement date of the lease, less the amount of lease incentives received; 3) initial direct costs incurred by the lessee; 4) estimated costs to be incurred by the lessee for dismantling and removing the leased asset, restoring the site where the leased asset is located or restoring the leased asset to the condition specified under the lease terms.

The Company depreciates right-of-use assets using the straight-line method. If ownership of the leased asset is reasonably certain to be obtained upon expiry of the lease term, depreciation is charged over the remaining useful life of the leased asset. If ownership of the leased asset cannot be reasonably determined to be obtained upon expiry of the lease term, depreciation is charged over the shorter of the lease term and the remaining useful life of the leased asset.

(2) Lease liabilities

At the commencement date of a lease, the Company recognises lease liabilities at the present value of unpaid lease payments. The interest rate implicit in the lease is used as the discount rate for calculating the present value of lease payments. If the interest rate implicit in the lease cannot be determined, the Company's incremental borrowing rate is adopted. The difference between lease payments and their present value is recognised as unrecognised finance costs. Interest expenses are recognised in each period of the lease term using the aforesaid discount rate and credited to profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are recognised in profit or loss for the current period when incurred.

After the commencement date of a lease, the Company remeasures lease liabilities based on the present value of revised lease payments and adjusts the carrying amount of right-of-use assets accordingly, where there are changes in substantially fixed payments, estimated payable amounts of guaranteed residual values, indices or rates used to determine lease payments, or changes in the assessment or actual exercise of purchase options, renewal options or termination options. If the carrying amount of right-of-use assets has been reduced to zero while further reduction of lease liabilities is required, the remaining amount is recognised in profit or loss for the current period.

2. The Company as lessor

At the commencement date of a lease, leases that transfer substantially all the risks and rewards incidental to ownership of the leased asset are classified as finance leases, and all other leases are classified as operating leases.

(1) Operating leases

The Company recognises lease income on a straight-line basis over each period of the lease term. Initial direct costs incurred are capitalised and amortised on the same basis as lease income recognition, and recognised in profit or loss for the current period in instalments. Variable lease payments received in connection with operating leases that are not included in lease income are recognised in profit or loss for the current period when incurred.

(2) Finance leases

At the commencement date of a lease, the Company recognises a finance lease receivable at the net investment in the lease, which is the sum of the unguaranteed residual value and the present value of outstanding lease receipts discounted at the interest rate implicit in the lease, and derecognises the leased asset under finance lease. The Company calculates and recognises interest income using the interest rate implicit in the lease over each period of the lease term.

Variable lease payments received that are not included in the measurement of net investment in the lease are recognised in profit or loss for the current period when incurred.

3. Sale and leaseback

(1) The Company as lessee

The Company assesses whether the transfer of assets in a sale and leaseback transaction constitutes a sale in accordance with Accounting Standard for Business Enterprises No. 14 — Revenue.

Where the asset transfer in a sale and leaseback transaction constitutes a sale, the Company measures the right-of-use asset arising from the sale and leaseback based on the portion of the original carrying amount of the asset relating to the right of use obtained through the leaseback, and recognises relevant gains or losses only in respect of the rights transferred to the lessor. Where the asset transfer in a sale and leaseback transaction does not constitute a sale, the Company continues to recognise the transferred asset and recognises a financial liability equal to the transfer income, and accounts for such financial liability in accordance with Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments.

(2) The Company as lessor

The Company assesses whether the transfer of assets in a sale and leaseback transaction constitutes a sale in accordance with Accounting Standard for Business Enterprises No. 14 — Revenue.

Where the asset transfer in a sale and leaseback transaction constitutes a sale, the Company accounts for the purchase of the asset in accordance with other applicable Accounting Standards for Business Enterprises, and accounts for the leasing of the asset in accordance with Accounting Standard for Business Enterprises No. 21 — Leases.

Where the asset transfer in a sale and leaseback transaction does not constitute a sale, the Company does not recognise the transferred asset, but recognises a financial asset equal to the transfer income, and accounts for such financial asset in accordance with Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments.

Classification standards and accounting treatment methods for leases as the lessor

☐ Applicable √ Not applicable

39. Other significant accounting policies and accounting estimates

☐ Applicable √ Not applicable

40. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

☐ Applicable √ Not applicable

The Company has implemented the provisions of Interpretation No. 16 of Accounting Standards for Business Enterprises issued by the Ministry of Finance regarding "the accounting treatment that the initial recognition exemption is not applicable to deferred revenue tax related to assets and liabilities arising from a single transaction" with effect from 1 January 2023. Single transactions subject to the aforesaid provisions that occurred from the beginning of the earliest period presented in the financial statements upon initial implementation to the date of initial implementation have been adjusted in accordance with such provisions. Where taxable temporary differences and deductible temporary differences arise from lease liabilities and right-of-use assets recognised for single transactions subject to the aforesaid provisions, as well as provisions for decommissioning obligations and the corresponding related assets recognised at the beginning of the earliest period presented in the financial statements upon initial implementation, the cumulative effects have been adjusted against retained earnings at the beginning of the earliest period presented in the financial statements and other relevant financial statement items in accordance with such provisions and Accounting Standard for Business Enterprises No. 18 — Income Taxes. The details of adjustments are set out below:

The statement item materially affected	Amount affected	Note
Items of Statement of Assets and Liabilities as at 31 December 2022		
Deferred tax assets	-57,285.79	
Surplus reserve	187.60	
Retained earnings	51,549.18	
Minority shareholders' interests	5,549.01	
Items of Profit Statement for the year 2022		
Income tax expense	-28,918.84	
Minority shareholders' profit or loss	1,663.77	

(2) Changes in significant accounting estimates

□ Applicable √ Not applicable

(3) Initial adoption of new accounting standards or interpretations thereof commencing from 2023 involving adjustments to the financial statements at the beginning of the year of initial adoption

□ Applicable √ Not applicable

41. Others

□ Applicable √ Not applicable

VI. Taxation

1. Major taxes and tax rates

Status of major taxes and tax rates

√ Applicable □ Not applicable

Tax type	Tax basis	Tax rate
Value-added Tax	The output tax is calculated on the basis of the income from the sale of goods and taxable services calculated in accordance with the provisions of the tax law, and the difference is the value-added tax payable after deducting the input tax allowed to be deducted in the current period	13%、9%
Consumption tax		
Business Tax		
City maintenance and construction tax	Actual amount of transfer tax paid	7%
Corporate income tax	Taxable profits	25%、15%、20%
Property tax	If levied at value, 1.2% of the original value of the property less 30% of the remaining value at one time; if levied at rent, 12% of the rental income	1.2%、12%
Education surcharge	Actual amount of transfer tax paid	3%
Local education surcharge	Actual amount of transfer tax paid	2%

Disclosure notes on taxable entities subject to different corporate income tax rates

√ Applicable □ Not applicable

Name of Taxable Entity	Income tax rate (%)
Hangzhou Jihua Jiangdong Chemical Co., Ltd., Jiangsu Jihua Chemical Co., Ltd., Hangzhou Jihua Polymer Materials Co., Ltd.	15%
Jiangsu Kangbeide Pharmaceutical Co., Ltd., Yancheng Youhua Pharmaceutical and Chemical Technology Co., Ltd.	20%
Other taxable entities other than the above-mentioned	25%

2. Tax incentives

√ Applicable □ Not applicable

1. Hangzhou Jihua Jiangdong Chemical Co., Ltd. (hereinafter referred to as Jihua Jiangdong Company), a subsidiary of the Company, was recognised as a High and New Technology Enterprise (valid for 3 years) by the Department of Science and Technology of Zhejiang Province, the Department of Finance of Zhejiang Province, the State Taxation Bureau of Zhejiang Province and the Local Taxation Bureau of Zhejiang Province in October 2011. It passed re-recognition on 8 December 2023 (valid for 3 years) and obtained the High and New Technology Enterprise Certificate with the certificate number GR202333008116. It enjoys the preferential policy of paying corporate income tax at a reduced tax rate of 15% for three years starting from the year of recognition. Jihua Jiangdong Company calculated and paid corporate income tax at the tax rate of 15% for the year 2023.

2. Jiangsu Jihua Chemical Co., Ltd. (hereinafter referred to as Jiangsu Jihua Company), a subsidiary of the Company, was recognised as a High and New Technology Enterprise (valid for 3 years) by the Department of Science and Technology of Jiangsu Province, the Department of Finance of Jiangsu Province, the State Taxation Bureau of Jiangsu Province and the Local Taxation Bureau of Jiangsu Province in September 2010. It passed re-recognition on 12 December 2022 (valid for 3 years) and obtained the High and New Technology Enterprise Certificate with the certificate number GR202232014156. It enjoys the preferential policy of paying corporate income tax at a reduced tax rate of 15% for three years starting from the year of recognition. Jiangsu Jihua Company calculated and paid corporate income tax at the tax rate of 15% for the year 2023.

3. Hangzhou Jihua Polymer Materials Co., Ltd. (hereinafter referred to as Jihua Materials Company), a subsidiary of the Company, was recognised as a High and New Technology Enterprise (valid for 3 years) by the Department of Science and Technology of Zhejiang Province, the Department of Finance of Zhejiang Province, the State Taxation Bureau of Zhejiang Province and the Local Taxation Bureau of Zhejiang Province in September 2010. It passed re-recognition on 24 December 2022 (valid for 3 years) and obtained the High and

New Technology Enterprise Certificate with the certificate number GR202233004124. It enjoys the preferential policy of paying corporate income tax at a reduced tax rate of 15% for three years starting from the year of recognition. Jihua Materials Company calculated and paid corporate income tax at the tax rate of 15% for the year 2023.

4. In accordance with the Announcement on the Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement No. 6 of 2023 issued by the Ministry of Finance and the State Taxation Administration) and the Announcement on Further Implementing the Preferential Income Tax Policies for Small and Micro Enterprises (Announcement No. 13 of 2022 issued by the Ministry of Finance and the State Taxation Administration), Jiangsu Kangbeide Pharmaceutical Co., Ltd. (hereinafter referred to as Kangbeide Company) and Yancheng Youhua Pharmaceutical Chemical Technology Co., Ltd. (hereinafter referred to as Yancheng Youhua Company), subsidiaries of the Company, qualify as small and low-profit enterprises. For the period from 1 January 2023 to 31 December 2024, 25% of the annual taxable income not exceeding RMB3 million of small and low-profit enterprises shall be included in taxable income, and corporate income tax shall be paid at the tax rate of 20%.

5. In accordance with the Announcement on Further Implementing the Policy of Reducing and Exempting Six Taxes and Two Fees for Small and Micro Enterprises (Announcement No. 10 of 2022 issued by the Ministry of Finance and the State Taxation Administration), the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall make decisions in light of local actual conditions and macro-control needs. Kangbeide Company and Yancheng Youhua Company, subsidiaries of the Company, are small and low-profit enterprises. Resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, stamp duty (excluding stamp duty on securities transactions), farmland occupation tax, education surcharge and local education surcharge may be reduced by up to 50% of the tax amount for small-scale VAT taxpayers, small and low-profit enterprises and individual industrial and commercial households.

6. Pursuant to Announcement No. 43 of 2023 issued by the Ministry of Finance and the State Taxation Administration, advanced manufacturing enterprises are allowed to deduct an additional 5% of the current deductible input tax against the payable value-added tax from 1 January 2023 to 31 December 2027. The Company and its eligible subsidiaries are entitled to the aforesaid preferential policy for the current period.

3. Others

√ Applicable □ Not applicable

The Company enjoys the tax policy of exemption, credit and refund for exported goods, with a tax refund rate of 13%.

VII. Notes to Consolidated Financial Statement Items

1. Bank and cash balances

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand	121,761.99	130,146.43
Bank deposits	760,746,616.57	852,618,904.88
Other currency funds	13,301,043.37	39,633,663.67
Deposit in financial company		
Total	774,169,421.93	892,382,714.98
Including: Total amount deposited abroad		

Other notes

Notes on funds restricted in use due to mortgage, pledge, freezing and other circumstances, as well as funds held overseas with potential recovery risks

Item	Amount at the end of the period	Amount at the beginning of the period
Foreign currency derivative margin		1,393,135.23
Bill margin	12,460,000.00	26,890,360.00
Pledged large denomination time deposit		10,000,000.00
Other margins	18,000.00	18,000.00
Total	12,478,000.00	38,301,495.23

2. Trading financial assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance	Reasons and basis for designation
Financial assets at fair value through profit or loss for the period			/
Including:			
Wealth management products	20,000,000.00	258,680,511.54	/
Derivatives		2,909,659.85	/
Funds	400,656,714.19	512,937,662.02	
Designated financial assets at fair value through profit or loss for the period			
Including:			
Total	420,656,714.19	774,527,833.41	/

Other notes:

□ Applicable √ Not applicable

3. Derivatives

□ Applicable √ Not applicable

4. Bills receivables (應收票據)

(1) Classification presentation of bills receivables (應收票據)

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance bills		
Commercial acceptance bills	237,500.00	
Total	237,500.00	

(2) Bills receivables (應收票據) pledged by the Company at the end of the period

□ Applicable √ Not applicable

(3) Bills receivables (應收票據) endorsed or discounted by the Company at the end of the period and not yet mature as at the statement of assets and liabilities date

☐ Applicable √ Not applicable

(4) Disclosure classified by bad debt provision method

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying amount	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying amount
Provision for bad debts on an individual basis										
Including:										
Provision for bad debts on a portfolio basis										
Including:										
Commercial acceptance bills	250,000.00	100.00	12,500.00	5.00	237,500.00					
Total	250,000.00	/	12,500.00	/	237,500.00		/		/	

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

√ Applicable ☐ Not applicable

Portfolio items for provision: Commercial acceptance bills

Unit: Yuan Currency: RMB

Name	Closing balance		
	Bills receivables (應收票據)	Provision for bad debts	Percentage of provision (%)
Provision for bad debts on a portfolio basis	250,000.00	12,500.00	5.00
Total	250,000.00	12,500.00	5.00

Notes to provision for bad debts on a portfolio basis

☐ Applicable √ Not applicable

Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Notes to significant changes in the carrying balance of bills receivables (應收票據) with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of bad debt provisions

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Amount of change for the period				Closing balance
		Provision	Recovered or reversed	Written back or written-off	Other changes	
Provision for bad debts on a portfolio basis		12,500.00				12,500.00
Total		12,500.00				12,500.00

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

□ Applicable √ Not applicable

Other notes:

(6). Status of bills receivables (應收票據) actually written off during the current period

□ Applicable √ Not applicable

Among which, status of material write-off of bills receivables (應收票據):

□ Applicable √ Not applicable

Notes on write-off of bills receivables (應收票據):

□ Applicable √ Not applicable

Other notes

□ Applicable √ Not applicable

5. Trade receivables

(1). Disclosure by aging

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Ageing	Closing book balance	Opening book balance
Within one year		
Including: Sub-items within 1 year		
Within one year	268,498,832.34	197,255,765.56
Subtotal within 1 year	268,498,832.34	197,255,765.56
One to two years	12,777,844.29	6,464,525.96
Two to three years	1,722,075.78	293,104.89
More than three years		
Three to four years	96,643.00	87,176.00
Four to five years		
More than five years		
Total	283,095,395.41	204,100,572.41

(2). Disclosure classified by bad debt provision method

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying amount	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying amount
Provision for bad debts on an individual basis										
Including:										
Provision for bad debts on an individual basis	1,325,500.00	0.47	1,325,500.00	100						
Provision for bad debts on a portfolio basis	281,769,895.41	99.53	15,586,331.94	5.53	266,183,563.47	204,100,572.41	100	10,742,969.34	5.26	193,357,603.07
Including:										
Provision for bad debts on a portfolio basis	281,769,895.41	99.53	15,586,331.94	5.53	266,183,563.47	204,100,572.41	100	10,742,969.34	5.26	193,357,603.07
Total	283,095,395.41	/	16,911,831.94	/	266,183,563.47	204,100,572.41	/	10,742,969.34	/	193,357,603.07

Provision for bad debts on an individual basis:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance			
Name	Book balance	Provision for bad debts	Percentage of provision (%)	Reason for provision
Provision for bad debts on an individual basis	1,325,500.00	1,325,500.00	100.00	
Total	1,325,500.00	1,325,500.00	100.00	/

Notes to provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

√ Applicable □ Not applicable

Portfolio items for provision: Provision for bad debts on a portfolio basis

Unit: Yuan Currency: RMB

	Closing balance		
Name	**Trade receivables**	**Provision for bad debts**	**Percentage of provision (%)**
Provision for bad debts on a portfolio basis	281,769,895.41	15,586,331.94	5.53
Total	281,769,895.41	15,586,331.94	5.53

Notes to provision for bad debts on a portfolio basis:

□ Applicable √ Not applicable

Provision for bad debts under the general expected credit loss model

□ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Notes to significant changes in the carrying balance of trade receivable with changes in loss provisions during the current period:

□ Applicable √ Not applicable

(3). Status of bad debt provisions

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

			Amount of change for the period			
Category	**Opening balance**	**Provision**	**Recovered or reversed**	**Written back or written-off**	**Other changes**	**Closing balance**
Provision for bad debts on an individual basis		1,325,500.00				1,325,500.00
Provision for bad debts on a portfolio basis	10,742,969.34	4,848,033.65		4,671.05		15,586,331.94
Total	10,742,969.34	6,173,533.65		4,671.05		16,911,831.94

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

(4). Status of trade receivables actually written off during the current period

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
Trade receivables actually written-off	4,671.05

Among which, status of material write-off of trade receivables

☐ Applicable √ Not applicable

Notes to write-off of trade receivables:

√ Applicable ☐ Not applicable

(5). Status of trade receivables and contract assets with the top five balances by debtor at the end of the period

☐ Applicable √ Not applicable

Other notes:

√ Applicable ☐ Not applicable

The total amount of the top five trade receivables balances at the end of the period is RMB49,251,584.26, accounting for 17.40% of the total trade receivables balances at the end of the period. The total provision for bad debts made for the corresponding trade receivables is RMB2,604,551.58.

6. Contract assets

(1). Status of contract assets

☐ Applicable √ Not applicable

(2). Amount and reasons for significant changes in carrying amount during the reporting period

☐ Applicable √ Not applicable

(3). Disclosure classified by bad debt provision method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Notes to provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Notes on significant changes in the carrying balance of contract assets with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(4). Status of bad debt provisions accrued for contract assets during the current period

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

(5). Status of contract assets actually written off during the current period

☐ Applicable √ Not applicable

Among which, status of material write-off of contract assets

☐ Applicable √ Not applicable

Notes to write-off of contract assets:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

7. Financing from receivables

(1). Classification presentation of financing from receivables

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	437,379,856.91	343,699,637.97
Total	437,379,856.91	343,699,637.97

(2). Financing from receivables pledged by the Company at the end of the period

☐ Applicable √ Not applicable

(3). Financing from receivables endorsed or discounted by the Company at the end of the period and not yet mature as at the statement of assets and liabilities date

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	450,942,634.45	
Total	450,942,634.45	

(4). Disclosure classified by bad debt provision method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Notes to provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Notes on significant changes in the carrying balance of financing from receivables with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of bad debt provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

(6). Status of financing from receivables actually written off during the current period

☐ Applicable √ Not applicable

Among which, status of material write-off of financing from receivables

☐ Applicable √ Not applicable

Notes to write-off:

☐ Applicable √ Not applicable

(7). Changes in amount and fair value of financing from receivables during the current period:

□ Applicable √ Not applicable

(8). Other notes:

√ Applicable □ Not applicable

The acceptors of bank acceptance bills are commercial banks with high credit standing. Such bills have a low risk of non-payment upon maturity, so the Company derecognises the endorsed or discounted bank acceptance bills. Pursuant to the provisions of the Negotiable Instruments Law, the Company shall still be jointly and severally liable to the holders if such bills are not paid at maturity.

8. Prepayment

(1). Presentation of prepayment by aging

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance		Opening balance	
Ageing	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Within one year	11,433,666.41	99.36	7,304,807.39	93.82
One to two years			381,401.74	4.90
Two to three years	73,835.45	0.64	100,000.00	1.28
More than three years				
Total	11,507,501.86	100.00	7,786,209.13	100.00

Notes to reasons for untimely settlement of material prepayments with aging over one year:

(2). Status of prepayments with the top five balances by prepayment parties at the end of the period

√ Applicable □ Not applicable

Name of entity	Closing balance	Percentage of the total closing balance of prepayments (%)
First	7,193,539.84	62.51
Second	1,293,818.82	11.24
Third	1,152,563.28	10.02
Fourth	683,514.07	5.94
Fifth	498,973.09	4.34
Total	10,822,409.10	94.05

Other notes

Other notes

□ Applicable √ Not applicable

9. Presentation of other receivables items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivables		
Dividend receivables		
Other receivables	31,020,937.49	328,091.92
Total	31,020,937.49	328,091.92

Other notes:

□ Applicable √ Not applicable

Interest receivable

(1). Classification of interest receivable

☐ Applicable √ Not applicable

(2). Material overdue interest

☐ Applicable √ Not applicable

(3). Disclosure classified by bad debt provision method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Notes to provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(4). Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Notes on significant changes in the carrying balance of interest receivable with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of bad debt provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

(6). Status of interest receivable actually written off during the current period

☐ Applicable √ Not applicable

Among which, status of material write-off of interest receivable

☐ Applicable √ Not applicable

Notes to write-off:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Dividends receivable

(1). Dividends receivable

☐ Applicable √ Not applicable

(2). Material dividends receivable with aging over one year

☐ Applicable √ Not applicable

(3). Disclosure classified by bad debt provision method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Notes to provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(4). Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Notes to significant changes in the carrying balance of dividends receivable with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of bad debt provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

(6). Status of dividends receivable actually written off during the current period

☐ Applicable √ Not applicable

Among which, status of material write-off of dividends receivable

☐ Applicable √ Not applicable

Notes to write-off:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Other receivables

(1). Disclosure by aging

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Ageing	Closing book balance	Opening book balance
Within one year		
Including: Sub-items within 1 year		
Within one year	32,568,075.48	289,782.76
Subtotal within 1 year	32,568,075.48	289,782.76
One to two years	59,247.00	55,887.00
Two to three years	55,887.00	40,155.80
More than three years	11,321,288.00	12,200,462.47
Three to four years		
Four to five years		
More than five years		
Total	44,004,497.48	12,586,288.03

(2). Classification by nature of items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Nature of amount	Closing book balance	Opening book balance
Fund borrowing and lending	5,000,000.00	5,000,000.00
Margin and deposit	38,288,720.14	6,588,335.00
Export tax rebate	65,885.85	29,075.12
Others	649,891.49	968,877.91
Total	44,004,497.48	12,586,288.03

(3). Provision for bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Provision for bad debts	Stage 1 Expected credit loss over the next 12 months	Stage 2 Lifetime expected credit loss — not credit impaired	Stage 3 Lifetime expected credit loss — credit impaired	Total
Balance as at 1 January 2023	14,489.14	5,588.70	12,238,118.27	12,258,196.11
Balance as at 1 January 2023 for the current period				
— Transfer to Stage 2	-2,962.35	2,962.35		
— Transfer to Stage 3		-5,588.70	5,588.70	
— Transfer back to Stage 2				
— Transfer back to Stage 1				
Provision for the current period	1,616,877.00	2,962.35	-175,145.20	1,444,694.15
Reversal for the current period				
Written back for the current period			719,330.27	719,330.27
Write-off for the current period				
Other changes				
Balance as at 31 December 2023	1,628,403.79	5,924.70	11,349,231.50	12,983,559.99

Basis for division of each stage and provision ratio of bad debts

Basis for division of each stage: Receivables with aging within one year are classified into Stage 1 as their credit risk has not increased significantly since initial recognition. Those with aging from one to two years are classified into Stage 2 as their credit risk has increased significantly since initial recognition without credit impairment incurred. Those with aging over two years are classified into Stage 3 as credit impairment has occurred since initial recognition.

Notes on significant changes in the carrying balance of other receivables arising from changes in loss provisions during the current period:

☐ Applicable √ Not applicable

Amount of bad debt provisions accrued during the current period and criteria adopted for assessing whether the credit risk of financial instruments has increased significantly:

☐ Applicable √ Not applicable

(4). Status of bad debt provisions

☐ Applicable √ Not applicable

Among which, the amount of recovered or reversed bad debt provisions in the current period is material:

☐ Applicable √ Not applicable

Other notes

(5). Status of other receivables actually written off during the current period

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	**Amount of write-off**
Actually written-off other receivables	719,330.27

Among which, status of material write-off of other receivables:

☐ Applicable √ Not applicable

Notes on write-off of other receivables:

☐ Applicable √ Not applicable

(6). Status of other receivables with the top five balances by debtor at the end of the period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of entity	Closing balance	Proportion in the total closing balance of other receivables (%)	Nature of the payment	Ages	Closing balance of Bad debt provision
Gansu Zhipeng Technology Co., Ltd.	30,000,000.00	68.18	Pledge and security deposit	Within 1 year	1,500,000.00
Jiangsu Binhai Economic Development Zone Coastal Industrial Park Management Committee	6,000,000.00	13.64	Pledge and security deposit	Over 3 years	6,000,000.00
Binhai Linhai Asset Management Co., Ltd.	5,000,000.00	11.36	Placements	Over 3 years	5,000,000.00
Nanjing Jiangbei New Area Intelligent Manufacturing Industry Development Management Office	1,400,000.00	3.18	Pledge and security deposit	Within 1 year	70,000.00
Wu Aijun	384,000.00	0.87	Others	Within 1 year	19,200.00
Total	42,784,000.00	97.23	/	/	12,589,200.00

(7). Other receivables presented due to centralized fund management

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

10. Inventories

(1). Classification of inventories

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment of inventories/provision for impairment of contract performance costs	Carrying amount	Book balance	Provision for impairment of inventories/provision for impairment of contract performance costs	Carrying amount
Raw materials	136,474,851.13	7,344,286.87	129,130,564.26	106,775,710.66	1,832,891.02	104,942,819.64
Work in progress	62,626,942.41	10,275,582.46	52,351,359.95	78,167,944.78	6,685,048.22	71,482,896.56
Finished goods in stock	374,797,748.04	21,066,552.53	353,731,195.51	523,003,772.66	24,272,151.33	498,731,621.33
Reusable materials						—
Consumable biological assets						—
Contract performance costs	2,449,359.61		2,449,359.61	1,458,898.20		1,458,898.20
Materials consigned for processing	18,914.59		18,914.59	10,807.36		10,807.36
Goods in transit	9,278,932.20		9,278,932.20			
Total	585,646,747.98	38,686,421.86	546,960,326.12	709,417,133.66	32,790,090.57	676,627,043.09

(2). Inventory impairment provision and impairment provision for contract performance costs

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Amount increased in the current period		Amount decreased in the current period		Closing balance
		Provision	Others	Reversal or written back	Others	
Raw material	1,832,891.02	6,060,239.44		548,843.59		7,344,286.87
Work in progress	6,685,048.22	4,203,066.64		612,532.40		10,275,582.46
Finished goods in stock	24,272,151.33	12,859,502.43		16,065,101.23		21,066,552.53
Reusable materials						
Consumable biological assets						
Contract performance costs						
Total	32,790,090.57	23,122,808.51		17,226,477.22		38,686,421.86

Reasons for reversal or write-off of inventory impairment provision during the current period

☐ Applicable √ Not applicable

Inventory impairment provision accrued on a portfolio basis

☐ Applicable √ Not applicable

Accrual criteria for inventory impairment provision accrued on a portfolio basis

☐ Applicable √ Not applicable

(3). Capitalised borrowing costs included in the closing balance of inventories together with relevant calculation standards and basis

☐ Applicable √ Not applicable

(4). Notes on the amortisation amount of contract performance costs for the current period

√ Applicable ☐ Not applicable

Item	Balance at the beginning of the period	Increase during the current period	Amortisation for the current period	Impairment provision for the current period	Balance at the end of the period
Tulobuterol Commissioned R&D Project	1,458,898.20	990,461.41			2,449,359.61
Subtotal	1,458,898.20	990,461.41			2,449,359.61

Other notes

√ Applicable ☐ Not applicable

Specific basis for determining net realisable value and reasons for reversal or write-off of inventory impairment provision during the current period

Item	Specific basis for determining net realizable value	Reason for reversal of inventory impairment provision	Reason for write-off of inventory impairment provision
Raw materials	The net realizable value is determined by the estimated selling price of relevant finished products minus the estimated costs to complete, estimated selling expenses and relevant taxes and fees.	The net realizable value of inventories on which inventory impairment provisions were provided in previous periods has increased.	Inventories with accrued inventory impairment provisions are consumed or sold during the current period.
Work in progress	The net realizable value is determined as the amount of the estimated selling price of relevant finished products minus the estimated costs to complete, estimated selling expenses and relevant taxes and fees.	The net realizable value of inventories on which inventory impairment provisions were provided in previous periods has increased.	Inventories with accrued inventory impairment provisions are consumed or sold during the current period.
Inventory goods	The net realizable value is determined based on the amount calculated by subtracting the estimated costs to complete, estimated selling expenses and relevant taxes and fees from the estimated selling price of relevant finished products.	The net realizable value of inventories on which inventory impairment provisions were provided in previous periods has increased.	Inventories with accrued inventory impairment provisions are consumed or sold during the current period.

11. Assets held for sale

☐ Applicable √ Not applicable

12. Current portion of non-current assets

☐ Applicable √ Not applicable

Current portion of debt investments

☐ Applicable √ Not applicable

Current portion of other debt investments

☐ Applicable √ Not applicable

Other notes to current portion of non-current assets

13. Other current assets

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Contract acquisition cost		
Cost of return receivable		
Wealth management products	395,221,579.81	398,725,182.85
VAT to be deducted	18,656,040.40	29,043,187.13
Prepaid enterprise income tax	408,253.75	3,302,453.65
Total	414,285,873.96	431,070,823.63

Other notes

14. Debt investments

(1). Information on debt investments

☐ Applicable √ Not applicable

Changes in impairment provision for debt investments during the current period

☐ Applicable √ Not applicable

(2). Material debt investments at the end of the period

☐ Applicable √ Not applicable

(3). Accrual of impairment provision

☐ Applicable √ Not applicable

Basis for division of each stage and accrual ratio of impairment provision:

Notes on significant changes in the carrying balance of debt investments arising from changes in loss provisions during the current period:

☐ Applicable √ Not applicable

Amount of impairment provision accrued during the current period and criteria adopted for assessing whether the credit risk of financial instruments has increased significantly

☐ Applicable √ Not applicable

(4). Actual write-off of debt investments during the current period

☐ Applicable √ Not applicable

Among which, status of material write-off of debt investments

☐ Applicable √ Not applicable

Notes on write-off of debt investments:

☐ Applicable √ Not applicable

Other notes

☐ Applicable √ Not applicable

15. Other debt investments

(1). Information on other debt investments

☐ Applicable √ Not applicable

Changes in impairment provision for other debt investments during the current period

☐ Applicable √ Not applicable

(2). Material other debt investments at the end of the period

☐ Applicable √ Not applicable

(3). Accrual of impairment provision

☐ Applicable √ Not applicable

Basis for division of each stage and accrual ratio of impairment provision:

Notes on significant changes in the carrying balance of other debt investments arising from changes in loss provisions during the current period:

☐ Applicable √ Not applicable

Amount of impairment provision accrued during the current period and criteria adopted for assessing whether the credit risk of financial instruments has increased significantly

☐ Applicable √ Not applicable

(4). Actual write-off of other debt investments during the current period

☐ Applicable √ Not applicable

Among which, status of material write-off of other debt investments

☐ Applicable √ Not applicable

Notes on write-off of other debt investments:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

16. Long-term receivables

(1). Information on long-term receivables

☐ Applicable √ Not applicable

(2). Disclosure classified by bad debt provision method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Notes on provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(3). Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Notes on significant changes in the carrying balance of long-term receivables arising from changes in loss provisions during the current period:

☐ Applicable √ Not applicable

Amount of bad debt provisions accrued during the current period and criteria adopted for assessing whether the credit risk of financial instruments has increased significantly

☐ Applicable √ Not applicable

(4). Status of provision for bad debts

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

(5). Actual write-off of long-term receivables during the current period

☐ Applicable √ Not applicable

Among which, status of material write-off of long-term receivables

☐ Applicable √ Not applicable

Notes on write-off of long-term receivables:

☐ Applicable √ Not applicable

Other notes

☐ Applicable √ Not applicable

17. Long term investments

(1). Information on long term investments

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Investees	Opening balance	Increases/decreases during the period								Closing balance	Closing balance of provision for impairment
		Additional investment	Decrease in investment	Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Declaration of cash dividend or profit	Provision for impairment	Others		
					一、Joint ventures						
Subtotal											
					二、Associates						
Hangzhou Linjiang Environmental Protection Thermal Power Co., Ltd.	91,847,029.98			17,915,828.97			2,927,761.33			106,835,097.62	
Zhejiang Ranhuatong Supply Chain Management Co., Ltd.	2,832,524.04			55,352.24						2,887,876.28	
Binhai Hongbo Environmental Technology Service Co., Ltd.											—
Guangzhou Tuoleshu Pharmaceutical Technology Partnership (Limited Partnership)	1,493,723.68			-673.31						1,493,050.37	
Subtotal	96,173,277.70			17,970,507.90			2,927,761.33			111,216,024.27	
Total	96,173,277.70			17,970,507.90			2,927,761.33			111,216,024.27	

(2). Impairment test of long term investments

□ Applicable √ Not applicable

Other notes

The Company accounts for its investment in Binhai Hongbo Environmental Technology Service Co., Ltd. using the equity method. Due to the excess losses incurred by Binhai Hongbo Environmental Technology Service Co., Ltd., the carrying amount of the long-term equity investment is RMB 0.

18. Other equity instrument investments

(1). Information on other equity instrument investments

☐ Applicable √ Not applicable

(2). Notes on derecognition occurred during the current period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

19. Other non-current financial assets

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Classified as financial assets at fair value through profit or loss for the period	100,760,049.40	86,187,233.87
Including: investments in equity instruments	100,760,049.40	86,187,233.87
Total	100,760,049.40	86,187,233.87

Other notes:

☐ Applicable √ Not applicable

20. Investment property

Measurement model of investment property

(1). Investment property measured under the cost model

Unit: Yuan Currency: RMB

Item		Buildings	Land use rights	Construction in progress	Total
I.	Original carrying amount				
	1. Opening balance	219,021,721.70			219,021,721.70
	2. Amount increased in the current period	78,396,600.96	19,930,296.10		98,326,897.06
	(1) External purchases	540,744.56			540,744.56
	(2) Transfer from inventory/fixed assets/construction in Progress	77,855,856.40	19,930,296.10		97,786,152.50
	(3) Increase in business combinations				
	3. Amount decreased in the current period				
	(1) Disposal				
	(2) Other transfer-out				
	4. Closing balance	297,418,322.66	19,930,296.10		317,348,618.76
II.	Accumulated depreciation and accumulated amortisation				
	1. Opening balance	8,050,374.13			8,050,374.13
	2. Amount increased in the current period	11,200,395.71	8,852,197.83		20,052,593.54
	(1) Provision or amortisation	11,200,395.71			11,200,395.71
	(2) Transfer from intangible assets		8,852,197.83		8,852,197.83
	3. Amount decreased in the current period				
	(1) Disposal				
	(2) Other transfer-out				
	4. Closing balance	19,250,769.84	8,852,197.83		28,102,967.67
III.	Provision for impairment				
	1. Opening balance				
	2. Amount increased in the current period				
	(1) Provision				
	3. Amount decreased in the current period				
	(1) Disposal				
	(2) Other transfer-out				
	4. Closing balance				
IV.	Carrying amount				
	1. Carrying amount at the end of the period	278,167,552.82	11,078,098.27		289,245,651.09
	2. Carrying amount at the beginning of the period	210,971,347.57			210,971,347.57

(2). Status of investment property without completed property title certificates

☐ Applicable √ Not applicable

(3). Impairment test of investment property measured under the cost model

☐ Applicable √ Not applicable

Other notes

☐ Applicable √ Not applicable

21. Presentation of property, plant and equipment items

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Property, plant and equipment	881,557,468.45	1,179,089,787.79
Disposal of property, plant and equipment		
Total	881,557,468.45	1,179,089,787.79

Other notes:

☐ Applicable √ Not applicable

Fixed assets

(1). Information on fixed assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items		Buildings	Specialised equipments	Transport facilities	Electronic equipments and others	Total
I.	Original carrying amount:					
	1. Opening balance	635,745,025.17	1,841,228,277.49	24,690,155.16	20,549,773.50	2,522,213,231.32
	2. Amount increased in the current period	7,747,953.34	18,812,340.39	1,735,539.87	244,261.24	28,540,094.84
	(1) Purchase	5,583,138.56	11,520,089.16	1,735,539.87	244,261.24	19,083,028.83
	(2) Transfer to construction in progress	2,164,814.78	7,292,251.23			9,457,066.01
	(3) Increase in business combinations					
	3. Amount decreased in the current period	704,859.00	11,813,043.45	2,043,950.61	206,961.87	14,768,814.93
	(1) Disposal or retirement	704,859.00	11,813,043.45	2,043,950.61	206,961.87	14,768,814.93
	4. Closing balance	642,788,119.51	1,848,227,574.43	24,381,744.42	20,587,072.87	2,535,984,511.23
II.	Accumulated depreciation					
	1. Opening balance	252,081,158.86	1,022,195,442.15	19,392,520.47	16,492,416.19	1,310,161,537.67
	2. Amount increased in the current period	29,861,205.14	142,497,792.10	1,717,595.19	870,604.15	174,947,196.58
	(1) Provision	29,861,205.14	142,497,792.10	1,717,595.19	870,604.15	174,947,196.58
	3. Amount decreased in the current period	644,097.06	10,778,217.31	1,832,954.10	196,613.78	13,451,882.25
	(1) Disposal or retirement	644,097.06	10,778,217.31	1,832,954.10	196,613.78	13,451,882.25
	4. Closing balance	281,298,266.94	1,153,915,016.94	19,277,161.56	17,166,406.56	1,471,656,852.00
III.	Provision for impairment					
	1. Opening balance	700,809.95	32,235,180.43		25,915.48	32,961,905.86
	2. Amount increased in the current period	12,717,742.99	137,073,057.13		17,484.80	149,808,284.92
	(1) Provision	12,717,742.99	137,073,057.13		17,484.80	149,808,284.92
	3. Amount decreased in the current period					
	(1) Disposal or retirement					
	4. Closing balance	13,418,552.94	169,308,237.56		43,400.28	182,770,190.78
IV.	Carrying amount					
	1. Carrying amount at the end of the period	348,071,299.63	525,004,319.93	5,104,582.86	3,377,266.03	881,557,468.45
	2. Carrying amount at the beginning of the period	382,963,056.36	786,797,654.91	5,297,634.69	4,031,441.83	1,179,089,787.79

(2). Status of temporarily idle property, plant and equipment

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Specialised equipments	1,142,009,337.41	779,014,346.57	169,308,237.56	193,686,753.28	

(3). Property, plant and equipment leased out under operating leases

□ Applicable √ Not applicable

(4). Status of property, plant and equipment without completed property title certificates

□ Applicable √ Not applicable

(5). Impairment test of property, plant and equipment

√ Applicable □ Not applicable

The recoverable amount is determined based on the fair value less costs of disposal

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Carrying amount	Recoverable amount	Amount of impairment	Determination of fair value and disposal costs	Key parameters	Basis for determining key parameters
Relevant assets of Jiangsu Jihua	335,507,984.65	185,699,699.73	149,808,284.92	Fair value is determined by the replacement cost method or market approach; disposal costs refer to expenses related to asset disposal.		1) Replacement cost of housing and building structure assets: Construction and installation costs are determined based on construction engineering documents, final settlement documents or comparable building cases. The replacement cost of buildings is calculated by adding current preliminary and other expenses, construction fees, accrued interest and development profit. Where the corresponding buildings have no use value after workshop equipment is dismantled, the fair value shall be zero. 2) Replacement cost of machinery and equipment: Consists of equipment purchase cost, transportation charges, installation cost, equipment foundation cost and other expenses. 3) Market approach for machinery and equipment: For scrapped and dismantled equipment that cannot be reused, the fair value shall be the realizable value of materials after dismantling, and the value of relevant materials shall be based on quotations from recyclable resources companies. 4) Comprehensive depreciation rate: Determined by combining the age method and on-site inspection method. 5) Disposal costs: Include legal fees, relevant taxes and fees, dismantling and clearance expenses related to asset disposal, and direct expenses incurred to bring the assets to a saleable condition.
Total	335,507,984.65	185,699,699.73	149,808,284.92	/	/	/

The recoverable amount is determined based on the present value of estimated future cash flows

☐ Applicable √ Not applicable

Reasons for material discrepancies between the aforesaid information and information or external information adopted in impairment tests of previous years

√ Applicable ☐ Not applicable

Reasons for material discrepancies between information adopted in impairment tests of previous years and actual conditions of the current year

√ Applicable ☐ Not applicable

Other notes:

☐ Applicable √ Not applicable

Due to market factors, the production line of the Company's assets located in Jiangsu suspended production in the current period. The calculated recoverable amount was lower than its carrying amount, and an impairment provision of RMB149,808,284.92 was recognised, which affected the net profit attributable to owners of parent company for the current period by RMB149,808,284.92.

Disposal of property, plant and equipment

☐ Applicable √ Not applicable

22. Presentation of construction in progress items

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Construction in progress	9,645,693.47	80,379,291.56
Engineering materials		
Total	9,645,693.47	80,379,291.56

Other notes:

☐ Applicable √ Not applicable

Construction in progress

(1). Information on construction in progress

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance			Opening balance		
Items	**Book balance**	**Provision for impairment**	**Carrying amount**	**Book balance**	**Provision for impairment**	**Carrying amount**
Innovative industrial park project				69,717,342.15		69,717,342.15
Intermediate projects	8,360,379.16	1,223,299.45	7,137,079.71	7,306,941.58		7,306,941.58
Workshop Upgrade and Renovation Project				1,075,218.16		1,075,218.16
Miscellaneous works	2,508,613.76		2,508,613.76	1,372,242.49		1,372,242.49
Annual Output of 100,000 Tons Dye and Intermediate Industrial Transformation and Upgrading Technological Renovation Project				907,547.18		907,547.18
Total	10,868,992.92	1,223,299.45	9,645,693.47	80,379,291.56		80,379,291.56

(2). Changes in major construction in progress items during the current period

√ Applicable □ Not applicable

Unit: 0'000 Currency: RMB

Item Name	**Budgets**	**Opening balance**	**Amount increase in the current period**	**Amount transferred to property, plant and equipment in the current period**	**Other decreases in the current period**	**Closing balance**	**Accumulated investment in the project as a percentage of the budget (%)**	**Project progress**	**Accumulated amount of interest capitalisation**	**Including: amount of interest capitalization in current period**	**Interest capitalisation rate in the current period (%)**	**Sources of funding**
Innovative Industrial Park project	64,771.44	6,971.73	813.85		7,785.59		100	100				Own funds
Total	64,771.44	6,971.73	813.85		7,785.59		/	/			/	/

(3). Provision for impairment of construction in progress recognised during the current period

☐ Applicable √ Not applicable

(4). Impairment test of construction in progress

☐ Applicable √ Not applicable

Other notes

☐ Applicable √ Not applicable

Construction materials

(5). Information on construction materials

☐ Applicable √ Not applicable

23. Productive biological assets

(1). Productive biological assets measured under the cost model

☐ Applicable √ Not applicable

(2). Impairment test of productive biological assets measured under the cost model

☐ Applicable √ Not applicable

(3). Productive biological assets measured under the fair value model

☐ Applicable √ Not applicable

Other notes

☐ Applicable √ Not applicable

24. Oil and gas assets

(1) Information on oil and gas assets

☐ Applicable √ Not applicable

(2) Impairment test of oil and gas assets

☐ Applicable √ Not applicable

25. Right-of-use assets

(1) Information on right-of-use assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items		Buildings	Transport facilities	Total
I.	Original carrying amount			
	1. Opening balance	5,202,310.17	1,797,703.01	7,000,013.18
	2. Amount increased in the current period		198,352.58	198,352.58
	(1) Lease		198,352.58	198,352.58
	3. Amount decreased in the current period		1,075,389.73	1,075,389.73
	(1) Disposal		1,075,389.73	1,075,389.73
	4. Closing balance	5,202,310.17	920,665.86	6,122,976.03
II.	Accumulated depreciation			
	1. Opening balance	1,987,134.45	1,171,108.20	3,158,242.65
	2. Amount increased in the current period	1,047,546.50	652,583.70	1,700,130.20
	(1) Provision	1,047,546.50	652,583.70	1,700,130.20
	3. Amount decreased in the current period		1,062,621.48	1,062,621.48
	(1) Disposal		1,062,621.48	1,062,621.48
	4. Closing balance	3,034,680.95	761,070.42	3,795,751.37
III.	Provision for impairment			
	1. Opening balance			
	2. Amount increased in the current period			
	(1) Provision			
	3. Amount decreased in the current period			
	(1) Disposal			
	4. Closing balance			
IV.	Carrying amount			
	1. Carrying amount at the end of the period	2,167,629.22	159,595.44	2,327,224.66
	2. Carrying amount at the beginning of the period	3,215,175.72	626,594.81	3,841,770.53

(2). Impairment test of right-of-use assets

□ Applicable √ Not applicable

26. Intangible assets

(1). Information on intangible assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items		Land use rights	Patent rights	Unpatented technology	Software	Total
I.	Original carrying amount					
	1. Opening balance	134,640,109.33	52,566,109.85	4,500,000.00	2,164,295.68	193,870,514.86
	2. Amount increased in the current period	12,441,071.80		17,522,047.32	46,189.23	30,009,308.35
	(1) Purchase	12,441,071.80			46,189.23	12,487,261.03
	(2) Internal R&D			17,522,047.32		17,522,047.32
	(3) Increase in business combinations					
	3. Amount decreased in the current period	22,246,060.70				22,246,060.70
	(1) Disposal	2,315,764.60				2,315,764.60
	(2) Transfer to investment properties	19,930,296.10				19,930,296.10
	4. Closing balance	124,835,120.43	52,566,109.85	22,022,047.32	2,210,484.91	201,633,762.51
II.	Accumulated amortisation					
	1. Opening balance	42,672,989.56	43,602,064.34	2,071,887.60	1,845,324.66	90,192,266.16
	2. Amount increased in the current period	7,530,288.77	5,158,615.05	2,258,197.70	120,399.23	15,067,500.75
	(1) Provision	7,530,288.77	5,158,615.05	2,258,197.70	120,399.23	15,067,500.75
	3. Amount decreased in the current period	10,082,961.69	—	—		10,082,961.69
	(1) Disposal	1,230,763.86				1,230,763.86
	(2) Transfer to investment properties	8,852,197.83				8,852,197.83
	4. Closing balance	40,120,316.64	48,760,679.39	4,330,085.30	1,965,723.89	95,176,805.22
III.	Provision for impairment					
	1. Opening balance					
	2. Amount increased in the current period					
	(1) Provision					
	3. Amount decreased in the current period					
	(1) Disposal					
	4. Closing balance					
IV.	Carrying amount					
	1. Carrying amount at the end of the period	84,714,803.79	3,805,430.46	17,691,962.02	244,761.02	106,456,957.29
	2. Carrying amount at the beginning of the period	91,967,119.77	8,964,045.51	2,428,112.40	318,971.02	103,678,248.70

The proportion of intangible assets formed through internal research and development of the Company at the end of the current period to the total balance of intangible assets is 8.69.

(2). Status of land use rights without completed property title certificates

☐ Applicable √ Not applicable

(3) Impairment test of intangible assets

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

27. Goodwill

(1). Original carrying amount of goodwill

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of investee or transaction giving rise to goodwill	Opening balance	Increase during the current period: Resulting from the business combination	Decrease during the current period: Disposal	Closing balance
Kangbeide Company	12,697,900.19			12,697,900.19
Yancheng Youhua Company	2,544,395.49			2,544,395.49
Total	15,242,295.68			15,242,295.68

(2). Impairment provision for goodwill

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of investee or transaction giving rise to goodwill	Opening balance	Increase during the current period: Provision	Decrease during the current period: Disposal	Closing balance
Kangbeide Company	5,197,007.51			5,197,007.51
Yancheng Youhua Company Youhua Company	2,544,395.49			2,544,395.49
Total	7,741,403.00			7,741,403.00

(3). Relevant information of the asset groups or combination of asset groups to which goodwill is allocated

√ Applicable □ Not applicable

Name	Composition and basis of the asset group or combination to which it belongs	Operating segment to which it belongs and basis	Consistency with previous years
Asset Group of Yancheng Youhua Company	Operating Assets and Liabilities of Yancheng Youhua Company	Assets and liabilities of Yancheng Youhua Pharma	Yes
Asset Group of Kangbeide Company	Assets related to operations of Kangbeide Company	Relevant Assets and Liabilities of Kangbeide Company	Yes

Changes in asset groups or combination of asset groups

□ Applicable √ Not applicable

Other notes

□ Applicable √ Not applicable

(4). Specific methods for determining the recoverable amount

The recoverable amount is determined based on the fair value less costs of disposal

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Carrying amount	Recoverable amount	Amount of impairment	Determination of fair value and disposal costs	Key parameters	Basis for determining key parameters
Asset Group of Yancheng Youhua Company						
Asset Group of Kangbeide Company	57,947,310.48	72,430,997.98				
Total	57,947,310.48	72,430,997.98		/	/	/

The recoverable amount is determined based on the present value of estimated future cash flows

☐ Applicable √ Not applicable

Reasons for material discrepancies between the aforesaid information and the information or external information adopted in impairment tests of previous years

☐ Applicable √ Not applicable

Reasons for material discrepancies between the information adopted by the Company in impairment tests of previous years and the actual conditions of the corresponding years

☐ Applicable √ Not applicable

(5). Performance commitments and corresponding goodwill impairment conditions

Performance commitments existed upon the recognition of goodwill and the reporting period or the period preceding the reporting period fell within the performance commitment period

☐ Applicable √ Not applicable

Other notes

☐ Applicable √ Not applicable

28. Long term prepaid expenses

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Amount increased in the current period	Amortisation for the current period	Other decrease amount	Closing balance
Decoration expenses	825,337.11		60,761.04		764,576.07
Total	825,337.11		60,761.04		764,576.07

29. Deferred tax assets / Deferred tax liabilities

(1). Deferred tax assets before offsetting

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	34,061,542.07	6,344,401.80	31,067,270.37	5,332,146.60
Unrealized profits from internal transactions				
Deductible loss				
Deferred revenue	38,409,219.97	5,822,696.58	40,044,416.11	6,075,640.19
Changes in fair value			10,842,425.13	2,710,606.28
Lease liabilities	2,571,450.29	626,543.04	4,077,402.29	982,446.37
Total	75,042,212.33	12,793,641.42	86,031,513.90	15,100,839.44

(2). Deferred tax liabilities before offsetting

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset valuation appreciation due to business combination not involving enterprises under common control	9,962,989.00	2,490,747.25	16,868,383.17	4,217,095.79
Changes in fair value of other debt investments				
Changes in fair value of investments in other equity instruments	2,255,342.71	563,835.68	6,635,349.10	1,286,268.35
Depreciation difference of property, plant and equipment	91,706,787.79	13,756,018.18	116,357,753.81	17,453,663.06
Financial assets held for trading				
Differences in right-of-use assets	2,327,224.66	565,846.63	3,841,770.53	925,160.57
Total	106,252,344.16	17,376,447.74	143,703,256.61	23,882,187.77

(3). Deferred tax assets or liabilities presented at net amount after offsetting

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Deferred tax assets and liabilities offset amount at the end of the period	Deferred tax assets or liabilities balance after offset at the beginning of the period	Deferred tax assets and liabilities offset amount at the end of the period	Deferred tax assets or liabilities balance after offset at the beginning of the period
Deferred tax assets	622,707.60	12,170,933.82	992,334.12	14,108,505.32
Deferred tax liabilities	622,707.60	16,753,740.10	992,334.12	22,889,853.65

(4). Breakdown of unrecognised deferred tax assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Deductible temporary difference	264,354,533.66	122,984,199.14
Deductible loss	747,417,724.88	588,791,004.15
Total	1,011,772,258.54	711,775,203.29

(5). Deductible losses for which deferred tax assets are not recognised will expire in the following years

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Year	Closing amount	Opening amount	Note
2023		1,392,792.67	
2024	579,307.18	579,307.18	
2025	10,863,587.29	8,288,028.94	
2026	20,887,285.00	27,329,532.44	
2027	41,855,164.25	29,851,274.17	
2028	18,739,937.00	13,122,748.50	
2029	87,772,637.41	87,772,637.41	
2030	140,155,298.42	140,155,298.42	
2031	150,078,568.15	148,254,652.09	
2032	131,045,051.32	132,044,732.33	
2033	145,440,888.86		
Total	747,417,724.88	588,791,004.15	/

Other notes:

☐ Applicable √ Not applicable

30. Other non-current assets

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Contract acquisition costs						
Contract performance costs						
Cost of return receivable						
Contract assets						
Prepayments for the acquisition of long-term assets	25,733,787.00	25,292,070.00	441,717.00	25,298,920.00	25,292,070.00	6,850.00
Overdue trust	131,526,638.06	43,404,155.77	88,122,482.29	136,195,105.35	34,004,544.28	102,190,561.07
Total	157,260,425.06	68,696,225.77	88,564,199.29	161,494,025.35	59,296,614.28	102,197,411.07

Other notes:

After the maturity of some trust products purchased by the Company, the counterparty failed to perform obligations as agreed. As at 31 December 2023, the overdue trust products held by the Company amounted to RMB131,526,638.06, and the Company recognised accumulated impairment provisions of RMB43,404,155.77 in respect of the aforesaid trust products.

31. Assets with restricted ownership or right of use

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing				Opening			
	Book balance	Carrying amount	Restriction type	Restriction	Book balance	Carrying amount	Restriction type	Restriction
Bank and cash balances	12,478,000.00	12,478,000.00	Frozen	Guarantee deposits	38,301,495.23	38,301,495.23	Frozen	Guarantee deposits
Bills receivables								
Inventory								
Fixed assets								
Intangible assets								
Total	12,478,000.00	12,478,000.00	/	/	38,301,495.23	38,301,495.23	/	/

32. Short-term borrowings

(1). Classification of short-term borrowings

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Pledge borrowings		
Mortgage borrowings		
Guaranteed borrowings		
Credit borrowings	10,010,694.44	16,017,110.49
Bills discounted borrowings not yet derecognised	50,000,000.00	247,500,000.00
Total	60,010,694.44	263,517,110.49

Note to classification of short-term borrowings:

(2). Status of overdue and unpaid short-term borrowings

□ Applicable √ Not applicable

Details of material overdue and unpaid short-term borrowings are set out below:

□ Applicable √ Not applicable

Other notes

□ Applicable √ Not applicable

33. Trading financial liabilities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Closing balance	Reasons and basis for designation
Financial liabilities held for trading			/
Including:			
Derivative financial liabilities	41,098.00		/
Financial liabilities designated as measured at fair value through profit or loss			
Including:			
Total	41,098.00		/

Other notes:

√ Applicable □ Not applicable

34. Derivative financial liabilities

□ Applicable √ Not applicable

35. Bills payables

(1). Presentation of bills payables

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Types	Closing balance	Opening balance
Commercial Acceptance Bills		
Bank acceptance bills	12,300,000.00	94,451,800.00
Total	12,300,000.00	94,451,800.00

The total amount of matured and unpaid bills payables at the end of the current period is RMB 0. Reasons for matured and unpaid items:

36. Trade payables

(1). Presentation of trade payables

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Operating trade payables	281,989,778.19	373,548,218.96
Construction trade payables	40,229,246.57	90,382,686.77
Total	322,219,024.76	463,930,905.73

(2). Material trade payable with ageing over one year or overdue

□ Applicable √ Not applicable

Other notes

□ Applicable √ Not applicable

37. Advance receipts

(1). Presentation of advance receipts

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Rental fee	3,783,939.24	1,729,553.49
Total	3,783,939.24	1,729,553.49

(2). Material advances from customers with ageing over one year

□ Applicable √ Not applicable

(3). Amounts and reasons for significant changes in carrying amounts during the reporting period

☐ Applicable √ Not applicable

Other notes

☐ Applicable √ Not applicable

38. Contract liabilities

(1). Status of contract liabilities

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Loans	75,660,462.68	53,686,355.78
Total	75,660,462.68	53,686,355.78

(2). Material contract liabilities with ageing over one year

☐ Applicable √ Not applicable

(3). Amounts and reasons for significant changes in carrying amounts during the reporting period

☐ Applicable √ Not applicable

Other notes:

√ Applicable ☐ Not applicable

39. Employee benefits payable

(1). Presentation of employee benefits payable

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during current the period	Decrease during the current period	Closing balance
I. Short-term remuneration	31,478,237.76	163,528,093.23	159,153,377.46	35,852,953.53
II. Post-employment benefits — defined contribution plan	263,629.58	10,637,047.77	9,707,079.58	1,193,597.77
III. Termination benefits		12,853,106.80	12,853,106.80	
IV. Other benefits due within one year				
Total	31,741,867.34	187,018,247.80	181,713,563.84	37,046,551.30

(2). Presentation of short-term remuneration

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
I. Salary, bonus, allowance and subsidy	30,873,322.46	148,466,551.52	144,223,003.72	35,116,870.26
II. Staff welfare		1,451,482.17	1,451,482.17	
III. Social insurance	360,803.30	7,315,261.32	7,175,721.29	500,343.33
Including: Medical insurance	349,040.34	6,210,133.01	6,194,627.95	364,545.40
Work injury insurance	11,762.96	1,033,524.26	909,489.29	135,797.93
Maternity insurance		71,604.05	71,604.05	
IV. Housing provident fund	244,112.00	4,240,115.94	4,248,488.00	235,739.94
V. Trade union fund and staff education fund		2,054,682.28	2,054,682.28	
VI. Short-term absence with payment				
VII. Short-term profit sharing plan				
Total	31,478,237.76	163,528,093.23	159,153,377.46	35,852,953.53

(3). Presentation of defined contribution plan

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
1. Basic pension insurance	254,538.90	10,283,149.78	9,385,254.75	1,152,433.93
2. Unemployment insurance premium	9,090.68	353,897.99	321,824.83	41,163.84
3. Enterprise annuity payment				
Total	263,629.58	10,637,047.77	9,707,079.58	1,193,597.77

Other notes:

√ Applicable □ Not applicable

40. Current tax liabilities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Value added tax	4,557,871.85	6,957,018.35
Consumption tax		
Business tax		
Enterprise income tax	7,053,434.67	5,469,626.00
Personal income tax	419,170.84	410,704.20
Urban maintenance and construction tax	326,010.34	144,639.78
Property tax	4,003,264.43	4,050,416.75
Land use tax	2,570,845.94	1,031,183.69
Education surcharge	139,718.72	62,131.73
Local education surcharge	93,145.80	40,154.50
Stamp duty	342,708.54	493,911.36
Total	19,506,171.13	18,659,786.36

41. Other payables

(1). Presentation of items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Interests payable		
Dividends payable		
Other payables	22,737,720.28	22,764,233.40
Total	22,737,720.28	22,764,233.40

Other notes:

√ Applicable □ Not applicable

(2). Classification presentation of interest payable

□ Applicable √ Not applicable

Overdue material interest payable:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

(3). Classification presentation of dividends payable

☐ Applicable √ Not applicable

(4). Other payables

Presentation of other payables by nature of items

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Pledge and security deposit	16,201,625.20	14,594,953.20
Placements	4,948,579.64	4,948,579.64
Fees	1,033,239.86	927,508.46
Prepayments for equity incentives		2,160,000.00
Others	554,275.58	133,192.10
Total	22,737,720.28	22,764,233.40

Material other payables with ageing over one year or overdue

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

42. Liabilities held for sale

☐ Applicable √ Not applicable

43. Non-current liabilities maturing within one year

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within one year		
Bonds payable due within one year		
Long-term payables due within one year		
Lease liabilities due within one year	1,234,417.40	1,642,149.11
Total	1,234,417.40	1,642,149.11

44. Other current liabilities

Status of other current liabilities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Short-term bonds payable		
Returns payable		
Input tax to be carried forward	8,827,330.28	6,275,055.73
Total	8,827,330.28	6,275,055.73

Changes in short-term bonds payable:

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

45. Long-term borrowings

(1). Classification of long-term borrowings

□ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

46. Bonds payable

(1). Bonds payable

☐ Applicable √ Not applicable

(2). Specific status of bonds payable: (excluding other financial instruments such as preference shares and perpetual bonds classified as financial liabilities)

☐ Applicable √ Not applicable

(3). Note to convertible corporate bonds

☐ Applicable √ Not applicable

Accounting treatment and judgment basis of conversion rights

☐ Applicable √ Not applicable

(4). Note to other financial instruments classified as financial liabilities

Basic information of other outstanding financial instruments such as preference shares and perpetual bonds at the end of period

☐ Applicable √ Not applicable

Statement of changes in financial instruments such as outstanding preference shares and perpetual bonds at the end of period

☐ Applicable √ Not applicable

Note to the basis for classifying other financial instruments as financial liabilities:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

47. Lease liabilities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing Balance	Opening Balance
Lease liabilities	1,367,796.20	2,545,961.92
Unrecognised finance costs on lease liabilities	30,763.31	110,708.74
Total	1,337,032.89	2,435,253.18

48. Presentation of long-term payables items

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

Long-term payables

(1). Presentation of long-term payables by nature of items

□ Applicable √ Not applicable

Special payables

(1). Presentation of special payables by nature of items

□ Applicable √ Not applicable

49. Long-term employee remuneration

□ Applicable √ Not applicable

50. Provisions

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Closing balance	Formation reasons
External guarantees provided			
Pending litigations	5,979,826.68	135,665.52	
Product quality guarantee			
Restructuring obligations			
Pending loss contracts			
Returns payable			
Others			
Total	5,979,826.68	135,665.52	/

Other notes, including material assumptions and estimation notes relating to material provisions:

51. Deferred revenue

Status of deferred revenue

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance	Formation reasons
Government grants	46,046,109.46	4,197,500.00	8,186,974.10	42,056,635.36	
Total	46,046,109.46	4,197,500.00	8,186,974.10	42,056,635.36	/

Other notes:

□ Applicable √ Not applicable

52. Other non-current liabilities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Contract liabilities	6,000,000.00	6,000,000.00
Total	6,000,000.00	6,000,000.00

53. Share capital

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Opening balance	Increase or Decrease from Current Change (+, -)					Closing balance
		Issuance of new shares	Bonus shares	Conversion of capital reserve into shares	Other	Subtotal	
Total number of shares	700,000,000						700,000,000

Other notes:

54. Other equity instruments

(1). Basic information of other outstanding financial instruments including preference shares and perpetual bonds at the end of period

☐ Applicable √ Not applicable

(2). Statement of changes of financial instruments including outstanding preference shares and perpetual bonds at the end of period

☐ Applicable √ Not applicable

Changes of other equity instruments during the current period, explanation on reasons for changes and basis for relevant accounting treatment:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

55. Capital reserve

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Capital premium (share capital premium)	1,137,116,934.37	6,596,305.99		1,143,713,240.36
Other capital reserve	7,605,893.20	1,237,028.52		8,842,921.72
Total	1,144,722,827.57	7,833,334.51		1,152,556,162.08

Other notes, including changes during the current period and explanation on reasons for changes:

The increase of other capital reserve by RMB 82,047.81 is due to the relevant expenses recognised for share-based payment in the current period. The increase of share premium by RMB 6,596,305.99 is due to the equity interests of subsidiaries.

56. Treasury shares

☐ Applicable √ Not applicable

57. Other comprehensive income

☐ Applicable √ Not applicable

58. Special reserve

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Safety production expenses	175,504.27	10,067,837.85	8,221,335.27	2,022,006.85
Total	175,504.27	10,067,837.85	8,221,335.27	2,022,006.85

Other notes, including changes during the current period and explanation on reasons for changes:

The Company accrued work safety expenses of RMB 10,067,837.85 during the current period, and utilised RMB 8,221,335.27 in accordance with regulations, of which RMB 8,221,335.27 was classified as expense expenditure.

59. Surplus reserve

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Statutory surplus reserve	335,497,754.07	22,924,135.05		358,421,889.12
Discretionary surplus reserve				
Reserve funds				
Enterprise development fund				
Others				
Total	335,497,754.07	22,924,135.05		358,421,889.12

Note to surplus reserve, including changes during the current period and explanation on reasons for changes:

The increase in the current period represents the statutory surplus reserve appropriated at 10% of the net profit realised by the parent company in accordance with the articles of association.

60. Retained earnings

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	1,993,845,068.64	2,326,689,074.25
Total undistributed profit at the beginning of the period after adjustment (increase +, decrease -)	51,549.18	24,244.50
Undistributed profit at the beginning of the period after adjustment	1,993,896,617.82	2,326,713,318.75
Add: Net profit attributable to the owners of parent company for the period	-240,845,793.81	-209,649,216.97
Less: Appropriation of statutory surplus reserve	22,924,135.05	18,167,483.96
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividends payable on ordinary shares	56,000,000.00	105,000,000.00
Dividends on ordinary shares transferred to share capital		
Undistributed profit at the end of the period	1,674,126,688.96	1,993,896,617.82

Breakdown of adjustments to opening retained earnings:

1. Retrospective adjustments under the Accounting Standards for Business Enterprises and relevant new provisions affected opening retained earnings by RMB 51,549.18.

2. Changes in accounting policies affected opening retained earnings by RMB 0.

3. Correction of material accounting errors affected opening retained earnings by RMB 0.

4. Changes in consolidation scope resulting from common control affected opening retained earnings by RMB 0.

5. Total of other adjustments affected opening retained earnings by RMB 0.

61. Operating Revenue and cost of goods sold

(1). Status of Operating Revenue and cost of goods sold

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Principal operating businesses	1,625,834,950.96	1,543,296,538.02	1,873,332,566.71	1,851,112,915.11
Other businesses	65,444,196.04	46,241,448.54	58,361,327.84	47,129,376.99
Total	1,691,279,147.00	1,589,537,986.56	1,931,693,894.55	1,898,242,292.10

(2). Statement of Deductions from Operating Revenue

Unit: 0'000 Currency: RMB

Items	Current year	Specific deductions	Previous year	Specific deductions
Amount of operating revenue	169,127.91		193,169.39	
Total amount of operating revenue deductions	4,686.41		2,059.76	
Proportion of total operating revenue deductions to operating revenue (%)	2.77%	/	1.07%	/
I. Business income unrelated to main business				
1. Other business income outside normal operations. Such as income derived from leasing property, plant and equipment, intangible assets and packaging materials, selling materials, conducting non-monetary asset exchanges with materials, operating entrusted management businesses, as well as income included in operating revenue but outside the normal operations of the listed company.	4,686.41	Sales of materials and by-products: RMB12.3251 million, sewage treatment service fees: RMB 4.5752 million, income from leasing property, plant and equipment: RMB 25.5056 million, others: RMB 4.4581 million.	2,059.76	Sales of materials and by-products RMB 6.8509 million, sewage treatment service fees RMB 5.7875 million, income from leasing property, plant and equipment RMB 7.2205 million, others RMB 0.7385 million.
2. Income from quasi-financial businesses without qualifications, such as interest income from funds lent out; income generated by newly added quasi-financial businesses in the current and previous accounting years, including income from guarantee, commercial factoring, microfinance, financial leasing and pawnbroking businesses, excluding financial leasing businesses carried out for the sale of main products.				
3. Income generated by newly added trading businesses in the current and previous accounting years.				
4. Income arising from connected transactions unrelated to the existing normal business operations of the listed company.				
5. Income of subsidiaries under business combination under common control from the beginning of the period to the combination date.				
6. Income generated from businesses that fail to form or are difficult to form a stable business model.				
Subtotal of business income unrelated to main business	4,686.41		2,059.76	

Items	Current year Specific deductions	Previous year Specific deductions
II. Income lacking commercial substance		
1. Income arising from transactions or events that do not significantly change the risk, timing or amount of the enterprise's future cash flows.		
2. Income arising from transactions without genuine business, such as fictitious income generated through self-dealing and fictitious income created by means of internet technology or other methods.		
3. Income generated from businesses with obviously unfair transaction prices.		
4. Income of subsidiaries or businesses acquired through business combinations in the current accounting year at obviously unfair consideration or by non-transaction means.		
5. Income involved in non-standard audit opinions.		
6. Income arising from other transactions or matters lacking commercial rationality.		
Subtotal of income lacking commercial substance		
III. Other income irrelevant to main business or lacking commercial substance		
Amount of revenue after deduction	164,441.51	191,109.63

(3). Breakdown information of operating revenue and operating costs

□ Applicable √ Not applicable

Other notes

√ Applicable □ Not applicable

(1) Breakdown details

Items	Amount for the current period		Amount for the same period of previous year	
	Income	Cost	Income	Cost
Revenue from principal operating businesses	1,625,834,950.96	1,543,296,538.02	1,873,332,566.71	1,851,112,915.11
Revenue from other businesses	65,444,196.04	46,241,448.54	58,361,327.84	47,129,376.99
Total	1,691,279,147.00	1,589,537,986.56	1,931,693,894.55	1,898,242,292.10
Among which: Income generated from contracts with customers	1,665,773,555.83	1,573,941,492.17	1,924,473,357.33	1,888,536,018.90

(2) Revenue breakdown information

1) Revenue arising from contracts with customers broken down by type of goods or services

Items	Amount for the current period		Amount for the same period of previous year	
	Income	Cost	Income	Cost
Dyes and intermediates	1,463,982,750.29	1,411,126,392.33	1,648,042,561.23	1,661,407,229.10
Polyurethane foam	51,672,523.02	45,473,091.41	42,676,767.78	39,955,660.04
polymer coating	114,444,598.36	90,551,996.68	180,614,623.89	149,529,451.88
Others	35,673,684.16	26,790,011.75	53,139,404.43	37,643,677.88
Subtotal	1,665,773,555.83	1,573,941,492.17	1,924,473,357.33	1,888,536,018.90

2) Revenue arising from contracts with customers broken down by operating region

Items	Amount for the current period		Amount for the same period of previous year	
	Income	Cost	Income	Cost
Domestic	1,392,424,930.38	1,311,015,406.49	1,591,598,148.89	1,563,508,784.28
Overseas	273,348,625.45	262,926,085.68	332,875,208.44	325,027,234.62
Subtotal	1,665,773,555.83	1,573,941,492.17	1,924,473,357.33	1,888,536,018.90

3) Revenue arising from contracts with customers broken down by timing of transfer of goods or services

Item	Amount for the current period	Amount for the same period of previous year
Recognised as revenue at a point in time	1,665,773,555.83	1,924,473,357.33
Subtotal	1,665,773,555.83	1,924,473,357.33

(3) The revenue recognised in the current period included in the opening carrying amount of contract liabilities amounted to RMB 43,727,938.13.

(4). Note to performance obligations

☐ Applicable √ Not applicable

(5). Note to allocation to remaining performance obligations

☐ Applicable √ Not applicable

(6). Material contract changes or material adjustments to transaction prices

☐ Applicable √ Not applicable

62. Taxes and surcharges

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Consumption tax		
Business tax		
Urban maintenance and construction tax	2,560,736.82	2,801,018.33
Education surcharge	1,101,191.84	1,200,436.43
Resource tax		
Property tax	5,303,225.71	5,567,758.45
Land use tax	3,553,168.69	1,975,348.27
Vehicle and vessel use tax	34,799.30	36,000.00
Stamp duty	1,424,608.01	1,480,532.55
Local education surcharge	735,061.22	799,263.56
Environment protection tax	36,903.46	65,970.43
Total	14,749,695.05	13,926,328.02

63. Selling expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Staff remuneration	18,248,050.08	16,019,285.34
Business entertainment expenses	550,279.28	527,785.35
Insurance expenses	287,376.32	254,044.59
Travelling expenses	743,676.58	505,054.09
Others	2,507,062.81	2,290,539.75
Total	22,336,445.07	19,596,709.12

64. Administrative expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Loss from shutdown	14,371,714.26	20,737,650.18
Staff remuneration	46,365,015.93	33,433,436.04
Depreciation expenses	16,928,431.93	15,726,487.48
Amortization of intangible assets	4,479,771.42	5,388,224.80
Intermediary service expenses	4,225,179.03	4,199,013.65
Insurance expenses	1,775,415.66	2,882,452.93
Business entertainment expenses	5,213,155.21	3,996,351.93
Repair and maintenance expenses	2,108,124.03	1,866,500.16
Vehicle usage expenses	878,627.84	977,582.41
Equity incentive expenses	1,960,000.00	1,040,000.00
Other expenses	11,462,136.45	12,512,375.15
Total	109,767,571.76	102,760,074.73

65. Research and development expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Staff remuneration	30,418,689.88	32,914,777.82
Consumption of materials	29,882,213.42	28,670,257.19
Depreciation and amortization	9,706,370.27	16,927,501.34
Equipment commissioning expenses	8,889,301.68	8,435,943.35
Other expenses	2,379,991.15	3,107,081.55
Total	81,276,566.40	90,055,561.25

66. Finance costs

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Interest expenses	1,927,048.29	6,827,196.10
Less: Interest income	31,965,248.36	14,783,160.78
Handling fees	1,241,611.60	1,540,663.73
Exchange gains or losses	-8,096,625.22	-13,397,479.86
Total	-36,893,213.69	-19,812,780.81

67. Other income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Classification by nature	Amount for the current period	Amount for the previous period
Government grants relating to assets	8,186,974.10	7,357,054.35
Government grants relating to gains	7,529,822.61	9,036,753.02
Refund of charges for individual income tax	212,040.54	221,392.94
VAT additional deduction	7,233,026.81	
Total	23,161,864.06	16,615,200.31

68. Investment income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Long-term equity investment income accounted for under the equity method	17,970,507.90	12,196,432.29
Investment income on disposal of long-term equity investment		
Investment income of held-for-trading financial assets during the period of holding	-2,953,952.38	
Dividend income from investment in other equity instruments during the period of holding	801,604.75	
Interest income from debt investment in the period of holding		
Interest income from other debt investments in the period of holding		
Investment income on disposal of held-for-trading financial assets		50,631,639.50
Investment income on disposal of investment in other equity instruments		
Investment income on disposal of debt investments		
Investment income on disposal of other debt investments		
Gain on debt restructuring		
Dividend income obtained from other non-current financial assets during the holding period		462,464.28
Returns from wealth management	40,417,435.12	32,909,318.00
Loss on discount of financing receivables	-1,710,015.99	
Total	54,525,579.40	96,199,854.07

69. Net exposure hedging gains

□ Applicable √ Not applicable

70. Fair value change gains

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Sources of fair value change gains	Amount for the current period	Amount for the previous period
Financial assets held for trading		
Including: Gains from change in fair value of derivative financial instruments		
Fair value change gains arising from financial assets designated as measured at fair value through profit or loss		-10,349,967.17
Fair value change gains arising from financial assets classified as measured at fair value through profit or loss	-42,178,775.28	4,782,419.20
Financial liabilities held for trading		
Investment real estate measured at fair value		
Fair value change gains arising from financial liabilities classified as measured at fair value through profit or loss		-41,098.00
Total	-42,178,775.28	-5,608,645.97

71. Credit impairment losses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Loss on bad debts of bills receivables (應收票據)		
Loss on bad debts of trade receivables	-6,397,521.27	3,574,071.37
Loss on bad debts of other receivables	-1,009,218.91	
Impairment losses on debt investments		
Impairment losses on other debt investments		
Bad debt loss on long-term receivables		
Impairment losses related to financial guarantees		
Total	-7,406,740.18	3,574,071.37

72. Impairment losses on assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
1. Impairment losses on contract assets		
2. Inventory depreciation loss and impairment loss on contract performance cost	-23,122,808.51	-24,088,470.63
3. Impairment loss on long-term equity investment		-13,870,000.00
4. Impairment losses on investment properties		
5. Impairment loss on property, plant and equipment	-149,808,284.92	-32,961,905.86
6. Impairment loss on construction material		
7. Impairment loss on construction in progress	-1,223,299.45	
8. Impairment loss on bearer biological assets		
9. Impairment loss on oil and gas assets		
10. Impairment loss on intangible assets		
11. Impairment loss on goodwill		-2,544,395.49
12. Others	-9,399,611.49	-59,296,614.28
Total	-183,554,004.37	-132,761,386.26

73. Gains on disposal of assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Gain on disposal of intangible assets	-418,668.38	-2,639,028.60
Gain on disposal of property, plant and equipment	6,458,238.20	
Gain on disposal of right-of-use assets	596.85	4,114.50
Total	6,040,166.67	-2,634,914.10

74. Non-operating income

Status of non-operating income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring gain or loss
Total gains on disposal of non-current assets			
Including: Gain on disposal of property, plant and equipment			
Gain on disposal of intangible assets			
Gains on exchange of non-monetary assets			
Donations received			
Government grants			
Forfeiture and penalty income	99,834.53	164,336.46	99,834.53
Compensation income		614,800.00	
Others	11,035.61	7,811.85	11,035.61
Payables that will not need to be paid	829,776.18		829,776.18
Total	940,646.32	786,948.31	940,646.32

Other notes:

□ Applicable √ Not applicable

75. Non-operating expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring gain or loss
Total losses on disposal of non-current assets	1,914,098.38	12,031,353.55	1,914,098.38
Including: Losses on disposal of property, plant and equipment	1,914,098.38	7,718,903.97	1,914,098.38
Losses on disposal of intangible assets			
Losses on exchange of non-monetary assets			
External donation	193,668.50	528,000.00	193,668.50
Fines and late payment penalties	82,690.59	690,191.01	82,690.59
Compensation expenditure	104,050.00	376,426.19	104,050.00
Others	32,243.42	78,892.03	32,243.42
Total	2,326,750.89	13,704,862.78	2,326,750.89

76. Income tax expense

(1). Statement of income tax expense

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Current income tax expense	9,004,095.19	10,057,885.98
Deferred income tax expense	-4,198,542.01	-6,835,356.74
Total	4,805,553.18	3,222,529.24

(2). Reconciliation of accounting profit and income tax expense

☐ Applicable √ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period
Total profit	-240,293,918.42
Income tax expense calculated at statutory/applicable tax rate	-60,073,479.58
Effect of different tax rates applicable to subsidiaries	18,076,013.31
Effect of adjusting income taxes for the prior period	-35,913.70
Impact on non-taxable income	-1,664,775.13
Effect of non-deductible costs, expenses and losses	610,504.09
Effect of using deductible losses of deferred income tax assets not recognized in the prior period	-3,395,747.30
Effect of deductible temporary differences or deductible losses of deferred tax assets not recognized in the current period	63,001,113.28
Income tax expense	4,805,553.18

77. Other comprehensive income

☐ Applicable √ Not applicable

78. Items in the cash flow statement

(1). Cash related to operating activities

Other cash received in relation to operating activities

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Recovery of bill deposit and time deposits	64,390,360.00	28,000,000.00
Government grants	10,552,420.20	23,860,946.16
Interest income	31,965,248.36	14,783,160.79
Receipt of security deposit , etc.	1,089,512.00	3,941,602.70
Rental collection	28,390,805.32	12,855,079.16
Others	2,273,105.55	978,890.12
Total	138,661,451.43	84,419,678.93

Note to other cash received in relation to operating activities:

Other cash paid in relation to operating activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Cash payments	45,739,510.10	45,669,133.53
Payments of bank charges	1,241,611.60	1,540,663.74
Other non-operating expenses	194,011.42	818,539.99
Payments of bills deposit and pledged time deposits	39,960,000.00	36,891,360.00
Others	37,548,277.82	4,174,967.66
Total	124,683,410.94	89,094,664.92

Note to other cash paid in relation to operating activities:

(2). Cash related to investing activities

Material cash received in relation to investing activities

□ Applicable √ Not applicable

Material cash paid in relation to investing activities

□ Applicable √ Not applicable

Other cash received in relation to investing activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Refund of share private placement deposit		2,000,000.00
Refund of foreign currency derivative deposit	1,393,135.23	
Cash as at acquisition base date exceeding the consideration for combination		159,568.54
Total	1,393,135.23	2,159,568.54

Other cash paid in relation to investing activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Payment of foreign currency derivative deposit		1,393,135.23
Total		1,393,135.23

(3). Cash related to financing activities

Other cash received in relation to financing activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Proceeds from discounted bills	348,290,694.43	242,943,636.17
Total	348,290,694.43	242,943,636.17

Other cash paid in relation to financing activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Current accounts of Yancheng Youhua before combination		894,850.00
Cash payments for leases	1,921,056.00	1,814,124.50
Total	1,921,056.00	2,708,974.50

Changes in various liabilities arising from financing activities

□ Applicable √ Not applicable

(4). Note to cash flows presented on a net basis

☐ Applicable √ Not applicable

(5). Material activities that do not involve current cash receipts and payments but affect the enterprise's financial position or may affect the enterprise's cash flows in the future and their financial impacts

☐ Applicable √ Not applicable

79. Supplementary information to the cash flow statement

(1). Supplementary information to the cash flow statement

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	-245,099,471.60	-213,830,554.15
Add: Asset impairment provision	190,960,744.55	129,187,314.89
Credit impairment loss		
Depreciation of property, plant and equipment, depreciation of oil and gas assets and depreciation of productive biological assets	186,147,592.29	191,161,818.36
Amortization of right-of-use assets	1,700,130.20	1,773,374.26
Amortization of intangible assets	15,067,500.75	21,073,723.84
Amortization of long term prepaid expenses	60,761.04	1,476,206.09
Losses from disposal of property, plant and equipment, intangible assets and other long-term assets (gains shall be stated with a "-" sign)	-6,040,166.67	2,634,914.10
Losses from scrapping of property, plant and equipment (gains shall be stated with a "-" sign)	1,914,098.38	12,031,353.55
Losses from changes in fair value (gains shall be stated with a "-" sign)	42,178,775.28	5,608,645.97
Finance costs (gains shall be stated with a "-" sign)	-6,169,576.93	-6,570,283.76
Losses from investments (gains shall be stated with a "-" sign)	-54,525,579.40	-96,199,854.07
Decrease in deferred tax assets (increases shall be stated with a "-" sign)	1,937,571.50	-328,622.28

Supplementary information		Amount for the current period	Amount for the previous period
	Increase in deferred tax liabilities (decreases shall be stated with a "-" sign)	-6,136,113.51	-6,506,734.46
	Decrease in inventories (increases shall be stated with a "-" sign)	104,115,673.35	2,084,542.68
	Decrease in operating receivables (increases shall be stated with a "-" sign)	-596,601,559.33	-47,254,544.88
	Increase in operating payables (decreases shall be stated with a "-" sign)	240,839,317.84	-9,731,380.54
	Others	3,806,502.58	1,215,504.27
	Net cash flows generated from operating activities	-125,843,799.68	-12,174,576.13
2.	Significant investing and financing activities not involving cash receipts and payments:		
	Conversion of debts into capital		
	Convertible corporate bonds due within one year		
	Property, plant and equipment acquired under finance leases		
3.	Net changes in cash and cash equivalents:		
	Balance of cash at the end of the period	761,691,421.93	854,081,219.75
	Less: Balance of cash at the beginning of the period	854,081,219.75	544,210,477.12
	Add: Balance of cash equivalents at the end of the period		
	Less: Balance of cash equivalents at the beginning of the period		
	Net increase of cash and cash equivalents	-92,389,797.82	309,870,742.63

(2). Net cash paid for acquisition of subsidiaries during the current period

☐ Applicable √ Not applicable

(3). Net cash received from disposal of subsidiaries during the current period

☐ Applicable √ Not applicable

(4). Composition of cash and cash equivalents

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
1. Cash	761,691,421.93	854,081,219.75
Including: Cash on hand	121,761.99	130,146.43
Bank deposits readily available for payment	760,728,616.57	852,600,904.88
Other bank and cash balances readily available for payment	841,043.37	1,350,168.44
Deposits with central bank available for payment		
Deposits with other banks		
Loans from other banks		
2. Cash equivalents		
Including: Bond investments that mature within three months		
3. Closing balance of cash and cash equivalents	761,691,421.93	854,081,219.75
Including: Restricted cash and cash equivalents used by the parent company or subsidiaries within the Group		

(5). Status of cash and cash equivalents with restricted scope of use but still presented as cash and cash equivalents

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Reasons
Fundraising account	9,381,578.77	Enterprises may use bank deposits in the raised funds account
Total	9,381,578.77	/

(6). Bank and cash balances not classified as cash and cash equivalents

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance	Reasons
Foreign currency derivatives deposit		1,393,135.23	Unable to withdraw at any time
ETC deposit	18,000.00	18,000.00	Unable to withdraw at any time
Bills deposit	12,460,000.00	36,890,360.00	Unable to withdraw at any time
Total	12,478,000.00	38,301,495.23	/

Other notes:

□ Applicable √ Not applicable

80. Notes to items in the statement of changes in Equity

State the names of "other" items that adjusted the closing balances of the previous year and the adjustment amounts and other matters:

□ Applicable √ Not applicable

81. Foreign currency monetary items

(1). Foreign currency monetary items

√ Applicable □ Not applicable

Unit: Yuan

Items	Closing balance in foreign currencies	Exchange rate	Closing balance converted to RMB
Bank and cash balances	—	—	184,030,021.09
Including: USD	25,141,137.96	7.0827	178,067,137.83
EUR	758,713.77	7.8592	5,962,883.26
HKD			
Trade receivables	—	—	24,754,701.28
Including: USD	3,495,093.86	7.0827	24,754,701.28
EUR			
HKD			
Long-term borrowings	—	—	
Including: USD			
EUR			
HKD			
Trade payables			4,288,206.55
Including: USD	605,448.00	7.0827	4,288,206.55

(2). Note to overseas operating entities. For material overseas operating entities, disclose their principal overseas places of operation, functional currencies and the basis for selection. If there is a change in functional currency, the reasons shall also be disclosed.

√ Applicable □ Not applicable

82. Leases

(1) As lessee

√ Applicable □ Not applicable

Variable lease payments not included in the measurement of lease liabilities

√ Applicable □ Not applicable

Lease expenses for short-term leases or low-value asset leases accounted for using the simplified approach

√ Applicable □ Not applicable

The amounts of short-term lease expenses and low-value asset lease expenses credited to profit or loss for the current period are set out below:

Unit: Yuan

Item	Amount for the current period	Amount for the same period of previous year
Short-term rental expense	739,269.44	405,912.38
Total	739,269.44	405,912.38

Sale and leaseback transactions and the basis for judgment

√ Applicable □ Not applicable

Total cash outflows related to leases 2,697,776.00 (Unit: Yuan Currency: RMB)

(2) As lessor

Operating leases as lessor

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Lease income	Among which: Income related to variable lease payments not included in lease receivables
Lease income	25,505,591.17	
Total	25,505,591.17	

Finance leases as lessor

□ Applicable √ Not applicable

Reconciliation of undiscounted lease receivables and net investment in leases

☐ Applicable √ Not applicable

Undiscounted lease receivables for the next five years

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Undiscounted annual lease receivables	
	Closing amount	Opening amount
In the first year	33,729,687.69	25,266,690.05
In the second year	35,226,928.65	26,693,791.32
In the third year	36,745,072.72	27,345,940.48
In the fourth year	38,387,708.52	28,030,697.11
In the fifth year	21,715,847.15	12,500,808.00
Total undiscounted lease receivable for the next five years	165,805,244.73	119,837,926.96

(3) Recognition of profit or loss from sales under finance leases as a manufacturer or dealer

☐ Applicable √ Not applicable

83. Others

☐ Applicable √ Not applicable

VIII. RESEARCH AND DEVELOPMENT EXPENDITURE

(1) Presented by nature of expenses

☐ Applicable √ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Consumption of materials	29,882,213.42	28,670,257.19
Staff remuneration	30,418,689.88	32,914,777.82
Equipment commissioning expenses	8,889,301.68	8,435,943.35
Depreciation and amortization	9,706,370.27	16,927,501.34
Other expenses	2,379,991.15	4,491,109.50
Total	81,276,566.40	91,439,589.20
Of which: Expensed research and development expenditure	81,276,566.40	90,055,561.25
Capitalized research and development expenditure		1,384,027.95

(2) Development expenditure of research and development projects qualifying for capitalisation

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Amount increased in the current period			Amount decreased in the current period		
	Opening balance	Internal development expenditure	Others	Recognized as intangible assets	Transfer to profit or loss for the current period	Closing balance
Industrialization Development of the Afatinib and Tofacitinib Project	35,044,094.63			17,522,047.32		17,522,047.31
Total	35,044,094.63			17,522,047.32		17,522,047.31

Material capitalised research and development projects

√ Applicable ☐ Not applicable

Item	Development progress	Expected completion date	Expected manner of generating economic benefits	Time point of commencing capitalisation	Specific basis
Industrialization Development of the Afatinib and Tofacitinib Project	90%	2024	Utilise patented products of Afatinib and Tofacitinib	Entrust the development of Afatinib and Tofacitinib	The patent development of Afatinib and Tofacitinib as generic drugs is feasible

Impairment provision for development expenditure

☐ Applicable √ Not applicable

(3) Material purchased in-progress projects

☐ Applicable √ Not applicable

IX. CHANGES IN THE SCOPE OF CONSOLIDATION

1. Business combinations not under common control

☐ Applicable √ Not applicable

2. Business combinations under common control

☐ Applicable √ Not applicable

3. Reverse acquisitions

☐ Applicable √ Not applicable

4. Disposal of subsidiaries

Whether there are transactions or events resulting in loss of control over subsidiaries during the current period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Whether there is disposal of investment in subsidiaries through multiple transactions in stages resulting in loss of control during the current period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

5. Changes in consolidation scope for other reasons

Describe changes in consolidation scope caused by other reasons (e.g. establishment of new subsidiaries, liquidation of subsidiaries, etc.) and relevant information:

☐ Applicable √ Not applicable

6. Others

☐ Applicable √ Not applicable

X. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the enterprise group

√ Applicable ☐ Not applicable

Unit: 0'000 Currency: RMB

Name of subsidiaries	Principal place of operation	Registered capital	Place of registration	Nature of business	Proportion of shareholding (%)		Acquisition method
					Direct	Indirect	
Jihua Jiangdong Company	Hangzhou, Zhejiang	10,000.00	Hangzhou, Zhejiang	Production and sales of dyes and intermediates	100.00		Establishment
Jiangsu Jihua Company	Binhai, Jiangsu	10,000.00	Binhai, Jiangsu	Production and sales of dyes and intermediates	100.00		Establishment
Jihua Import and Export Company	Hangzhou, Zhejiang	10,000.00	Hangzhou, Zhejiang	Import and export trade	100.00		Business Combination under Common Control
Chuangli Polyurethane Company	Hangzhou, Zhejiang	800.00	Hangzhou, Zhejiang	Production and sale of polyurethane foam	100.00		Business Combination under Common Control
Jihua Materials Company	Hangzhou, Zhejiang	7,000.00	Hangzhou, Zhejiang	Production and sales of water-based coatings	68.89		Establishment

Name of subsidiaries	Principal place of operation	Registered capital	Place of registration	Nature of business	Proportion of shareholding (%) Direct	Indirect	Acquisition method
Jihua Technology Company	Hangzhou, Zhejiang	1,000.00	Hangzhou, Zhejiang	Sales and R&D of dyes and intermediates		100.00	Establishment
Jihua Pharmaceutical Company	Binhai, Jiangsu	20,000.00	Binhai, Jiangsu	R&D and transfer of pharmaceutical technology		100.00	Establishment
Jihua Jizhi Company	Hangzhou, Zhejiang	1,000.00	Hangzhou, Zhejiang	Production and sales of dyes and intermediates	100.00		Establishment
Jiangsu Jizhao Company	Binhai, Jiangsu	1,000.00	Binhai, Jiangsu	Production and sales of dyes and intermediates	100.00		Establishment
Kangbeide Company	Nanjing, Jiangsu	5,700 .00	Nanjing, Jiangsu	R&D and production of pharmaceuticals		52.5874	Business Combination under Non-Common Control
Yancheng Youhua Company	Binhai, Jiangsu	4,486 .00	Binhai, Jiangsu	R&D of pharmaceutical and chemical products and their technology transfer		61.9929	Business Combination under Non-Common Control

Other notes:

Increase in consolidation scope due to other reasons

Company Name	Equity Acquisition Method	Equity Acquisition Time	Capital Contribution	Contribution Ratio
Jihua Jizhi Company	Establishment	14 March 2023	RMB 10 million	100%
Jiangsu Jizhao Company	Establishment	26 December 2023	RMB 100 million	100%

(2) Material non-wholly-owned subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of subsidiaries	Minor shareholders' shareholding ratio	Profit and loss attributable to minority shareholders in the current period	Dividends declared to minority shareholders in the current period	Balance of minority shareholders' interests at the end of period
Jihua Materials Company	31.11%	2,491,158.77	3,049,200.00	33,582,629.00

Note to the difference between shareholding ratio and voting rights ratio of minority shareholders of subsidiaries:

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

(3). Key financial information of material non-wholly-owned subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jihua Materials Company	172,776,193.20	12,193,426.83	184,969,620.03	68,762,018.55	888,221.32	69,650,239.87	166,613,344.34	11,711,578.85	178,324,923.19	59,475,612.93	1,736,162.08	61,211,775.01

	Amount for the period				Amount for the previous period			
Name of subsidiaries	**Operating revenue**	**Net profit**	**Total comprehensive income**	**Cash flow from operating activities**	**Revenue**	**Net profit**	**Total comprehensive income**	**Cash flow from operating activities**
Jihua Materials Company	114,444,598.36	8,006,231.98	8,006,231.98	-224,742.44	181,024,364.76	15,703,337.50	15,703,337.50	-8,425,689.66

(4). Material restrictions on the use of assets and settlement of liabilities of the enterprise group

□ Applicable √ Not applicable

(5). Financial support or other support provided to structured entities included in the scope of consolidated financial statements

□ Applicable √ Not applicable

Other notes:

√ Applicable □ Not applicable

1. Aggregate financial information of immaterial associates

Items	Closing balance / Amount for the current period	Opening balance / Amount for the same period of previous year
Total carrying amount of investments	111,216,024.27	96,173,277.70
Total amount calculated based on shareholding ratio for the following items		
Net profit	17,970,507.90	12,196,432.29
Total comprehensive income	17,970,507.90	12,196,432.29

2. Excess losses incurred by associates

Name of associate	Accumulated unrecognized losses of previous periods	Unrecognized losses for the current period (or net profit shared in the current period)	Cumulative unrecognized losses at the end of current period
Binhai Hongbo Environmental Technology Service Co., Ltd.	-28,612,521.65		-28,612,521.65

2. Transactions where the share of equity in subsidiaries changes while control over the subsidiaries is retained

√ Applicable □ Not applicable

(1). Note to changes in the share of equity in subsidiaries

√ Applicable □ Not applicable

Name of subsidiaries	Change Time	Shareholding percentage prior to change	Shareholding percentage subsequent to changes
Kangbeide Company	30 June 2023	63.1137%	52.5874%

(2). Note to the impact of transactions on Non-controlling interests and equity attributable to owners of the company

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Kangbeide Company
Purchase Cost / Disposal Consideration	
- Cash	
- Fair value of non-cash assets	
Advance receipts	2,160,000.00
Other receivables	720,000.00
Total Purchase Cost / Disposal Consideration	2,880,000.00
Less: Share of net assets of subsidiary calculated based on acquired/disposed equity ratio	-3,716,305.99
Difference	6,596,305.99
Of which: Adjustment to capital reserve	6,596,305.99
Adjustment to surplus reserve	
Adjustment to retained earnings	

Other notes

√ Applicable □ Not applicable

3. Interests in joint ventures or associates

√ Applicable □ Not applicable

(1). Material joint ventures or associates

□ Applicable √ Not applicable

(2). Key financial information of material joint ventures

□ Applicable √ Not applicable

(3). Key financial information of material associates

□ Applicable √ Not applicable

(4). Aggregate financial information of immaterial joint ventures and associates

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance / Amount for the current period	Opening balance / Amount for the previous period
Joint ventures:		
Total carrying amount of investment		
Total amount calculated based on shareholding ratio for the following items		
- Net profits		
- Other comprehensive income		
- Total comprehensive income		
Associates:		
Total carrying amount of investment	111,216,024.27	96,173,277.70
Total amount calculated based on shareholding ratio for the following items		
- Net profits	17,970,507.90	12,196,432.29
- Other comprehensive income		
- Total comprehensive income	17,970,507.90	12,196,432.29

Other notes

(5). Note to material restrictions on the ability of joint ventures or associates to transfer funds to the Company

√ Applicable □ Not applicable

(6). Excess losses incurred by joint ventures or associates

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of joint venture or associate	Accumulated unrecognized losses of previous periods	Unrecognized losses in the current period (or net profit shared for the current period)	Accumulated unrecognized losses at the end of the current period
Binhai Hongbo Environment Technology Service Co., Ltd.	-28,612,521.60		-28,612,521.60

(7). Unrecognised commitments related to investments in joint ventures

□ Applicable √ Not applicable

(8). Contingent liabilities related to investments in joint ventures or associates

□ Applicable √ Not applicable

4. Material joint operations

□ Applicable √ Not applicable

5. Interests in structured entities not included in the scope of consolidated financial statements

Note to structured entities not included in the scope of consolidated financial statements:

□ Applicable √ Not applicable

6. Others

□ Applicable √ Not applicable

XI. GOVERNMENT GRANTS

1. Government grants recognised based on receivable amount at the end of the reporting period

☐ Applicable √ Not applicable

Reasons for failure to receive the expected amount of government grants at the scheduled time

☐ Applicable √ Not applicable

2. Liability items involving government grants

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Financial Statement Items	Opening Balance	Amount of Additional Grants in Current Period	Amount Recognized as Non-operating Income in Current Period	Amount Transferred to Other Income in Current Period	Other Changes in Current Period	Closing Balance	Related to Assets / Income
Deferred revenue	46,046,109.46	4,197,500.00		8,186,974.10		42,056,635.36	Related to assets
Total	46,046,109.46	4,197,500.00		8,186,974.10		42,056,635.36	/

3. Government grants credited to current profit or loss

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Category	Amount for the current period	Amount for the previous period
Related to assets	15,716,796.71	16,393,807.37
Total	15,716,796.71	16,393,807.37

Other notes:

Government grants refunded in the current period

Item	Amount refunded	Reason for refund
New Apprenticeship Training Subsidy Funds	22,000.00	The Employment Administration of Binhai County advanced 50% of the enterprise new apprenticeship training subsidy funds for 55 persons (RMB 4,000 per person) to your organisation in November 2022, totalling RMB 110,000. The training concluded in June 2023, and only 22 persons met the subsidy criteria (RMB 4,000 per person). The total subsidy shall be RMB 88,000 in full, and the enterprise shall return subsidy funds of RMB 22,000.
Total	22,000.00	

XII. Risks Related to Financial Instruments

1. Risks of financial instruments

√ Applicable □ Not applicable

The Company's risk management objective is to strike a balance between risks and returns, minimise the adverse impact of risks on the Company's operating performance, and maximise the interests of shareholders and other equity investors. In pursuance of this objective, the basic risk management strategy of the Company is to identify and analyse various risks faced by the Company, set appropriate risk tolerance thresholds and conduct risk management, as well as monitor all types of risks in a timely and reliable manner so as to keep risks within defined limits.

The Company is exposed to various risks relating to financial instruments in the ordinary course of business, mainly including credit risk, liquidity risk and market risk. The management has reviewed and approved the policies for managing these risks, which are summarised as follows.

(I) Credit Risk

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations, resulting in financial losses to the other party.

1. Practices of Credit Risk Management

(1) Evaluation Methods for Credit Risk

The Company assesses whether the credit risk of relevant financial instruments has increased significantly since initial recognition at each statement of assets and

liabilities date. In determining whether credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk ratings and forward-looking information. On the basis of individual financial instruments or portfolios of financial instruments with similar credit risk characteristics, the Company compares the risk of default of financial instruments at the statement of assets and liabilities date with that at the initial recognition date, so as to determine the changes in the risk of default within the expected life of financial instruments.

The Company deems that the credit risk of a financial instrument has increased significantly when one or more of the following quantitative and qualitative criteria are met:

1) The quantitative criterion mainly refers to that the default probability for the remaining life at the statement of assets and liabilities date rises by more than a certain percentage compared with that at initial recognition;

2) The qualitative criteria mainly include material adverse changes in the operating or financial conditions of debtors, existing or expected changes in technological, market, economic or legal environment that will exert material adverse impacts on the debtors' ability to repay the Company.

(2) Definition of Default and Credit-impaired Assets

A financial asset is recognised as in default by the Company when it meets one or more of the following conditions, and such criteria are consistent with the definition of credit impairment:

1) The debtor encounters material financial difficulties;

2) The debtor breaches the restrictive clauses stipulated in the contract;

3) The debtor is likely to go bankrupt or undergo other financial restructuring;

4) The creditor grants concessions to the debtor that would not otherwise be made due to economic or contractual considerations relating to the debtor's financial difficulties.

2. Measurement of Expected Credit Losses

The key parameters for measuring expected credit losses include probability of default, loss given default and exposure at default. The Company establishes models for probability of default, loss given default and exposure at default by conducting quantitative analysis on historical statistics such as counterparty ratings, types of guarantees and collaterals, repayment methods and incorporating forward-looking information.

3. Reconciliation of opening and closing balances of impairment provisions for financial instruments is set out in detail in note to Note V(I)3 and Note V(I)4 to these financial statements.

4. Credit Risk Exposure and Credit Risk Concentration

The credit risk of the Company mainly arises from bank and cash balances and receivables. The Company has adopted the following measures to control the aforesaid risks.

(1) Bank and cash balances

The Company places bank deposits and other bank and cash balances with financial institutions having high credit ratings, thus resulting in low credit risk.

(2) Receivables

The Company conducts ongoing credit assessment on customers with credit transactions. Based on credit assessment results, the Company trades with approved and creditworthy customers and monitors the balances of receivables to ensure that the Company is not exposed to material risk of bad debts.

As the risks of the Company's trade receivables are dispersed among multiple business partners and customers, as at 31 December 2023, 17.39% (31 December 2022: 22.37%) of the Company's trade receivables were attributable to the top five customers by balance. The Company has no material credit concentration risk.

The maximum credit risk exposure borne by the Company is the carrying amount of each financial asset in the statement of assets and liabilities.

(II) Liquidity Risk

Liquidity risk refers to the risk that the Company suffers fund shortage when performing obligations settled by delivering cash or other financial assets. Liquidity risk may arise from failure to sell financial assets at fair value as soon as possible, the counterparty's inability to repay its contractual indebtedness, early maturing borrowings, or failure to generate expected cash flows.

To control such risk, the Company adopts a combination of financing methods including bill settlement and bank borrowings, properly combines long-term and short-term financing to optimise the financing structure, and maintains a balance between sustainability and flexibility of financing. The Company has obtained banking credit facilities from multiple commercial banks to meet working capital requirements and capital expenditure.

Classification of financial liabilities by remaining maturity

	Amount at the end of the period				
Items	Carrying amount	Undiscounted contractual amount	Within 1 year	1 to 3 years	Over 3 years
Bank borrowings	60,010,694.44	60,058,333.33	60,058,333.33		
Trading financial liabilities					
Bills payable	12,300,000.00	12,300,000.00	12,300,000.00		
Accounts payable	322,398,356.35	322,398,356.35	322,398,356.35		
Other payables	24,897,720.28	24,897,720.28	24,897,720.28		
Lease liabilities (including current portion of non-current liabilities due within one year)	2,571,450.29	2,689,961.92	1,322,165.72	1,367,796.20	
Other non-current liabilities	6,000,000.00	6,000,000.00	6,000,000.00		
Subtotal	428,178,221.36	428,344,371.88	426,976,575.68	1,367,796.20	

(Continued from the above table)

	Amount at the end of previous year				
Items	Carrying amount	Undiscounted contractual amount	Within 1 year	1 to 3 years	Over 3 years
Bank borrowings	263,517,110.49	264,005,554.93	264,005,554.93		
Trading financial liabilities	41,098.00	41,098.00	41,098.00		
Bills payable	94,451,800.00	94,451,800.00	94,451,800.00		
Accounts payable	463,930,905.73	463,930,905.73	463,930,905.73		
Other payables	22,764,233.40	22,764,233.40	22,764,233.40		
Lease liabilities (including non-current liabilities due within one year)	4,077,402.29	4,407,539.06	1,685,577.14	2,721,961.92	
Other non-current liabilities	6,000,000.00	6,000,000.00	6,000,000.00		
Subtotal	854,782,549.91	855,601,131.12	852,879,169.20	2,721,961.92	

(III) Market Risk

Market risk refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

1. Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in market interest rates. Interest-bearing financial instruments with fixed rates expose the Company to fair value interest rate risk, while interest-bearing financial instruments with floating rates expose the Company to cash flow interest rate risk. The Company determines the proportion of fixed-rate and floating-rate financial instruments in accordance with market conditions, and maintains an appropriate portfolio of financial instruments through regular review and monitoring.

2. Foreign Exchange Risk

Foreign exchange risk refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in foreign exchange rates. The exposure to exchange rate fluctuations faced by the Company is mainly related to its foreign currency monetary assets and liabilities. In the event of short-term imbalance of foreign currency assets and liabilities, the Company will buy and sell foreign currencies at market exchange rates when necessary to keep the net risk exposure at an acceptable level.

2. Hedging

(1) The Company conducts hedging activities for risk management

☐ Applicable √ Not applicable

Other notes

☐ Applicable √ Not applicable

(2) The Company conducts qualifying hedging activities and applies hedge accounting

☐ Applicable √ Not applicable

Other notes

☐ Applicable √ Not applicable

(3) The Company conducts hedging activities for risk management, which are expected to achieve risk management objectives but hedge accounting is not applied

☐ Applicable √ Not applicable

Other notes

☐ Applicable √ Not applicable

3. Transfer of financial assets

(1) Classification of transfer methods

☐ Applicable √ Not applicable

(2) Financial assets derecognised due to transfer

☐ Applicable √ Not applicable

(3) Transferred financial assets with continuing involvement

☐ Applicable √ Not applicable

Other notes

☐ Applicable √ Not applicable

XIII. Disclosure of fair value

1. Fair value of assets and liabilities measured at fair value at the end of the period

√ Applicable ☐ Not applicable

Unit：Yuan Currency: RMB

	Fair value at the end of the period			
Items	**Level 1 fair value measurement**	**Level 2 fair value measurement**	**Level 3 fair value measurement**	**Total**
I. Continuous fair value measurement	400,656,714.19		558,139,906.31	958,796,620.50
(I) Trading financial assets	400,656,714.19		558,139,906.31	958,796,620.50
1. Financial assets at fair value through profit				
(1) Debt instrument investments				
(2) Equity instrument investments			100,760,049.40	100,760,049.40

Items	Fair value at the end of the period Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
(3) Derivative financial assets				
2. Financial assets designated as measured at fair value through profit or loss				
(1) Debt instrument investments				
(2) Equity instrument investments				
(II) Other debt investments				
(III) Investments in other equity instruments				
(IV) Investment properties				
1. Land use rights for leasing purposes				
2. Buildings held for rental				
3. Land use rights held for appreciation and for subsequent transfer				
(V) Biological Assets				
1. Consumable biological assets				
2. Productive biological assets				
Trading financial assets-funds	400,656,714.19			400,656,714.19
Trading financial assets - Wealth management products			20,000,000.00	20,000,000.00
Bills receivables (應收款項融資)			437,379,856.91	437,379,856.91
Total assets continuously measured at fair value	400,656,714.19	—	558,139,906.31	958,796,620.50
(VI) Trading financial Liabilities				

Items	Fair value at the end of the period Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
1. Financial liabilities at fair value through profit or loss				
Of which: Issued trading bonds				
Derivative financial liabilities				
Other				
2. Financial liabilities designated as measured at fair value through profit or loss				
Total liabilities continuously measured at fair value				
II. Discontinuous fair value measurement				
(I) Assets held for sale				
Total assets not continuously measured at fair value	400,656,714.19		558,139,906.31	958,796,620.50
Total liabilities not continuously measured at fair value				

2. Basis for determining market prices of items measured at fair value on a recurring and non-recurring basis in Level 1

√ Applicable □ Not applicable

The financial assets held by the Company which are measured at fair value with changes credited to profit or loss are funds, and their fair values are determined based on the net asset value per unit of the funds as at the statement of assets and liabilities date.

3. Qualitative and quantitative information on valuation techniques and significant parameters adopted for items measured at fair value on a recurring and non-recurring basis in Level 2

□ Applicable √ Not applicable

4. Qualitative and quantitative information on valuation techniques and significant parameters for items measured at fair value on a recurring and non-recurring basis within Level 3

√ Applicable □ Not applicable

1. For wealth management products, specific valuation techniques are used to determine their fair value.

2. For held financing of receivables, fair value is determined based on the book amount of notes.

3. Since the investees including Jiangsu Binhai Rural Commercial Bank Co., Ltd., Zhejiang Rongteng Venture Capital Partnership Enterprise, Shanghai Lumaotong Group Industrial Co., Ltd., Tianjin Yuanzhi Heli Enterprise Management Consulting Partnership Enterprise, Qingdao Tianzi Huilun Investment Partnership Enterprise (Limited Company), Jiaxing Yuanzhi Changkong Equity Investment Partnership Enterprise (Limited Partnership), CICC Jiatai Phase III (Tianjin) Venture Capital Fund of Funds Partnership Enterprise and others are unable to estimate fair value through direct observation or self-generated financial forecasts. Considering no significant changes have occurred in their operating environment, operating conditions and financial position, the Company measures the fair value by reasonably estimating it based on the investment cost.

5. Reconciliation information between opening and closing carrying amounts and sensitivity analysis of unobservable parameters for items measured at fair value on a recurring basis in Level 3

□ Applicable √ Not applicable

6. Reasons for transfers between different levels and policies for determining the timing of such transfers for items measured at fair value on a recurring basis with transfers occurred during the current period

□ Applicable √ Not applicable

7. Changes in valuation techniques occurred during the current period and the reasons for such changes

□ Applicable √ Not applicable

8. Fair value information of financial assets and financial liabilities not measured at fair value

□ Applicable √ Not applicable

9. Others

□ Applicable √ Not applicable

XIV. Related Parties and Related Party Transactions

1. Information on the parent company of the Enterprise

□ Applicable √ Not applicable

2. Information on subsidiaries of the Enterprise

For details of the Enterprise's subsidiaries, see notes

□ Applicable √ Not applicable

3. Information on joint ventures and associates of the Enterprise

For details of significant joint ventures or associates of the Enterprise, see notes

√ Applicable □ Not applicable

Information on other joint ventures or associates that have entered into related party transactions with the Company during the current period, or have outstanding balances arising from related party transactions with the Company in prior periods is set out below

√ Applicable □ Not applicable

Name of joint venture or associate	Relationship with the Company
Hangzhou Linjiang Environmental Protection Thermal Power Co., Ltd.	Associates of the Company
Guangzhou Tuoleshu Pharmaceutical Technology Partnership (Limited Partnership)	Associates of the Company

Other notes

□ Applicable √ Not applicable

4. Information on other related parties

√ Applicable □ Not applicable

Name of other related parties	Relationship between other related parties and the Company
Hangzhou Yangli Chemical Equipment Co., Ltd.	Enterprise where Chairman Shao Hui acts as supervisor and holds shares
Hangzhou Xiehe Huifeng Real Estate Development Co., Ltd.	Enterprise controlled by Chairman Shao Hui
Hangzhou Liji Electromechanical Trading Co., Ltd.	Enterprise controlled by the spouse of Board Secretary Yin Jian
Wu Aijun	General Manager and Director

5. Related party transactions

(1). Related party transactions involving purchase and sale of goods, provision and receipt of services

Schedule of goods purchased/services received

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Related parties	Content of related transactions	Amount incurred in current period	Approved transaction quota (if applicable)	Whether exceeding the transaction quota (if applicable)	Amount incurred in prior period
Hangzhou Linjiang Environmental Protection Thermal Power Co., Ltd.	Other utility expenses such as water, electricity and gas (purchases)	52,842,118.26			59,092,528.39
Hangzhou Liji Electromechanical Trading Co., Ltd.	Purchase of goods	218,118.74			201,260.41
Hangzhou Yangli Chemical Equipment Co., Ltd.	Purchase of goods	163,330.98			343,191.82

Schedule of goods sold/services provided

□ Applicable √ Not applicable

Notes on related party transactions of purchase and sale of goods, provision and receipt of services

□ Applicable √ Not applicable

(2). Related entrusted management/contracting and entrusted management/outsourcing

Schedule of entrusted management/contracting of the Company:

□ Applicable √ Not applicable

Notes on related entrusted management/contracting

□ Applicable √ Not applicable

Schedule of entrusted management/outsourcing of the Company

☐ Applicable √ Not applicable

Notes on related management/outsourcing

☐ Applicable √ Not applicable

(3). Related leasing

The Company as the lessor:

☐ Applicable √ Not applicable

The Company as the lessee:

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of the lessor	Types of leased assets	Rental expenses for short-term leases and low-value asset leases accounted for under simplified approach (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expenses on lease liabilities assumed		Increased right-of-use assets	
		Amount incurred in current period	Amount incurred in prior period	Amount incurred in current period	Amount incurred in previous period	Amount incurred in current period	Amount incurred in previous period	Amount incurred in current period	Amount incurred in previous period	Amount incurred in current period	Amount incurred in previous period
Hangzhou Xiehe Huafeng Real Estate Development Co., Ltd.	Houses					1,149,577.14	1,084,032.38	132,048.28	174,030.95		

Notes to related leasing

☐ Applicable √ Not applicable

(4). Related guarantees

The Company as the guarantor

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Guaranteed party	Guarantee amount	Guarantee commencement date	Guarantee expiry date	Whether the guarantee has been fully performed
Hangzhou Linjiang Environmental Thermal Power Co., Ltd.	20,000,000.00	21 March 2023	20 March 2024	No

The Company as the guaranteed party

☐ Applicable √ Not applicable

Notes on related guarantees

☐ Applicable √ Not applicable

(5). Fund borrowing and lending with related parties

☐ Applicable √ Not applicable

(6). Asset transfer and debt restructuring involving related parties

☐ Applicable √ Not applicable

(7). Remuneration for key management personnel

√ Applicable ☐ Not applicable

Unit: 0'000 Currency: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Remuneration of key management personnel	673.55	638.91

(8). Other related party transactions

√ Applicable ☐ Not applicable

Related party	Content of related transactions	Amount for the current period	Amount for the same period of previous year
Hangzhou Yangli Chemical Equipment Co., Ltd.	Procurement of equipment	1,750,634.13	1,890,776.52

6. Unsettled items such as receivables from and payables to related parties

(1). Receivable items

☐ Applicable √ Not applicable

(2). Payable items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of item	Related parties	Closing book balance	Opening book balance
Other receivables	Wu Aijun	384,000.00	
Trade payable	Hangzhou Yangli Chemical Equipment Co., Ltd.	298,958.16	609,204.14
Trade payable	Hangzhou Liji Electromechanical Trading Co., Ltd.	101,830.29	62,869.95
Trade payable	Hangzhou Linjiang Environmental Thermal Power Co., Ltd.	4,425,467.89	6,766,629.27
Lease liabilities	Hangzhou Concord Huafeng Real Estate Development Co., Ltd.	1,268,585.29	2,406,851.70
Non-current liabilities due within one year	Hangzhou Concord Huafeng Real Estate Development Co., Ltd.	1,139,669.65	1,018,932.10

(3). Other items

□ Applicable √ Not applicable

7. Related party commitments

□ Applicable √ Not applicable

8. Others

□ Applicable √ Not applicable

XV. Share-based Payment

1. Various equity instruments

□ Applicable √ Not applicable

Outstanding stock options or other equity instruments at the end of the period

□ Applicable √ Not applicable

2. Information on equity-settled share-based payment

☐ Applicable √ Not applicable

3. Information on cash-settled share-based payment

☐ Applicable √ Not applicable

4. Share-based payment expenses for the current period

☐ Applicable √ Not applicable

5. Modification and termination of share-based payment

☐ Applicable √ Not applicable

6. Others

√ Applicable ☐ Not applicable

Overall share-based payment information

1. Breakdown

Total amount of various equity instruments granted by Kangbeide Company during the current period	6,000,000.00
Range of exercise prices and remaining contractual terms of other equity instruments outstanding of Kangbeide Company at the end of the period	The equity incentive plan was implemented in June 2020, with the grant date falling on June 30, 2020 and a grant price of RMB 1.24 per share. The vesting period is three years. Different exercise prices ranging from RMB 0.36 per share to RMB 0.72 per share were set based on the company's performance achieved after the three-year period. The incentive plan expired in June 2023. Upon completion of performance assessment, the company determined the exercise price at RMB 0.48 per share.

2. Other notes

To incentivize key R&D personnel, the original shareholders of Kangbeide Company transferred part of the equity of Kangbeide Company to Nanjing Fanglan Pharmaceutical Technology Consulting Partnership. Three years commencing from 2020, the incentivised employees shall determine the final exercise price based on the performance results achieved by Kangbeide Company to purchase the partnership's shares and indirectly hold the shares of Kangbeide Company. The number of shares transferred in this transaction is 6,000,000 shares.

Exercise Price	**Performance Assessment Targets**
RMB 0.72 per share	Those who meet any of the following conditions after three years: complete the production application for one R&D product within three years; the accumulated actual income from external technical services reaches RMB 10 million within three years.
RMB 0.60 per share	Meet any two of the following conditions after three years: complete the production application for one R&D product within three years; the accumulated actual income from external technical services reaches RMB 15 million within three years; the revenue from newly invested projects of the enterprise reaches RMB 3 million within three years.
RMB 0.48 per share	Meet all three of the following conditions after three years: complete the production application for one R&D product within three years; the accumulated actual income from external technical services reaches RMB 15 million within three years; the revenue from newly invested projects of the enterprise reaches RMB 3 million within three years.
RMB 0.36 per share	Meet all three of the following conditions after three years: complete the production application for one R&D product within three years; the accumulated actual income from external technical services reaches RMB 20 million within three years; the revenue from newly invested projects of the enterprise reaches RMB 3 million within three years.

In 2019, Jihua Pharmaceutical Company acquired Kangbeide Company, and the transaction price of RMB 1.24 per share was adopted as the basis for confirming the fair value of this share-based payment. Upon the expiry of the incentive in June 2023 and after assessment, the Company resolved to grant employees the right to exercise at RMB 0.48 per share. The difference was recognised as the fair value of equity instruments at the grant date, based on which the total share-based payment expenses were determined. The share-based payment expenses recognised in the current period amounted to RMB 1,960,000.00. Based on the 63.1137% equity interest held by Jihua Pharmaceutical Company in Kangbeide Company, an amount of RMB 1,237,028.52 was credited to capital reserve.

(II) Information on equity-settled share-based payment

Determination method of fair value of equity instruments on the grant date	**The share price on the latest equity acquisition date is taken as the fair value.**
Basis for determining the number of exercisable equity instruments	The Company makes best estimates based on the latest subsequent information such as changes in the number of exercisable employees and the degree of performance compliance, and revises the expected quantity of exercisable equity instruments.
Reasons for material differences between current period estimates and prior period estimates	The exercise condition of RMB 0.48 per share is satisfied in the current year.
Cumulative amount of equity-settled share-based payments recognised in capital reserve	2,877,984.72

(III) Total share-based payment expenses recognised in the current period

Grantee	**Share-based payment expenses settled by equity**
Management personnel	1,960,000.00
Total	1,960,000.00

XVI. Commitments and Contingencies

1. Material commitments

√ Applicable □ Not applicable

Material external commitments existing at the balance sheet date, their nature and amounts

2. Contingencies

(1). Material contingencies existing at the balance sheet date

□ Applicable √ Not applicable

(2). Explanation on no material contingencies required to be disclosed by the Company:

□ Applicable √ Not applicable

3. Others

√ Applicable □ Not applicable

1. Contingent liabilities arising from pending litigation and arbitration and their financial impacts

On 18 March 2022, Hangzhou Xiaoshan No.6 Construction Engineering Co., Ltd. filed a lawsuit against Jihua Technology Company at Hangzhou Xiaoshan People's Court, claiming payment of project funds of RMB 6,485,071.00, plus overdue payment liquidated damages of RMB 239,947.63 calculated based on the Loan Prime Rate (LPR) published by the National Interbank Funding Center for the corresponding period from 16 March 2021 to the actual performance date (tentatively calculated up to 15 March 2022). All litigation costs shall be borne by Jihua Technology Company.

At present, Xiaoshan People's Court has entrusted Zhejiang Huayou Construction Consulting Co., Ltd. to conduct judicial appraisal on the subject project and issued the "Project Cost Appraisal Opinion" (Zhe Hua Yao Zi [2023] No. 0040). The appraised final cost of the project is RMB 24,686,304.00, and the separately listed cost is RMB 484,576.00. After deducting the project funds of RMB 23,190,000.00 already paid by Jihua Technology Company, trade payable of RMB 1,817,321.10 (excluding tax) is recognised. Interest of RMB 135,665.52 calculated based on the Loan Prime Rate (LPR) published by the National Interbank Funding Center for the corresponding period is recognised as provisions.

2. Contingent liabilities arising from debt guarantees provided for other entities and their financial impacts

XVII. Events After the Balance Sheet Date

1. Material non-adjusting events

□ Applicable √ Not applicable

2. Profit distribution

□ Applicable √ Not applicable

3. Sales returns

□ Applicable √ Not applicable

4. Notes on other events after the balance sheet date

√ Applicable □ Not applicable

(I) Material Non-adjusting Events

1. The Company held the 15th meeting of the 4th Board of Directors on 29 February 2024 and the 2nd Extraordinary General Meeting of 2024 on 18 March 2024, and reviewed and approved the Proposal on the Share Repurchase Plan by Way of Centralised Bidding Trading. For details, please refer to the Announcement on the Share Repurchase Plan by Way of Centralised Bidding disclosed by the Company on 1 March 2024 and the Announcement on the Resolutions of the 2nd Extraordinary General Meeting of Jihua Group in 2024 disclosed on 19 March 2024.

   The shares repurchased by the Company will be used for capital reduction. The total amount of funds for share repurchase shall be no less than RMB 80 million (inclusive) and no more than RMB 120 million (inclusive). The repurchase price shall not exceed RMB 5 per share (inclusive). The funds for the repurchase shall be sourced from the Company's own funds. The term of this share repurchase shall be within 6 months from the date when the share repurchase plan is reviewed and approved by the General Meeting of Shareholders.

2. The Company held the 14th meeting of the 4th Board of Directors and the 12th meeting of the 4th Board of Supervisors on 5 February 2024, and the 1st Extraordinary General Meeting of 2024 on 29 February 2024, and reviewed and approved the Proposal on the Proposed Signing of Monetary Compensation Agreement for Demolition of Non-residential Buildings by Hangzhou Xiaoshan Jihua Technology Co., Ltd., a wholly-owned grand-subsidiary of the Company. Jihua Technology signed the Monetary Compensation Agreement for Demolition of Non-residential Buildings of Hongshan Farm with the Land Acquisition and Resettlement Headquarters of Hongshan Farm, Hangzhou Airport Economic Demonstration Zone. The involved assets are covered by the Real Estate Certificate of Hangzhou No. Zhe (2023) Hangzhou Real Estate No. 0225149, with a land area of 64,640.00 square metres and a total construction area of 24,674.83 square metres. The total compensation amounts to RMB 187,939,063.00 and the total bonus amounts to RMB 18,793,906.00, aggregating to RMB 206,732,969.00 (including relocation compensation for tenants). Jihua Technology has recently received two batches of demolition proceeds (net of part of the tenant relocation expenses directly paid by the Demolition Headquarters of Hongshan Farm, Hangzhou Airport Economic Demonstration Zone), which are RMB 56,381,719.00 and RMB 71,778,603.00 respectively, totalling RMB 128,160,322.00. The remaining balance (net of the remaining tenant relocation expenses directly paid by the Demolition Headquarters of Hongshan Farm, Hangzhou Airport Economic Demonstration Zone) will be settled upon completion of building demolition and land handover acceptance.

(II) Profit distribution after the statement of assets and liabilities date

Proposed profits or dividends for distribution

Profits or dividends declared and distributed upon review and approval	Cash dividend of RMB 0.7 per 10 shares (tax inclusive)

(III) Notes to other events after the statement of assets and liabilities date

The Company has no other material events after the statement of assets and liabilities date to be disclosed.

XVIII. Other Material Matters

1. Correction of prior period accounting errors

(1) Retrospective restatement method

☐ Applicable √ Not applicable

(2) Prospective application method

☐ Applicable √ Not applicable

2. Material debt restructuring

☐ Applicable √ Not applicable

3. Asset replacement

(1) Non-monetary asset exchange

☐ Applicable √ Not applicable

(2) Other asset replacement

☐ Applicable √ Not applicable

4. Annuity plan

☐ Applicable √ Not applicable

5. Discontinued operation

☐ Applicable √ Not applicable

6. Segment information

(1) Basis for determining reportable segments and accounting policies

☐ Applicable √ Not applicable

(2) Financial information of reportable segments

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Dyes and Intermediates	Polyurethane Foam	Polymer Coatings	Others	Inter-segment Elimination	Total
Operating revenue	1,463,982,750.29	51,672,523.02	114,444,598.36	61,179,275.33		1,691,279,147.00
Of which: Revenue arising from contracts with customers	1,463,982,750.29	51,672,523.02	114,444,598.36	35,673,684.16		1,665,773,555.83
Cost of goods sold	1,411,126,392.33	45,473,091.41	90,551,996.68	42,386,506.14		1,589,537,986.56
Total assets	3,868,402,897.15	48,466,030.16	184,969,620.03	428,294,866.39		4,530,133,413.73
Total liabilities	230,577,795.60	15,249,670.10	69,650,239.87	314,131,679.85		629,609,385.42

(3) Explanation if the Company has no reportable segments, or is unable to disclose total assets and total liabilities of each reportable segment

☐ Applicable √ Not applicable

(4) Other notes

☐ Applicable √ Not applicable

7. Other material transactions and matters affecting investors' decisions

☐ Applicable √ Not applicable

8. Others

☐ Applicable √ Not applicable

XIX. Notes to Major Items in the Parent Company's Financial Statements

1. Trade receivables

(1) Disclosure by aging

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Aging	Closing book balance	Opening book balance
Within 1 year		
Of which: Due within 1 year		
Within 1 year	304,723,153.16	174,405,309.18
Subtotal within 1 year	304,723,153.16	174,405,309.18
1 to 2 years	1,317,515.00	255,125.00
2 to 3 years		
Over 3 years	66,000.00	66,000.00
3 to 4 years		
4 to 5 years		
Over 5 years		
Total	306,106,668.16	174,726,434.18

(2) Disclosure classified by bad debt provision method

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance					Opening balance				
	Book Balance		Provision for Bad Debts			Book Balance		Provision for Bad Debts		
Category	Amount	Percentage (%)	Amount	Provision Rate (%)	Book value	Amount	Percentage (%)	Amount	Provision Rate (%)	Book value
Provision for bad debts on an individual basis										
Of which:										
Provision for bad debts on an individual basis	1,325,500.00	0.43	1,325,500.00	100.00						
Provision for bad debts on a portfolio basis	304,781,168.16	99.57	8,286,371.45	2.72	296,494,796.71	174,726,434.18	100	4,234,572.65	2.42	170,491,861.53
Of which:										
Provision for bad debts on a portfolio basis	304,781,168.16	99.57	8,286,371.45	2.72	296,494,796.71	174,726,434.18	100	4,234,572.65	2.42	170,491,861.53
Total	306,106,668.16	/	9,611,871.45	/	296,494,796.71	174,726,434.18	/	4,234,572.65	/	170,491,861.53

Provision for bad debts on an individual basis:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name	Closing Balance			
	Book balance	Provision for Bad Debts	Provision Rate (%)	Reason for Provision
Provision for bad debts on an individual basis	1,325,500.00	1,325,500.00	100.00	
Total	1,325,500.00	1,325,500.00	100.00	/

Note to provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

√ Applicable □ Not applicable

Portfolio provision items: Provision for bad debts on a portfolio basis

Unit: Yuan Currency: RMB

Name	Closing Balance Trade Receivables	Provision for Bad Debts	Provision Rate (%)
Aging portfolio	147,593,108.00	7,500,431.15	5.08
Portfolio of related parties within the scope of consolidation	157,188,060.16	785,940.30	0.50
Total	304,781,168.16	8,286,371.45	2.72

Note to provision for bad debts on a portfolio basis:

□ Applicable √ Not applicable

Provision for bad debts under the general expected credit loss model

□ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Note on significant changes in the carrying balance of trade receivables with changes in loss allowance during the current period:

☐ Applicable √ Not applicable

(3) Status of bad debt provisions

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

		Amount of changes in current period				
Category	**Opening balance**	**Accrued**	**Recovered or Reversal**	**Write off or Write-off**	**Other changes**	**Closing balance**
Provision for bad debts on an individual basis		1,325,500.00				1,325,500.00
Provision for bad debts on a portfolio basis	4,234,572.65	4,051,798.80				8,286,371.45
Total	4,234,572.65	5,377,298.80				9,611,871.45

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes

(4) Actual write-off of trade receivables during the current period

☐ Applicable √ Not applicable

Material write-off of trade receivables among the above

☐ Applicable √ Not applicable

Notes on write-off of trade receivables:

☐ Applicable √ Not applicable

(5) Status of trade receivables and contract assets with the top five ending balances by debtor

☐ Applicable √ Not applicable

Other notes:

√ Applicable □ Not applicable

The top five trade receivables by ending balance amount to RMB196,643,154.89, accounting for 64.24% of the total ending balance of trade receivables, and the corresponding provision for bad debts on trade receivables is RMB2,758,694.96.

2. Other receivables

Presentation of items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing Balance	Opening Balance
Interest receivable		
Dividends receivable		
Other receivables	453,926,435.03	240,448,856.57
Total	453,926,435.03	240,448,856.57

Other notes:

□ Applicable √ Not applicable

Interest receivable

(1) Classification of interest receivable

□ Applicable √ Not applicable

(2) Material overdue interest

□ Applicable √ Not applicable

(3) Disclosure classified by bad debt provision method

□ Applicable √ Not applicable

Provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(4) Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Note on significant changes in the carrying balance of interest receivable with changes in loss allowance during the current period:

☐ Applicable √ Not applicable

(5) Status of bad debt provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

(6) Actual write-off of interest receivable during the current period

☐ Applicable √ Not applicable

Material write-off of interest receivable among the above

☐ Applicable √ Not applicable

Notes on write-off:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Dividends receivable

(1) Dividends receivable

☐ Applicable √ Not applicable

(2) Material dividends receivable with aging over one year

☐ Applicable √ Not applicable

(3) Disclosure classified by bad debt provision method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(4) Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Note on significant changes in the carrying balance of dividends receivable with changes in loss allowance during the current period:

☐ Applicable √ Not applicable

(5) Status of bad debt provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

(6) Actual write-off of dividends receivable during the current period

☐ Applicable √ Not applicable

Material write-off of dividends receivable among the above

☐ Applicable √ Not applicable

Notes on write-off:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Other receivables

(1) Disclosure by aging

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Aging	Closing book balance	Opening book balance
Within 1 year		
Of which: Breakdown within 1 year		
Within 1 year	215,911,084.91	2,403,993.87
Subtotal within 1 year	215,911,084.91	2,403,993.87
1 to 2 years	2,400,000.00	65,440,754.50
2 to 3 years	65,440,754.50	
Over 3 years	173,843,632.54	173,843,632.54
3 to 4 years		
4 to 5 years		
Over 5 years		
Total	457,595,471.95	241,688,380.91

(2) Classification status by nature of amounts

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Nature of amount	Closing book balance	Opening book balance
Current accounts	427,560,928.38	241,653,329.04
Deposits and Guarantees	30,031,058.00	31,058.00
Temporary payments receivable	3,485.57	3,993.87
Total	457,595,471.95	241,688,380.91

(3) Provision status of bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Provision for Bad Debts	Phase I Expected credit losses for the next 12 months	Phase II Expected credit losses over the entire lifetime (no credit impairment incurred)	Phase III Expected credit losses over the entire lifetime (credit impairment incurred)	Total
Balance as at 1 January 2023	12,199.69	327,203.77	900,120.87	1,239,524.33
Balance as at 1 January 2023 during the period				
-Transferred to Phase II	-60.00	60.00		
-Transferred to Phase III		-1,636.02	1,636.02	
-Reversed to Phase II				
-Reversed to Phase I				
Provision for the period	2,417,572.59	-313,627.75	325,567.75	2,429,512.59
Reversal for the period				
Charge off for the period				
Write back for the period				
Other changes				
Balance as at 31 December 2023	2,429,712.28	13,636.02	1,225,688.62	3,669,036.92

Basis for division of each stage and provision ratio of bad debts

Note on significant changes in the carrying balance of other receivables with changes in loss allowance during the current period:

□ Applicable √ Not applicable

Amount of bad debts provision accrued during the current period and basis adopted for assessing whether the credit risk of financial instruments has increased significantly:

□ Applicable √ Not applicable

(4) Status of bad debt provisions

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Opening Balance	Amount of change in the current period				Closing Balance
		Accrued	Recovered or reversed	Write off or write back	Other changes	
Provision for bad debts on a portfolio basis	1,239,524.34	2,429,512.59				3,669,036.93
Total	1,239,524.34	2,429,512.59				3,669,036.93

Among which, the amount of recovered or reversed bad debt provisions in the current period is material:

□ Applicable √ Not applicable

(5) Actual write-off of other receivables during the current period

□ Applicable √ Not applicable

Material write-off of other receivables among the above:

□ Applicable √ Not applicable

Notes on write-off of other receivables:

□ Applicable √ Not applicable

(6) Status of other receivables with the top five balances by debtor at the end of the period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of Entity	Closing Balance	Percentage of total closing balance of other receivables (%)	Nature of amounts	Aging	Closing balance of provision for bad debts
Jiangsu Jihua Company	311,066,916.18	67.98	Current accounts	Within 1 year, 1 to 2 years, 2 to 3 years, over 3 years	1,555,334.58
Jihua Technology Company	88,010,413.74	19.23	Current accounts	Within 1 year	440,052.07
Gansu Zhipeng Technology Co., Ltd.	30,000,000.00	6.56	Deposits and Guarantees	Within 1 year	1,500,000.00
Jihua Materials Company	13,000,000.00	2.84	Current accounts	Within 1 year	65,000.00
Jihua Jiangdong Company	8,953,598.46	1.96	Current accounts	Within 1 year	44,767.99
Total	451,030,928.38	98.57		98.57	3,605,154.64

(7) Other receivables presented due to centralized fund management

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

3. Long-term equity investment

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance			Opening balance		
Items	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Investment in subsidiaries	916,775,413.47		916,775,413.47	906,775,413.47		906,775,413.47
Investment in associates and joint ventures	109,722,973.90		109,722,973.90	94,679,554.02		94,679,554.02
Total	1,026,498,387.37		1,026,498,387.37	1,001,454,967.49		1,001,454,967.49

(1) Investment in subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening Balance	Increase during the Current Period	Decrease during the Current Period	Closing Balance	Provision for impairment for the period	Closing balance of provision for impairment
Jihua Jiangdong Company	652,503,897.38			652,503,897.38		
Jiangsu Jihua Company	205,466,716.09			205,466,716.09		
Jihua Materials Company	5,324,800.00			5,324,800.00		
Jihua Import and Export Company	10,200,000.00			10,200,000.00		
Chuangli Polyurethane Company	33,280,000.00			33,280,000.00		
Jihua Jizhi Company		10,000,000.00		10,000,000.00		
Total	906,775,413.47	10,000,000.00		916,775,413.47		

(2) Investment in associates and joint ventures

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

		Increase/decrease for the period									
Invested entity	Opening Balance	Increase in investment	Decrease in investment	Investment Gains or Losses recognised under the Equity Method	Adjustments to Other Comprehensive Income	Other Changes in Equity	Declaration of Cash Dividends or Profits	Provision for Impairment	Others	Closing balance	Closing balance of provisions for impairment
I. Joint Ventures											
Subtotal											
II. Associates											
Zhejiang Ranhuatong Supply Chain Management Co., Ltd.	2,832,524.04			55,352.24						2,887,876.28	
Hangzhou Linjiang Environmental Protection Thermal Power Co., Ltd.	91,847,029.98			17,915,828.97			2,927,761.33			106,835,097.62	
Subtotal	94,679,554.02			17,971,181.21			2,927,761.33			109,722,973.90	
Total	94,679,554.02			17,971,181.21			2,927,761.33			109,722,973.90	

(3) Impairment test status of long-term equity investment

□ Applicable √ Not applicable

4. Operating revenue and operating costs

(1) Status of operating revenue and operating costs

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Amount for the Current Period		Amount for the Previous Period	
Items	Revenue	Cost	Revenue	Cost
Principal Business	1,451,621,236.23	1,453,540,886.47	1,595,680,721.16	1,593,253,276.73
Other Business			22,809.63	
Total	1,451,621,236.23	1,453,540,886.47	1,595,703,530.79	1,593,253,276.73

(2) Breakdown information of operating revenue and cost of goods sold

☐ Applicable √ Not applicable

Other notes

√ Applicable ☐ Not applicable

Breakdown information of revenue

1) Revenue arising from contracts with customers broken down by type of goods or services

Item	Amount for the current period		Amount for the same period of previous year	
	Revenue	Cost	Revenue	Cost
Dyes and dye intermediates	1,451,621,236.23	1,453,540,886.47	1,595,680,721.16	1,593,253,276.73
Subtotal	1,451,621,236.23	1,453,540,886.47	1,595,680,721.16	1,593,253,276.73

2) Revenue arising from contracts with customers broken down by operating regions

Item	Amount for the current period		Amount for the same period of previous year	
	Revenue	Cost	Revenue	Cost
Domestic	1,451,621,236.23	1,453,540,886.47	1,595,680,721.16	1,593,253,276.73
Subtotal	1,451,621,236.23	1,453,540,886.47	1,595,680,721.16	1,593,253,276.73

3) Revenue arising from contracts with customers broken down by transfer time of goods or services

Items	Amount for the current period	Amount for the same period of previous year
Recognise revenue at a point in time		
Recognise revenue over a period of time	1,451,621,236.23	1,595,680,721.16
Subtotal	1,451,621,236.23	1,595,680,721.16

The revenue recognised in the current period included in the opening carrying amount of contract liabilities is RMB 34,342,471.18.

(3) Note to performance obligations

□ Applicable √ Not applicable

(4) Note to performance obligations allocated to the remaining period

□ Applicable √ Not applicable

(5) Significant contract changes or significant adjustments to transaction prices

□ Applicable √ Not applicable

5. Investment income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount Incurred in Current Period	Amount Incurred in Previous Period
Income from long term investments accounted for under cost method	206,750,800.00	176,912,000.00
Income from long term investments accounted for under equity method	17,971,181.21	12,198,139.70
Investment income arising from disposal of long term investments		
Investment income from holding of trading financial assets		
Dividend income derived from holding of other equity instrument investments		
Interest income derived from holding of debt investments		
Interest income derived from holding of other debt investments		
Investment income derived from disposal of trading financial assets		26,609,536.70
Investment income derived from disposal of other equity instrument investments		
Investment income derived from disposal of debt investments		
Investment income derived from disposal of other debt investments		
Income from debt restructuring		
Income derived from wealth management products	33,708,660.56	18,820,098.06
Total	258,430,641.77	234,539,774.46

6. Others

√ Applicable □ Not applicable

XX. Supplementary Information

1. Statement of non-recurring gains and losses for the current period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount	Note
Profit or loss on disposal of non-current assets, including the reversal portion of accrued asset impairment provisions	4,126,068.29	
Government grants recognised in profit or loss for the current period, excluding government grants closely related to the Company's normal business operations, complying with national policy provisions, enjoyed in accordance with specified standards and exerting continuous impact on the Company's profit or loss	15,716,796.71	
Fair value gains or losses arising from financial assets and financial liabilities held by non-financial enterprises, and gains or losses arising from disposal of financial assets and financial liabilities, excluding effective hedging transactions related to the Company's normal business operations	-4,715,292.54	
Fund occupation fees charged to non-financial enterprises recognised in profit or loss for the current period		
Profit or loss from entrusting others to invest or manage assets		
Profit or loss derived from entrusted loans granted externally		
Various asset losses arising from force majeure events such as natural disasters		
Reversal of impairment provisions for receivables subject to separate impairment testing	223,987.62	
Income generated where the cost of investments in subsidiaries, associates and joint ventures acquired by the enterprise is less than the fair value of the identifiable net assets of the invested entity to which the enterprise is entitled at the acquisition date		
Net profit or loss of subsidiaries generated from the beginning of the period to the combination date under business combinations under common control		

Items	Amount	Note
Profit or loss on non-monetary asset exchanges		
Profit or loss on debt restructuring		
One-off expenses incurred by the enterprise upon cessation of relevant business activities, such as expenditures for employee resettlement		
One-off impact on current profit or loss arising from adjustments to tax, accounting and other laws and regulations		
One-off share-based payment expenses recognised due to cancellation or amendment of equity incentive plans		
Profit or loss arising from changes in fair value of salaries payable after the vesting date for cash-settled share-based payments		
Profit or loss arising from changes in fair value of investment properties subsequently measured under the fair value model		
Income generated from transactions with obviously unfair transaction prices		
Profit or loss arising from contingencies irrelevant to the Company's normal business operations		
Trustee fee income derived from entrusted operation		
Other non-operating income and expenses other than the above items	527,993.81	
Other profit or loss items meeting the definition of non-recurring profit or loss	-9,399,611.49	
Less: Income tax impact	3,994,353.43	
Impact attributable to non-controlling interests (after tax)	327,760.36	
Total	2,157,828.61	

For items not listed in the Interpretative Announcement No.1 on Information Disclosure of Companies Offering Securities to the Public — Non-recurring Gains and Losses which the Company identifies as non-recurring gains and losses items with material amounts, and items listed in the Interpretative Announcement No.1 on Information Disclosure of Companies Offering Securities to the Public — Non-recurring Gains and Losses which the Company defines as recurring gains and losses items, the reasons shall be explained.

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount Involved	Reason
Net amount of non-recurring profit or loss attributable to owners of the parent for the year 2022	34,510,152.90	Pursuant to the provisions of the "Explanatory Announcement No. 1 on Information Disclosure of Companies Publicly Offering Securities — Non-recurring Profit or Loss (Revised in 2023)", government grants recognised in current profit or loss which are closely related to the Company's normal business operations, comply with national policy provisions, are enjoyed in accordance with prescribed standards and exert continuous impact on the Company's profit or loss shall be classified as recurring profit or loss.
Net non-recurring profit or loss attributable to owners of the parent calculated pursuant to the provisions of the "Explanatory Announcement No. 1 on Information Disclosure of Companies Publicly Offering Securities — Non-recurring Profit or Loss (Revised in 2023)" for the year 2022	34,323,625.70	
Difference	186,527.20	

Other notes

☐ Applicable √ Not applicable

2. Return on net assets and earnings per share

√ Applicable ☐ Not applicable

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	-5.98	-0.34	-0.34
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	-6.04	-0.35	-0.35

3. Differences in accounting data under domestic and overseas accounting standards

☐ Applicable √ Not applicable

4. Others

☐ Applicable √ Not applicable

Chairman: Shao Hui

Date approved and submitted by the Board of Directors: 26 April 2024

Revision Information

☐ Applicable √ Not applicable

Section 10 Financial Report

I. Audit Report

√ Applicable □ Not applicable

Audit Report

Tian Jian Sheng [2025] No. 8688

To all shareholders of Zhejiang Jihua Group Co., Ltd.:

I. Audit Opinion

We have audited the financial statements of Zhejiang Jihua Group Co., Ltd. (hereinafter referred to as Jihua Group Company), including the consolidated and parent company statement of assets and liabilities as at 31 December 2024, the consolidated and parent company profit statement, consolidated and parent company cash flow statement, consolidated and parent company statement of changes in owner's equity for the year 2024, and the related notes to financial statements.

We are of the opinion that the attached financial statements are prepared in accordance with the provisions of Accounting Standards for Business Enterprises in all material respects, and fairly present the consolidated and parent company financial position of Jihua Group Company as at 31 December 2024, as well as the consolidated and parent company operating results and cash flows for the year 2024.

II. Basis for Forming the Audit Opinion

We have performed the audit work in accordance with the provisions of Chinese Standards on Auditing for Certified Public Accountants. The section "Responsibilities of Certified Public Accountants for the Audit of Financial Statements" in the audit report further elaborates our responsibilities under these standards. In accordance with the Code of Professional Ethics for Chinese Certified Public Accountants, we are independent of Zhejiang Jihua Group Co., Ltd. and have performed other responsibilities in respect of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate, and provides a basis for issuing the audit opinion.

III. Key Audit Matters

Key audit matters are the matters that we have determined, based on professional judgment, to be of most importance to the audit of the financial statements for the current period.

The responses to these matters are conducted against the background of auditing the financial statements as a whole and forming the audit opinion, and we do not express an opinion on these matters individually.

(1) Revenue Recognition

1. Description of the Matter

For relevant information disclosure, please refer to Notes 3(24), 5(2)1 and 15(1) to the financial statements. The revenue of Zhejiang Jihua Group Co., Ltd. is mainly generated from the sales of dyes, intermediates and other products. For the year 2024, the revenue of Zhejiang Jihua Group Co., Ltd. was RMB 1,638,374,000, of which the revenue from dyes and intermediates business was RMB 1,386,255,500, accounting for 84.61% of the total revenue.

As revenue is one of the key performance indicators of Zhejiang Jihua Group Co., Ltd., there is inherent risk that the management of Zhejiang Jihua Group Co., Ltd. (hereinafter referred to as the Management) may adopt improper revenue recognition to attain specific targets or expectations. Accordingly, we have determined revenue recognition as a key audit matter.

2. Audit Responses

In respect of revenue recognition, the audit procedures we performed mainly include:

(1) Understand the key internal controls relating to revenue recognition, evaluate the design of such controls, confirm whether they have been implemented, and test the operating effectiveness of relevant internal controls;

(2) Examine sales contracts, understand the main contract terms and conditions, and evaluate whether the revenue recognition method is appropriate;

(3) Perform analytical procedures on revenue and gross profit margin by month, product and customer, identify any material or abnormal fluctuations and find out the causes of such fluctuations;

(4) For domestic sales income, inspect supporting documents relating to revenue recognition on a sampling basis, including inquiry sheets, delivery orders and invoices; for export sales income, obtain electronic port information and reconcile it with book records, and inspect supporting documents such as sales contracts, export customs declarations, bills of lading and sales invoices on a sampling basis;

(5) In conjunction with the confirmation of accounts receivable, confirm the current period sales amount to major customers on a sampling basis;

(6) Perform cut-off tests on revenue recognised before and after the statement of assets and liabilities date, and evaluate whether revenue is recognised in the appropriate period;

(7) Examine whether information relating to revenue has been appropriately presented in the financial statements.

(2) Net Realisable Value of Inventories

1. Description of the Matter

For relevant information disclosure, please refer to Notes 3(13) and 5(1)9 to the financial statements.

As at 31 December 2024, the carrying balance of inventories of Zhejiang Jihua Group Co., Ltd. was RMB 556,561,800, the provision for inventory impairment was RMB 28,934,400, and the carrying amount was RMB 527,627,400.

Given that the amount of inventories is material and the determination of net realisable value of inventories involves significant management judgement, we have identified the net realisable value of inventories as a key audit matter.

2. Audit Responses

In respect of the net realisable value of inventories, the audit procedures we performed mainly include:

(1) Understand the key internal controls relating to the net realisable value of inventories, evaluate the design of such controls, confirm whether they have been implemented, and test the operating effectiveness of relevant internal controls;

(2) Review the management's previous year forecasts on the net realisable value of inventories and actual operating results, and evaluate the accuracy of the management's past forecasts;

(3) Review the management's forecasts of the estimated selling prices of inventories on a sampling basis, and compare the estimated selling prices with historical data and post-period conditions;

(4) Evaluate the reasonableness of the management's estimates of costs to complete, selling expenses and relevant taxes and fees for inventories;

(5) Test whether the calculations of the net realisable value of inventories prepared by the management are accurate;

(6) In conjunction with inventory observation, check whether the year-end inventories include items with long holding period, outdated models, decreased output, fluctuating production costs or selling prices, and evaluate whether the management has reasonably estimated the net realisable value;

(7) Examine whether information relating to the net realisable value of inventories has been appropriately presented in the financial statements.

(3) Impairment of Long-term Assets

1. Description of the Matter

For relevant information disclosure, please refer to Notes 3(20), 5(1)14, 5(1)22 and 5(2)11 to the financial statements. As of 31 December 2024, the carrying amount of property, plant and equipment of Zhejiang Jihua Group Co., Ltd. was RMB 789,366,200, and the carrying amount of other non-current assets was RMB 63,724,700. The provision for impairment of the aforesaid long-term assets at the end of the current period was RMB 269,779,700.

As the amount of long-term assets is material and significant to the financial statements, and asset impairment involves significant management judgement, we have identified impairment of long-term assets as a key audit matter.

2. Audit Responses

In respect of impairment loss on assets, the audit procedures we performed mainly include:

(1) Understand the key internal controls relating to impairment of long-term assets, evaluate the design of such controls, confirm whether they have been implemented, and test the operating effectiveness of relevant internal controls;

(2) Review the management's judgement on impairment indicators of long-term assets, and assess whether the management has conducted impairment tests in accordance with the requirements of Accounting Standards for Business Enterprises;

(3) Based on the status of long-term assets, analyse and review the key assumptions adopted by the management of Zhejiang Jihua Group Co., Ltd. in forecasting the present value of future cash flows during impairment tests, and examine relevant supporting evidence;

(4) Conduct physical inventory observation and on-site inspection procedures for tangible assets, verify whether any assets are idle, and judge whether there are impairment indicators;

(5) In conjunction with the confirmation of trust assets and subsequent recovery status, evaluate the accuracy of impairment provisions recognised by the management;

(6) Examine whether information relating to the net realisable value of long-term assets such as property, plant and equipment and other non-current assets has been appropriately presented in the financial statements.

IV. Other Information

The Management is responsible for other information. Other information comprises the information included in the annual report, excluding the financial statements and our audit report.

Our audit opinion on the financial statements does not cover other information, nor do we express any form of assurance conclusion thereon.

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

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

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and for designing, implementing and maintaining necessary internal control to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the ability of Zhejiang Jihua Group Co., Ltd. to continue as a going concern, disclosing matters relating to going concern (where applicable), and applying the going concern assumption, unless liquidation, cessation of operation is planned or there is no other realistic alternative.

Those charged with governance of Zhejiang Jihua Group Co., Ltd. (hereinafter referred to as Those Charged with Governance) are responsible for overseeing the financial reporting process of the Company.

VI. Responsibilities of Certified Public Accountants for the Audit of Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report containing the audit opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error. Misstatements are generally considered material if they could reasonably be expected to influence the economic decisions made by users of the financial statements on the basis of the financial statements, either individually or in the aggregate.

In conducting the audit in accordance with auditing standards, we exercise professional judgement and maintain professional scepticism. Meanwhile, we also perform the following work:

(I) Identify and assess the risks of material misstatement in the financial statements arising from fraud or error, design and implement audit procedures to address such risks, and

obtain sufficient appropriate audit evidence as the basis for expressing the audit opinion. As fraud may involve collusion, forgery, intentional omissions, false representations or override of internal control, the risk of failing to detect material misstatement caused by fraud is higher than that caused by error.

(II) Obtain an understanding of internal control relevant to the audit so as to design appropriate audit procedures.

(III) Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures made by them.

(IV) Draw a conclusion on the appropriateness of the management's use of the going concern assumption. Meanwhile, based on the audit evidence obtained, draw a conclusion on whether there exists a material uncertainty relating to events or conditions that may cast significant doubt on the ability of Zhejiang Jihua Group Co., Ltd. to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require us to draw users' attention to the relevant disclosures in the financial statements in the audit report. If the disclosures are inadequate, we shall express a modified opinion. Our conclusions are based on the information available as of the date of the audit report. Nevertheless, future events or conditions may cause Zhejiang Jihua Group Co., Ltd. to be unable to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, and assess whether the financial statements fairly present the relevant transactions and events.

(VI) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Zhejiang Jihua Group Co., Ltd. to express an audit opinion on the financial statements. We are responsible for directing, supervising and performing the group audit, and assume full responsibility for the audit opinion.

We communicate with those charged with governance regarding the planned audit scope, timing arrangements and significant audit findings, including significant deficiencies in internal control identified during the audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements relating to independence, and communicate all relationships and other matters that may reasonably be thought to affect our independence, together with relevant safeguards (where applicable).

Among the matters communicated with those charged with governance, we determine those matters that are of most importance to the audit of the financial statements for the current period and accordingly constitute key audit matters. We describe these matters in the audit report, unless laws and regulations prohibit public disclosure of such matters, or in extremely rare circumstances, where we reasonably conclude that the adverse consequences of disclosing a matter in the audit report would outweigh the public interest benefits, we decide not to disclose such matter.

Pan-China Certified Public Accountants LLP

Hangzhou, China

Chinese Certified Public Accountant:
(Engagement Partner)

Chinese Certified Public Accountant:

28 April 2025

II. Financial Statements

Consolidated statement of assets and liabilities
31 December 2024

Prepared by: Zhejiang Jihua Group Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	31 December 2024	31 December 2023
Current assets:			
Bank and cash balances		982,389,135.27	774,169,421.93
Settlement reserve fund			
Lendings to banks and other financial institutions			
Financial assets at fair value through profit or loss ("FVTPL")		633,617,352.50	420,656,714.19
Derivatives		7,092,554.77	
Bills receivables (應收票據)		108,118.62	237,500.00
Trade receivables		220,173,458.46	266,183,563.47
Bills receivables (應收款項融資)		439,543,265.38	437,379,856.91
Prepayments		9,997,853.98	11,507,501.86
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables		29,272,877.20	31,020,937.49
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under resale agreements			
Inventories		527,627,382.74	546,960,326.12
Including: Data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		307,898,637.89	414,285,873.96
Total current assets		3,157,720,636.81	2,902,401,695.93
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivable			
Long term investments		120,666,285.85	111,216,024.27
Investments in other equity instruments			

Item	Note	31 December 2024	31 December 2023
Other non-current financial assets		107,750,612.32	100,760,049.40
Investment properties		262,766,994.42	289,245,651.09
Property, plant and equipment		789,366,235.83	881,557,468.45
Construction in progress		8,923,509.04	9,645,693.47
Productive biological assets			
Oil and gas assets			
Right-of-use assets		2,350,111.04	2,327,224.66
Intangible assets		114,747,662.89	106,456,957.29
Including: Data resources			
Development expenses			17,522,047.31
Including: Data resources			
Goodwill		7,500,892.68	7,500,892.68
Long term prepaid expenses		1,535,676.21	764,576.07
Deferred tax assets		10,737,519.42	12,170,933.82
Other non-current assets		63,724,717.62	88,564,199.29
Total non-current assets		1,490,070,217.32	1,627,731,717.80
Total assets		4,647,790,854.13	4,530,133,413.73
Current liabilities:			
Short-term borrowings		120,018,486.11	60,010,694.44
Borrowings from central bank			
Loans from banks and other financial institutions			
Transactional financial liabilities			
Derivative financial liabilities			
Bills payables			12,300,000.00
Trade payables		343,754,461.93	322,219,024.76
Advances from customers		1,368,694.20	3,783,939.24
Contract liabilities		56,118,627.24	75,660,462.68
Financial assets sold under repurchase agreements			
Deposits from customers and interbank deposits			
Amount paid for agency securities trading			
Amount paid for agency securities underwriting			
Employee benefits payables		41,944,619.81	37,046,551.30
Current tax liabilities		23,608,901.32	19,506,171.13
Other payables		18,937,218.57	22,737,720.28
Including: Interests payable			
Dividends payable			
Fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year		1,915,115.44	1,234,417.40

Item	Note	31 December 2024	31 December 2023
Other current liabilities		6,496,530.65	8,827,330.28
Total current liabilities		614,162,655.27	563,326,311.51
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		602,520.46	1,337,032.89
Long-term payables			
Long-term employee remuneration payable			
Provisions		497,666.79	135,665.52
Deferred revenue		37,561,286.14	42,056,635.36
Deferred tax liabilities		58,540,107.12	16,753,740.14
Other non-current liabilities		6,000,000.00	6,000,000.00
Total non-current liabilities		103,201,580.51	66,283,073.91
Total liabilities		717,364,235.78	629,609,385.42
Equity:			
Share capital		676,833,360.00	700,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,082,122,502.16	1,152,556,162.08
Less: Treasury shares			
Other comprehensive income			
Special reserve		2,036,200.10	2,022,006.85
Statutory surplus reserve		358,421,889.12	358,421,889.12
General risk reserves			
Retained earnings		1,796,942,236.67	1,674,126,688.96
Total equity attribute to owners of the Company		3,916,356,188.05	3,887,126,747.01
Non-controlling interests		14,070,430.30	13,397,281.30
Total equity		3,930,426,618.35	3,900,524,028.31
Total liabilities and equity		4,647,790,854.13	4,530,133,413.73

Person in charge of the Company: Shao Hui
Person in charge of accounting supervision: Zhang Yinghui
Person in charge of accounting department: Shen Haiyan

Statement of assets and liabilities of the Parent Company
31 December 2024

Prepared by: Zhejiang Jihua Group Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	31 December 2024	31 December 2023
Current assets:			
Bank and cash balances		312,878,527.29	568,135,823.92
Financial assets at fair value through profit or loss ("FVTPL")		486,948,405.65	344,281,501.48
Derivatives			
Bills receivables (應收票據)			
Trade receivables		412,312,002.37	296,494,796.71
Bills receivables (應收款項融資)		343,042,869.12	405,962,544.11
Prepayments		350,259,436.86	415,564,598.22
Other accounts receivable		512,732,740.62	453,926,435.03
Including: Interests receivable			
Dividends receivable			
Inventories		398,244.00	1,179,469.03
Including: Data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		153,448,998.96	185,221,579.81
Total current assets		2,572,021,224.87	2,670,766,748.31
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivable			
Long term investments		1,035,949,322.18	1,026,498,387.37
Investments in other equity instruments			
Other non-current financial assets		95,335,662.32	88,345,099.40
Investment properties			
Property, plant and equipment		5,627,165.35	6,658,579.63
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets		298,575.78	
Intangible assets		149,284.51	109,622.83
Including: Data resources			
Development expenditures			

Item	Note	31 December 2024	31 December 2023
Including: Data resources			
Goodwill			
Long term prepaid expenses			
Deferred tax assets		1,962,297.16	2,556,251.81
Other non-current assets		61,155,443.26	84,954,660.56
Total non-current assets		1,200,477,750.56	1,209,122,601.60
Total assets		3,772,498,975.43	3,879,889,349.91
Current liabilities:			
Short-term borrowings		50,000,000.00	
Transactional financial liabilities			
Derivative financial liabilities			
Bills payables		50,000,000.00	50,000,000.00
Trade payables		34,643,588.66	33,320,598.03
Advances from customers			
Contract liabilities		42,773,385.49	66,774,509.33
Employee benefit payable		8,879,928.94	6,640,057.70
Current tax liabilities		1,086,246.92	4,038,044.42
Other payables		11,302,682.71	11,216,682.71
Including: Interests payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		149,203.69	
Other current liabilities		5,560,540.11	8,527,355.25
Total current liabilities		204,395,576.52	180,517,247.44
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		155,470.25	
Long-term payables			
Long-term employee remuneration payable			
Provisions		497,666.79	
Deferred revenue		526,913.58	613,135.80
Deferred tax liabilities		2,514,851.40	563,835.68
Other non-current liabilities			
Total non-current liabilities		3,694,902.02	1,176,971.48
Total liabilities		208,090,478.54	181,694,218.92

Item	Note	31 December 2024	31 December 2023
Equity:			
Share capital		676,833,360.00	700,000,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,285,427,089.11	1,349,264,443.04
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Statutory surplus reserve		359,595,485.74	359,595,485.74
Retained earnings		1,242,552,562.04	1,289,335,202.21
Total equity		3,564,408,496.89	3,698,195,130.99
Total liabilities and equity		3,772,498,975.43	3,879,889,349.91

Person in charge of the Company: Shao Hui
Person in charge of accounting work: Zhang Yinghui
Person in charge of accounting institution: Shen Haiyan

Consolidated Profit Statement
January to December 2024

Unit: Yuan Currency: RMB

Item	Note	2024	2023
I. Total operating income		1,638,374,034.96	1,691,279,147.00
Including: Revenue		1,638,374,034.96	1,691,279,147.00
Interest income			
Premium earned			
Fees and commissions income			
II. Total operating costs		1,615,313,226.76	1,780,775,051.15
Including: Cost of goods sold		1,442,510,693.20	1,589,537,986.56
Interest expense			
Fees and commissions expenses			
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance liability reserves			
Policy dividend expenses			
Reinsurance expenses			
Sales related tax and auxiliary charges		17,420,227.28	14,749,695.05
Selling expenses		19,456,707.50	22,336,445.07
Administrative expenses		104,985,434.67	109,767,571.76
Research and development expenses		63,655,785.35	81,276,566.40
Financial costs		-32,715,621.24	-36,893,213.69
Including: Interest expenses		1,252,258.17	1,927,048.29
Interest income		29,610,862.90	31,965,248.36
Add: Other income		19,539,750.58	23,161,864.06
Investment income ("-" for losses)		34,321,420.64	54,525,579.40
Including: Investment income in associates and joint ventures		13,752,616.52	17,970,507.90
Gains from derecognition of financial assets measured at amortised cost			
Gains from foreign exchange ("-" for losses)			
Gains from net exposure hedging ("-" for losses)			
Gains from changes in fair value ("-" for losses)		17,999,498.26	-42,178,775.28
Credit impairment losses ("-" for losses)		-1,064,814.73	-7,406,740.18

Item	Note	2024	2023
Asset impairment losses ("-" for losses)		-23,353,197.94	-183,554,004.37
Gains from disposal of assets ("-" for losses)		162,805,353.16	6,040,166.67
III. Operating profits ("-" for losses)		233,308,818.17	-238,907,813.85
Add: non-operating income		1,059,803.25	940,646.32
Less: non-operating expenses		5,059,665.85	2,326,750.89
IV. Total profits ("-" for total losses)		229,308,955.57	-240,293,918.42
Less: income tax expense		59,640,202.65	4,805,553.18
V. Net profit ("-" for net loss)		169,668,752.92	-245,099,471.60
(I) Classified by operating continuity			
1. Net profit from continued operation ("-" for net loss)		169,668,752.92	-245,099,471.60
2. Net profit from discontinued operation ("-" for net loss)			
(II) Classified by the ownership			
1. Net profit attributable to shareholders of the parent company ("-" for net loss)		170,316,109.91	-240,845,793.81
2. Profit or loss attributable to non-controlling interests ("-" for net loss)		-647,356.99	-4,253,677.79
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income, net of tax, attributable to owners of the parent company			
1. Other comprehensive income that cannot be reclassified into profit or loss			
(1) Changes in re-measurement of the defined benefit plan			
(2) Other comprehensive income that cannot be transferred to profit or loss under the equity method			
(3) Changes in fair value of other equity instruments investments			
(4) Changes in fair value of the Company's own credit risk			

Item	Note	2024	2023
2. Other comprehensive income that will be reclassified into profit or loss			
(1) Other comprehensive income that can be transferred into profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Amount of financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedging reserves			
(6) Exchange differences from translation of financial statements denominated in foreign currencies			
(7) Others			
(II) Other comprehensive income, net of tax, attributable to non-controlling interests			
VII. Total comprehensive income		169,668,752.92	-245,099,471.60
(I) Attributable to owners of the company		170,316,109.91	-240,845,793.81
(II) Attributable to non-controlling interests		-647,356.99	-4,253,677.79
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.25	-0.34
(II) Diluted earnings per share (RMB/share)		0.25	-0.34

If business combination under common control occurred during the current period, the net profit realised by the combined party prior to combination: RMB 0, the net profit realised by the combined party in the prior period: RMB 0.

Person in charge of the Company: Shao Hui
Person in charge of accounting work: Zhang Yinghui
Person in charge of accounting department: Shen Haiyan

Parent Company Profit Statement
January to December 2024

Unit: Yuan Currency: RMB

Item			Note	2024	2023
I.	Revenue			1,370,414,763.76	1,451,621,236.23
	Less:	Cost of goods sold		1,372,041,626.76	1,453,540,886.47
		Sales related tax and auxiliary charges		1,196,137.91	544,884.59
		Selling expenses		9,488,471.95	12,204,961.68
		Administrative expenses		22,267,125.52	18,999,139.36
		Research and development expenses			
		Financial costs		-17,961,741.27	-24,010,831.50
		Including: Interest expenses		250,004.71	7,346.62
		Interest income		18,308,968.26	24,246,423.75
	Add:	Other income		589,437.73	539,227.43
		Investment income ("-" for losses)		29,531,244.39	258,430,641.77
		Including: Investment income in associates and joint ventures		13,753,289.75	17,971,181.21
		Gains from derecognition of financial assets measured at amortised cost			
		Gains from net exposure hedging ("-" for losses)			
		Gains from changes in fair value ("-" for losses)		15,203,119.12	3,021,236.38
		Credit impairment losses ("-" for losses)		426,572.04	-7,806,811.38
		Assets impairment losses ("-" for losses)		-21,766,217.30	-9,197,136.00
		Gains from disposal of assets ("-" for losses)			-70,327.96
II.	Operating profits ("-" for losses)			7,367,298.87	235,259,025.87
	Add: non-operating income			88.00	2,835.66
	Less: non-operating expenses			2,756,091.30	194,010.62
III.	Total profits ("-" for total losses)			4,611,295.57	235,067,850.91
	Less: income tax expense			3,893,373.54	5,826,500.42
IV.	Net profit ("-" for net loss)			717,922.03	229,241,350.49
	(I)	Net profit from continued operation ("-" for net loss)			
	(II)	Net profit from discontinued operation ("-" for net loss)			

Item	Note	2024	2023
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investments			
4. Changes in fair value of the Company's own credit risk			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be transferred into profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserves			
6. Exchange differences from translation of financial statements denominated in foreign currencies			
7. Others			
VI. Total comprehensive income		717,922.03	229,241,350.49
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Person in charge of the Company: Shao Hui
Person in charge of accounting work: Zhang Yinghui
Person in charge of accounting institution: Shen Haiyan

Consolidated Cash Flow Statement
January to December 2024

Unit: Yuan Currency: RMB

Item		Note	2024	2023
I.	Cash flows from operating activities:			
	Cash received from sale of goods and rendering of services		634,259,012.62	551,572,069.97
	Net increase in deposits from customers and interbank deposits			
	Net increase in borrowings from central bank			
	Net increase in loans from other financial institutions			
	Cash received from premiums of original insurance contracts			
	Net cash received from reinsurance business			
	Net increase in deposits and investments from policy holders			
	Cash received from interests, fees and commissions			
	Net increase in loans from banks and other financial institutions			
	Net increase in capital from repurchase business			
	Net cash received from agency securities trading			
	Tax refund received		18,316,358.69	2,164,294.43
	Cash received relating to other operating activities		76,637,607.40	138,661,451.43
	Subtotal of cash inflows from operating activities		729,212,978.71	692,397,815.83
	Cash paid for goods purchased and services received		214,024,664.09	455,801,723.95
	Net increase in customers' loans and advances			
	Net increase in deposits with central bank and interbank			
	Cash paid for original insurance contract compensation			
	Net increase in lendings to banks and other financial institutions			
	Cash paid for interests, fees and commissions			
	Cash paid for policy dividends			
	Cash paid to and for employees		176,662,161.77	181,671,246.20

Item		Note	2024	2023
	Taxes paid		77,162,335.02	56,085,234.42
	Cash paid relating to other operating activities		75,057,680.80	124,683,410.94
	Subtotal of cash outflows from operating activities		542,906,841.68	818,241,615.51
	Net cash flow from operating activities		186,306,137.03	-125,843,799.68
II.	Cash flows from investing activities:			
	Cash received from disposal of investments		1,166,118,924.53	1,336,030,129.09
	Cash received from investment income		40,309,870.19	38,118,342.67
	Net cash received from disposal of property, plant and equipment, intangible assets and other long-term assets		209,082,040.50	7,319,304.90
	Net cash received from disposal of subsidiaries and other business units			
	Cash received relating to other investing activities			1,393,135.23
	Subtotal of cash inflows from investing activities		1,415,510,835.22	1,382,860,911.89
	Cash paid for purchase and construction of property, plant and equipment, intangible assets and other long-term assets		28,944,194.50	62,508,507.13
	Cash paid for investments		1,295,570,625.72	1,027,705,122.20
	Net increase in pledge loans			
	Net cash paid to acquire subsidiaries and other business units			
	Cash paid relating to other investing activities		298,851,090.32	
	Subtotal of cash outflows from investing activities		1,623,365,910.54	1,090,213,629.33
	Net cash flows from investing activities		-207,855,075.32	292,647,282.56
III.	Cash flows from financing activities：			
	Cash received from investment			
	Including: Cash received by subsidiaries from minority shareholders' investment			
	Cash received from borrowings		90,000,000.00	110,000,000.00
	Cash received relating to other financing activities		149,184,444.45	348,290,694.43
	Subtotal of cash inflows from financing activities		239,184,444.45	458,290,694.43
	Cash paid for repayment of debts		180,000,000.00	663,500,000.00
	Cash paid for dividends, profit distribution or interest payment		50,698,764.97	60,805,543.19
	Including: Dividends and profits paid by the subsidiaries to minority shareholders		2,395,800.00	3,049,200.00

Item		Note	2024	2023
	Cash paid relating to other financing activities		91,439,923.93	1,921,056.00
	Subtotal of cash outflows from financing activities		322,138,688.90	726,226,599.19
	Net cash flow from financing activities		-82,954,244.45	-267,935,904.76
IV.	Effect of change in exchange rate on cash and cash equivalents		6,002,259.14	8,742,624.06
V.	Net increase in cash and cash equivalents		-98,500,923.60	-92,389,797.82
	Add: Opening balance of cash and cash equivalents		761,691,421.93	854,081,219.75
VI.	Closing balance of cash and cash equivalents		663,190,498.33	761,691,421.93

Person in charge of the Company: Shao Hui
Person in charge of accounting work: Zhang Yinghui
Person in charge of accounting institution: Shen Haiyan

Parent Company Cash Flow Statement
January to December 2024

Unit: Yuan Currency: RMB

Item		Note	2024	2023
I.	Cash flows from operating activities:			
	Cash received from sale of goods and rendering of services		251,678,396.62	317,873,979.35
	Tax refund received			
	Cash received relating to other operating activities		39,293,508.92	86,324,755.73
	Subtotal of cash inflows from operating activities		290,971,905.54	404,198,735.08
	Cash paid for goods purchased and services received		234,142,138.56	918,160,291.69
	Cash paid to and for employees		15,268,809.24	10,464,028.30
	Taxes paid		6,719,167.29	9,082,866.40
	Cash paid relating to other operating activities		202,346,766.72	87,564,596.39
	Subtotal of cash outflows from operating activities		458,476,881.81	1,025,271,782.78
	Net cash flow from operating activities		-167,504,976.27	-621,073,047.70
II.	Cash flows from investing activities:			
	Cash received from disposal of investments		856,254,243.34	1,062,891,007.96
	Cash received from investment income		27,729,218.05	233,570,033.77
	Net cash received from disposal of property, plant and equipment, intangible assets and other long-term assets			30,000.00
	Net cash received from disposal of subsidiaries and other business units			
	Cash received relating to other investing activities		121,596,538.75	7,079,208.33
	Subtotal of cash inflows from investing activities		1,005,580,000.14	1,303,570,250.06
	Cash paid for purchase and construction of property, plant and equipment, intangible assets and other long-term assets		163,762.00	1,131,772.01
	Cash paid for investments		964,100,000.00	633,801,913.30
	Net cash paid to acquire subsidiaries and other business units			
	Cash paid relating to other investing activities		44,162,176.53	145,827,353.39
	Subtotal of cash outflows from investing activities		1,008,425,938.53	780,761,038.70
	Net cash flow from investing activities		-2,845,938.39	522,809,211.36

Item	Note	2024	2023
III. Cash flows from financing activities:			
Cash received from investment			
Cash received from borrowings		70,000,000.00	
Cash received relating to other financing activities		49,772,500.00	
Subtotal of cash inflows from financing activities		119,772,500.00	
Cash paid for repayment of debts		70,000,000.00	
Cash paid for dividends, profit distribution or interest payment		47,731,756.64	56,000,000.00
Cash paid relating to other financing activities		87,165,993.93	162,000.00
Subtotal of cash outflows from financing activities		204,897,750.57	56,162,000.00
Net cash flow from financing activities		-85,125,250.57	-56,162,000.00
IV. Effect of change in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-255,476,165.23	-154,425,836.34
Add: Opening balance of cash and cash equivalents		558,125,823.92	712,551,660.26
VI. Closing balance of cash and cash equivalents		302,649,658.69	558,125,823.92

Person responsible for the Company: Shao Hui

Person responsible for supervising accounting work: Zhang Yinghui

Person responsible for accounting organisation: Shen Haiyan

Consolidated statement of changes in equity
January to December 2024

Unit: Yuan Currency: RMB

	2024														
	Equity attributable to owners of the company														
		Other equity instruments													
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	General risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total equity
I. Closing balance of prior year	700,000,000.00				1,152,556,162.08			2,022,006.85	358,421,889.12		1,674,126,688.96		3,887,126,747.01	13,397,281.30	3,900,524,028.31
Add: Changes in accounting policies															
Correction of errors in prior periods															
Others															
II. Beginning balance of current year	700,000,000.00				1,152,556,162.08			2,022,006.85	358,421,889.12		1,674,126,688.96		3,887,126,747.01	13,397,281.30	3,900,524,028.31
III. Increase/decrease amount in the current period ("-" for decrease)	-23,166,640.00				-70,433,659.92			14,193.25			122,815,547.71		29,229,441.04	673,149.00	29,902,590.04
(I) Total comprehensive income											170,316,109.91		170,316,109.91	-647,356.99	169,668,752.92
(II) Capital contributed and reduced by owners	-23,166,640.00				-70,433,659.92								-93,600,299.92	3,716,305.99	-89,883,993.93
1. Common stock contributed by owners	-23,166,640.00				-63,837,353.93								-87,003,993.93		-87,003,993.93
2. Capital contributed by the holders of other equity instruments															
3. Amounts of share-based payments recognised in owner's equity													—		—
4. Others					-6,596,305.99								-6,596,305.99	3,716,305.99	-2,880,000.00
(III) Profit distribution											-47,500,562.20		-47,500,562.20	-2,395,800.00	-49,896,362.20
1. Withdrawal of statutory surplus reserve															
2. Withdrawal of general risk reserves															
3. Distributions to owners (or shareholders)											-47,500,562.20		-47,500,562.20	-2,395,800.00	-49,896,362.20
4. Others															

2024

Item	Equity attributable to owners of the company														
	Other equity instruments					Less:	Other		Statutory	General					
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	comprehensive income	Special reserve	surplus reserve	risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total equity
(IV) Internal carry-forward of owners' equity															
1. Conversion of capital reserve into share capital															
2. Conversion of statutory surplus reserve into share capital															
3. Statutory surplus reserve offsetting losses															
4. Carry-forward of changes in the defined benefit plans for retained earnings															
5. Carry-forward of other comprehensive income for retained earnings															
6. Others															
(V) Special reserve								14,193.25					14,193.25		14,193.25
1. withdrawal in the current period								8,284,751.31					8,284,751.31		8,284,751.31
2. Usage in the current period								-8,270,558.06					-8,270,558.06		-8,270,558.06
(VI) Others															
IV. Closing balance of current period	676,833,360.00				1,082,122,502.16		2,036,200.10	358,421,889.12			1,796,942,236.67		3,916,356,188.05	14,070,430.30	3,930,426,618.35

2023

Item	Equity attributable to owners of the company													
	Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	General risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total equity
I. Closing balance of prior year	700,000,000.00				1,144,722,827.57			175,504.27	335,497,754.07		1,993,896,617.82		4,174,292,703.73	23,693,493.60	4,197,986,197.33
Add: Changes in accounting policies															
Correction of errors in prior periods															
Others															
II. Beginning balance of current year	700,000,000.00				1,144,722,827.57			175,504.27	335,497,754.07		1,993,896,617.82		4,174,292,703.73	23,693,493.60	4,197,986,197.33
III. Increase/decrease amount in the current period ("-" for decrease)					7,833,334.51			1,846,502.58	22,924,135.05		-319,769,928.86		-287,165,956.72	-10,296,212.30	-297,462,169.02
(I) Total comprehensive income											-240,845,793.81		-240,845,793.81	-4,253,677.79	-245,099,471.60
(II) Capital contributed and reduced by owners					7,833,334.51								7,833,334.51	-2,993,334.51	4,840,000.00
1. Common stock contributed by owners															
2. Capital contributed by the holders of other equity instruments															
3. Amounts of share-based payments recognised in owner's equity					1,237,028.52								1,237,028.52	722,971.48	1,960,000.00
4. Others					6,596,305.99								6,596,305.99	-3,716,305.99	2,880,000.00
(III) Profit distribution									22,924,135.05		-78,924,135.05		-56,000,000.00	-3,049,200.00	-59,049,200.00
1. Withdrawal of statutory surplus reserve									22,924,135.05		-22,924,135.05				
2. Withdrawal of general risk reserves															
3. Distributions to owners (or shareholders)											-56,000,000.00		-56,000,000.00	-3,049,200.00	-59,049,200.00
4. Others															
(IV) Internal carry-forward of owners' equity															
1. Conversion of capital reserve into share capital															
2. Conversion of statutory surplus reserve into share capital															
3. Statutory surplus reserve offsetting losses															
4. Carry-forward of changes in the defined benefit plans for retained earnings															
5. Carry-forward of other comprehensive income for retained earnings															
6. Others															

2023

Item	Equity attributable to owners of the company														
	Other equity instruments					Less:	Other		Statutory	General					
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	comprehensive income	Special reserve	surplus reserve	risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total equity
(V) Special reserve								1,846,502.58					1,846,502.58		1,846,502.58
1. Withdrawal in the current period								10,067,837.85					10,067,837.85		10,067,837.85
2. Usage in the current period								-8,221,335.27					-8,221,335.27		-8,221,335.27
(VI) Others															
IV. Closing balance of current period	700,000,000.00				1,152,556,162.08			2,022,006.85	358,421,889.12		1,674,126,688.96		3,887,126,747.01	13,397,281.30	3,900,524,028.31

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Parent Company statement of changes in owner's equity
January to December 2024

Unit: Yuan Currency: RMB

	2024										
		Other equity instruments									
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	Retained earnings	Total equity
I. Closing balance of prior year	700,000,000.00				1,349,264,443.04				359,595,485.74	1,289,335,202.21	3,698,195,130.99
Add: Changes in accounting policies											
Correction of errors in prior periods											
Others											
II. Beginning balance of current year	700,000,000.00				1,349,264,443.04				359,595,485.74	1,289,335,202.21	3,698,195,130.99
III. Increase/decrease amount in the current period ("-" for decrease)	-23,166,640.00				-63,837,353.93					-46,782,640.17	-133,786,634.10
(I) Total comprehensive income										717,922.03	717,922.03
(II) Capital contributed and reduced by owners	-23,166,640.00				-63,837,353.93						-87,003,993.93
1. Common stock contributed by owners	-23,166,640.00				-63,837,353.93						-87,003,993.93
2. Capital contributed by the holders of other equity instruments											
3. Amounts of share-based payments recognised in owner's equity											
4. Others											
(III) Profit distribution										-47,500,562.20	-47,500,562.20
1. Withdrawal of statutory surplus reserve											
2. Distributions to owners (or shareholders)										-47,500,562.20	-47,500,562.20
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserve into share capital											
2. Conversion of statutory surplus reserve into share capital											
3. Statutory surplus reserve offsetting losses											
4. Carry-forward of changes in the defined benefit plans for retained earnings											

2024

Item	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	Retained earnings	Total equity
	Share capital	Preference shares	Perpetual bonds	Others							
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal in the current period											
2. Usage in the current period											
(VI) Others											
IV. Closing balance of current period	676,833,360.00				1,285,427,089.11				359,595,485.74	1,242,552,562.04	3,564,408,496.89

2023

Item	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Statutory surplus reserves	Retained earnings	Total equity
	Share capital	Preference shares	Perpetual bonds	Others							
I. Closing balance of prior year	700,000,000.00				1,349,264,443.04				336,671,350.69	1,139,017,986.77	3,524,953,780.50
Add: Changes in accounting policies											
Correction of errors in prior periods											
Others											
II. Beginning balance of current year	700,000,000.00				1,349,264,443.04				336,671,350.69	1,139,017,986.77	3,524,953,780.50
III. Increase/decrease amount in the current period ("-" for decrease)									22,924,135.05	150,317,215.44	173,241,350.49
(I) Total comprehensive income										229,241,350.49	229,241,350.49
(II) Capital contributed and reduced by owners											
1. Common stock contributed by owners											
2. Capital contributed by the holders of other equity instruments											
3. Amounts of share-based payments recognised in owner's equity											
4. Others											
(III) Profit distribution									22,924,135.05	-78,924,135.05	-56,000,000.00

2023

Item	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserves	Statutory surplus reserves	Retained earnings	Total equity
1. Withdrawal of statutory surplus reserve									22,924,135.05	-22,924,135.05	
2. Distributions to owners (or shareholders)										-56,000,000.00	-56,000,000.00
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserve into share capital											
2. Conversion of statutory surplus reserve into share capital											
3. Statutory surplus reserve offsetting losses											
4. Carry-forward of changes in the defined benefit plans for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Special reserve											
1. Withdrawal in the current period											
2. Usage in the current period											
(VI) Others											
IV. Closing balance of current period	700,000,000.00				1,349,264,443.04				359,595,485.74	1,289,335,202.21	3,698,195,130.99

Person in charge of the Company: Shao Hui
Person in charge of accounting work: Zhang Yinghui
Person in charge of accounting institution: Shen Haiyan

III. Basic Information of the Company

1. Company Overview

√ Applicable □ Not applicable

Zhejiang Jihua Group Co., Ltd. (hereinafter referred to as the Company) is a joint stock company established through the overall restructuring of Zhejiang Jihua Group Co., Limited. It was registered with the Zhejiang Administration for Market Regulation on 15 August 2003, with its headquarters located in Hangzhou City, Zhejiang Province. The Company currently holds a business licence with the Unified Social Credit Identifier 913300007530435745. Its registered capital is RMB 676.8334 million, and the total number of shares is 676.8334 million (with a par value of RMB 1 per share), all of which are unrestricted tradable shares. The shares of the Company were listed and traded on the Shanghai Stock Exchange on 15 June 2017.

The Company belongs to the manufacturing industry of chemical raw materials and chemical products. Its principal business activities are: research and development, production and sales of dyes, dye intermediates and other chemical products. The main products include: dyes and intermediates.

These financial statements have been approved for issuance by the 6th meeting of the 5th Board of Directors of the Company held on 28 April 2025.

The Company has included a total of 11 companies within the scope of the consolidated financial statements for the current period, namely Hangzhou Jihua Jiangdong Chemical Co., Ltd. (hereinafter referred to as Jihua Jiangdong Company), Jiangsu Jihua Chemical Co., Ltd. (hereinafter referred to as Jiangsu Jihua Company), Hangzhou Jihua Import and Export Co., Ltd. (hereinafter referred to as Jihua Import and Export Company), Hangzhou Chuangli Polyurethane Co., Ltd. (hereinafter referred to as Chuangli Polyurethane Company), Hangzhou Jihua Polymer Materials Co., Ltd. (hereinafter referred to as Jihua Materials Company), Hangzhou Xiaoshan Jihua Technology Co., Ltd. (hereinafter referred to as Jihua Technology Company), Yancheng Youhua Pharmaceutical and Chemical Technology Co., Ltd. (hereinafter referred to as Yancheng Youhua Company), Jiangsu Jihua Pharmaceutical Technology Co., Ltd. (hereinafter referred to as Jihua Pharmaceutical Company), Jiangsu Kangbeide Pharmaceutical Co., Ltd. (hereinafter referred to as Kangbeide Company), Zhejiang Jihua Jizhi Dyeing and Chemical Technology Co., Ltd. (hereinafter referred to as Jihua Jizhi Company) and Jiangsu Jizhao Fine Chemical Trading Co., Ltd. (hereinafter referred to as Jiangsu Jizhao Company). For details, please refer to Note 6 to these financial statements.

IV. Basis of Preparation of Financial Statements

1. Basis of Preparation

The financial statements of the Company are prepared on a going concern basis.

2. Going Concern

√ Applicable □ Not applicable

There are no events or circumstances that may cast significant doubt on the Company's ability to continue as a going concern within twelve months from the end of the reporting period.

V. Significant Accounting Policies and Accounting Estimates

Notes on specific accounting policies and accounting estimates:

√ Applicable □ Not applicable

Important Note: The Company has formulated specific accounting policies and accounting estimates for transactions or matters such as impairment of financial instruments, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and revenue recognition in accordance with the actual characteristics of production and operation.

1. Statement of Compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the Accounting Standards for Business Enterprises, and truly and completely reflect the Company's financial position, operating results, changes in shareholders' equity, cash flows and other relevant information.

2. Accounting Period

The accounting year of the Company commences on 1 January and ends on 31 December of the Gregorian calendar.

3. Operating Cycle

√ Applicable □ Not applicable

The operating cycle of the Company's business is short, and 12 months is adopted as the criterion for classifying the liquidity of assets and liabilities.

4. Functional Currency

The functional currency of the Company is Renminbi.

5. Determination Method and Selection Basis of Materiality Criteria

√ Applicable □ Not applicable

Item	Materiality criteria
Material trade receivables with provision for bad debts on individual basis	Individual amount exceeding 0.3% of total assets
Material written-off of trade receivables	Individual amount exceeding 0.3% of total assets
Material prepayments aged over 1 year	Individual amount exceeding 0.3% of total assets
Material construction projects in progress	The total amount of individual project investment exceeding 0.3% of total assets
Material trade payables aged over 1 year	Individual amount exceeding 0.3% of total assets
Material other payables aged over 1 year	Individual amount exceeding 0.3% of total assets
Material contract liabilities aged over 1 year	Individual amount exceeding 0.3% of total assets
Material provisions	Individual amount exceeding 0.3% of total assets
Material cash flows from investing activities	Individual amount exceeding 5% of total assets
Material capitalised R&D projects and outsourced R&D projects	Individual amount exceeding 0.3% of total assets
Material subsidiaries and non-wholly-owned subsidiaries	Subsidiaries whose total assets exceed 5% of the Group's total assets and public interest entities such as NEEQ-listed companies
Material joint ventures and associates	Joint ventures, associates and joint operations whose total assets exceed 5% of the Group's total assets
Material contingencies	Individual amount exceeding 0.3% of total assets
Material post-balance sheet events	Individual amount exceeding 0.3% of total assets

6. Accounting Treatment for Business Combinations under Common Control and Business Combinations not under Common Control

√ Applicable □ Not applicable

1. Accounting Treatment for Business Combinations under Common Control

The assets and liabilities obtained by the Company in a business combination are measured at the carrying amounts of the combined party in the consolidated financial statements of the ultimate controlling party as at the combination date. The Company adjusts capital surplus for the difference between the share of the carrying amount of the combined party's owners' equity in the consolidated financial statements of the ultimate controlling party and the carrying amount of the consideration transferred or the total par value of the issued shares. If capital surplus is insufficient for offset, retained earnings shall be adjusted.

2. Accounting Treatment for Business Combinations not under Common Control

The Company recognises goodwill for the excess of the combination cost over the share of the fair value of the acquiree's identifiable net assets acquired in the business combination as at the acquisition date. If the combination cost is lower than the share of the fair value of the acquiree's identifiable net assets acquired in the business combination, the Company shall first review the measurement of the fair value of each identifiable asset, liability and contingent liability of the acquiree obtained and the combination cost. If the combination cost is still lower than the share of the fair value of the acquiree's identifiable net assets acquired in the business combination after review, the difference shall be credited to profit or loss for the current period.

7. Judgement Criteria for Control and Preparation Method of Consolidated Financial Statements

√ Applicable □ Not applicable

1. Judgement of Control

An investor shall be deemed to have control over an investee if it has power over the investee, obtains variable returns from participation in the relevant activities of the investee, and is able to exercise its power over the investee to affect the amount of such variable returns.

2. Preparation Method of Consolidated Financial Statements

The parent company includes all its controlled subsidiaries into the scope of consolidated financial statements. Based on the financial statements of the parent company and its subsidiaries together with other relevant information, the parent company prepares the consolidated financial statements in accordance with Accounting Standard for Business Enterprises No. 33 — Consolidated Financial Statements.

8. Classification of Joint Arrangements and Accounting Treatment for Joint Operations

√ Applicable □ Not applicable

1. Joint arrangements are classified into joint operations and joint ventures.

2. Where the Company is a joint operator of a joint operation, it shall recognise the following items relating to its share of interests in the joint operation:

   (1) Recognise assets held individually and jointly held assets in accordance with the share held;

   (2) Recognise liabilities incurred individually and jointly incurred liabilities in accordance with the share held;

   (3) Recognise income arising from the sale of the Company's share of outputs from the joint operation;

   (4) Recognise income generated from the sale of assets by the joint operation in accordance with the Company's share held;

   (5) Recognise expenses incurred individually and expenses incurred by the joint operation in accordance with the Company's share held.

9. Criteria for Determining Cash and Cash Equivalents

Cash presented in the statement of cash flows refers to cash on hand and deposits available for payment at any time. Cash equivalents refer to short-term, highly liquid investments held by the enterprise that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

10. Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

√ Applicable □ Not applicable

Foreign currency transactions are translated into Renminbi using the approximate exchange rate prevailing on the transaction date upon initial recognition. At the balance sheet date, foreign currency monetary items are translated at the spot exchange rate on that date. Exchange differences arising from exchange rate fluctuations are credited to profit or loss for the current period, except for those relating to the principal and interest of foreign currency specific borrowings for the construction of qualifying assets. Foreign currency non-monetary items measured at historical cost continue to be translated at the spot exchange rate on the transaction date, with their Renminbi amounts unchanged. Foreign currency non-monetary items measured at fair value are translated at the spot exchange rate on the date when fair value is determined, and the resulting differences are recognised in profit or loss or other comprehensive income.

11. Financial Instruments

√ Applicable □ Not applicable

1. Classification of Financial Assets and Financial Liabilities

Financial assets are classified into the following three categories upon initial recognition: (1) Financial assets measured at amortised cost; (2) Financial assets measured at fair value through other comprehensive income; (3) Financial assets measured at fair value through profit or loss.

Financial liabilities are classified into the following four categories upon initial recognition: (1) Financial liabilities measured at fair value through profit or loss; (2) Financial liabilities arising from the transfer of financial assets that do not meet the derecognition criteria or from continuing involvement in the transferred financial assets; (3) Financial guarantee contracts other than those specified in (1) and (2) above, and loan commitments other than those specified in (1) above that provide loans at below-market interest rates; (4) Financial liabilities measured at amortised cost.

2. Recognition Criteria, Measurement Methods and Derecognition Conditions of Financial Assets and Financial Liabilities

(1) Recognition Criteria and Initial Measurement Methods of Financial Assets and Financial Liabilities

A financial asset or a financial liability is recognised when the Company becomes a party to the financial instrument contract. Upon initial recognition, financial assets and financial liabilities are measured at fair value. For financial assets and financial liabilities measured at fair value through profit or loss, relevant transaction costs are directly recognised in profit or loss for the current period. For other types of financial assets or financial liabilities, relevant transaction costs are included in the initial recognition amount. However, if the initially recognised trade receivables of the Company do not contain a significant financing component, or the Company disregards the financing component in contracts with a term not exceeding one year, such trade receivables are initially measured at the transaction price as defined in Accounting Standard for Business Enterprises No. 14 — Revenue.

(2) Subsequent Measurement Methods of Financial Assets

1) Financial assets measured at amortised cost

Subsequent measurement is carried out using the effective interest method at amortised cost. Gains or losses arising from financial assets measured at amortised cost that are not part of any hedging relationship are recognised in profit or loss upon derecognition, reclassification, amortisation under the effective interest method or recognition of impairment.

2) Debt instrument investments measured at fair value through other comprehensive income

Subsequent measurement is carried out at fair value. Interest calculated using the effective interest method, impairment gains or losses and exchange gains or losses are recognised in profit or loss, and other gains or losses are recognised in other comprehensive income. Upon derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss.

3) Equity instrument investments measured at fair value through other comprehensive income

Subsequent measurement is carried out at fair value. Dividends received (excluding those representing recovery of investment cost) are recognised in profit or loss, and other gains or losses are recognised in other comprehensive income. Upon derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to retained earnings.

4) Financial assets measured at fair value through profit or loss

Subsequent measurement is carried out at fair value. The resulting gains or losses (including interest and dividend income) are recognised in profit or loss, unless such financial assets are part of a hedging relationship.

(3) Subsequent Measurement Methods of Financial Liabilities

1) Financial liabilities measured at fair value through profit or loss

Such financial liabilities include trading financial liabilities (including derivatives classified as financial liabilities) and financial liabilities designated as measured at fair value through profit or loss. They are subsequently measured at fair value. Changes in fair value of designated financial liabilities arising from changes in the Company's own credit risk are recognised in other comprehensive income, unless such treatment would create or enlarge an accounting mismatch in profit or loss. Other gains or losses arising from such financial liabilities (including interest expenses and fair value changes excluding those caused by changes in the Company's own credit risk) are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship. Upon derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to retained earnings.

2) Financial liabilities arising from transfer of financial assets that do not meet derecognition criteria or from continuing involvement in transferred financial assets

They are measured in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Assets.

3) Financial guarantee contracts other than those specified in 1) and 2) above, and loan commitments other than those specified in 1) above that provide loans at below-market interest rates

After initial recognition, they are subsequently measured at the higher of the following two amounts: ① the amount of loss allowance determined in accordance with the impairment provisions for financial instruments; ② the carrying amount calculated as the initial recognition amount less the accumulated amortisation determined pursuant to Accounting Standard for Business Enterprises No. 14 — Revenue.

4) Financial liabilities measured at amortised cost

They are measured at amortised cost using the effective interest method. Gains or losses arising from financial liabilities measured at amortised cost that are not part of any hedging relationship are recognised in profit or loss upon derecognition or amortisation under the effective interest method.

(4) Derecognition of Financial Assets and Financial Liabilities

1) A financial asset shall be derecognised when any of the following conditions is met:

① The contractual rights to receive the cash flows of the financial asset have expired;

② The financial asset has been transferred, and the transfer complies with the provisions on derecognition of financial assets under Accounting Standard for Business Enterprises No. 23 — Transfer of Financial Assets.

2) A financial liability (or part thereof) shall be derecognised when the present obligation under such financial liability (or part thereof) is discharged.

3. Recognition Criteria and Measurement Methods for Transfer of Financial Assets

Where the Company transfers substantially all the risks and rewards of ownership of a financial asset, it shall derecognise the financial asset, and separately recognise the rights and obligations arising from or retained in the transfer as assets or liabilities. Where the Company retains substantially all the risks and rewards of ownership of a financial asset, it shall continue to recognise the transferred financial asset. Where the Company neither transfers nor retains

substantially all the risks and rewards of ownership of a financial asset, it shall account for the matter as follows: (1) If control over the financial asset is not retained, derecognise the financial asset and separately recognise the rights and obligations arising from or retained in the transfer as assets or liabilities; (2) If control over the financial asset is retained, recognise the relevant financial assets to the extent of continuing involvement in the transferred financial asset and recognise the corresponding liabilities accordingly.

Where the entire transfer of a financial asset meets the derecognition conditions, the difference between the following two amounts shall be recognised in profit or loss for the current period: (1) The carrying amount of the transferred financial asset at the derecognition date; (2) The sum of the consideration received from the transfer of the financial asset and the portion of cumulative fair value changes previously recognised directly in other comprehensive income corresponding to the derecognised part (applicable when the transferred financial asset is a debt instrument investment measured at fair value through other comprehensive income). Where part of a financial asset is transferred and such transferred part as a whole meets the derecognition conditions, the total carrying amount of the financial asset prior to the transfer shall be allocated between the derecognised part and the continuously recognised part based on their respective relative fair values at the transfer date. The difference between the following two amounts shall be recognised in profit or loss for the current period: (1) The carrying amount of the derecognised part; (2) The sum of the consideration for the derecognised part and the portion of cumulative fair value changes previously recognised directly in other comprehensive income corresponding to the derecognised part (applicable when the transferred financial asset is a debt instrument investment measured at fair value through other comprehensive income).

4. Methods for Determining Fair Value of Financial Assets and Financial Liabilities

The Company adopts valuation techniques applicable to the current circumstances and supported by sufficient available data and other information to determine the fair value of relevant financial assets and financial liabilities. Inputs used in valuation techniques are classified into the following levels and applied in sequence:

(1) Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets available at the measurement date;

(2) Level 2 inputs are observable inputs for relevant assets or liabilities, either directly or indirectly, other than Level 1 inputs, including: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; other observable inputs apart from quoted prices, such as observable interest rates and yield curves within normal quotation intervals; market-corroborated inputs and so on;

(3) Level 3 inputs are unobservable inputs for relevant assets or liabilities, including interest rates and stock volatility that cannot be directly observed or verified by observable market data, future cash flows for decommissioning obligations assumed in business combinations, and financial forecasts prepared based on the Company's own data.

5. Impairment of Financial Instruments

Based on expected credit losses, the Company recognises impairment and loss allowances for financial assets measured at amortised cost, debt instrument investments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments other than financial liabilities measured at fair value through profit or loss, and financial guarantee contracts excluding financial liabilities measured at fair value through profit or loss or those arising from transfer of financial assets that do not meet derecognition criteria or continuing involvement in transferred financial assets.

Expected credit loss refers to the weighted average of credit losses on financial instruments weighted by the risk of default. Credit loss represents the present value of all cash shortfalls, which is the difference between all contractual cash flows receivable under the contract and all cash flows expected to be collected, discounted at the original effective interest rate. For financial assets purchased or originated that are credit-impaired on initial recognition, such difference shall be discounted at the credit-adjusted effective interest rate of the relevant financial assets.

For financial assets purchased or originated that are credit-impaired on initial recognition, the Company only recognises the cumulative changes in expected credit losses over the entire lifetime since initial recognition as loss allowances at the balance sheet date.

For lease receivables, receivables and contract assets arising from transactions governed by Accounting Standard for Business Enterprises No. 14 — Revenue, the Company applies the simplified measurement approach and measures loss allowances at an amount equal to lifetime expected credit losses.

For financial assets other than those mentioned above, the Company assesses at each balance sheet date whether the credit risk has increased significantly since initial recognition. If the credit risk has increased significantly, loss allowances are measured at the amount of lifetime expected credit losses. If the credit risk has not increased significantly, loss allowances are measured at the amount of expected credit losses over the next twelve months of the financial instrument.

The Company uses available reasonable and supportable information including forward-looking information, and compares the default risk of financial instruments as at the statement of assets and liabilities date with that as at the initial recognition date, so as to determine whether the credit risk of financial instruments has increased significantly since initial recognition.

As at the statement of assets and liabilities date, if the Company judges that a financial instrument has only low credit risk, it shall assume that the credit risk of such financial instrument has not increased significantly since initial recognition.

The Company assesses expected credit risk and measures expected credit losses on the basis of individual financial instruments or portfolios of financial instruments. When adopting the basis of portfolios of financial instruments, the Company classifies financial instruments into different portfolios based on common risk characteristics.

The Company remeasures expected credit losses at each statement of assets and liabilities date. The increase or reversal amount of loss allowances formed thereby shall be recognised as impairment losses or gains credited to profit or loss for the current period. For financial assets at amortised cost, loss allowances shall offset the carrying amount of such financial assets presented in the statement of assets and liabilities. For debt investments measured at fair value through other comprehensive income, the Company recognises the loss allowances in other comprehensive income and does not offset the carrying amount of such financial assets.

6. Offset of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are presented separately in the statement of assets and liabilities without offsetting each other. Where all the following conditions are met simultaneously, the Company presents the net amount after offsetting in the statement of assets and liabilities: (1) The Company has legally enforceable right to offset the recognised amounts and such legal right is currently exercisable; (2) The Company intends to settle on a net basis, or realise the financial assets and settle the financial liabilities simultaneously.

For transfers of financial assets that do not meet the derecognition conditions, the Company shall not offset the transferred financial assets and relevant liabilities.

12. Bills Receivables (應收票據)

☐ Applicable √ Not applicable

13. Trade Receivables

√ Applicable ☐ Not applicable

Categories and determination basis of portfolios for accruing provision for bad debts based on portfolios with credit risk characteristics

√ Applicable ☐ Not applicable

Group categories	Grouping basis	Expected credit loss measurement approach
Trade receivables — group of related parties within the scope of combination	Related parties within the scope of corporation combination	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate.

Group categories	Grouping basis	Expected credit loss measurement approach
Trade receivables — ageing groups	Ageing	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the comparison table prepared for trade receivables ageing and expected credit loss rate.

Calculation method of aging for confirming portfolios with credit risk characteristics based on aging

√ Applicable □ Not applicable

Ageing	Expected credit loss rate of trade receivables (%)
Within 1 year (inclusive, same below)	5.00
1 to 2 years	10.00
2 to 3 years	50.00
Over 3 years	100.00

The aging of trade receivables is calculated by the first-in, first-out method starting from the month when the amounts actually arise.

Criteria for determining provision for bad debts on an individual basis

□ Applicable √ Not applicable

14. Bills receivables (應收款項融資)

√ Applicable □ Not applicable

Categories and determination basis of portfolios for accruing provision for bad debts based on portfolios with credit risk characteristics

√ Applicable □ Not applicable

Group categories	Grouping basis	Expected credit loss measurement approach
Bank acceptance bills receivables (應收票據) Commercial acceptance bills receivables (應收票據) Financial company acceptance bills receivables (應收票據)	Bill type	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate.

Calculation method of aging for confirming portfolios with credit risk characteristics based on aging

☐ Applicable √ Not applicable

Judgement criteria for provision for bad debts on an individual basis

☐ Applicable √ Not applicable

15. Other Receivables

√ Applicable ☐ Not applicable

Categories and determination basis of portfolios for accruing provision for bad debts based on portfolios with credit risk characteristics

√ Applicable ☐ Not applicable

Group categories	Grouping basis	Expected credit loss measurement approach
Other receivables — group of related parties within the scope of combination	Related parties within the scope of corporation combination	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate.

Group categories	Grouping basis	Expected credit loss measurement approach
Other receivables — ageing groups	Ageing	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the comparison table prepared for other receivables ageing and expected credit loss rate.

Calculation method of aging for confirming portfolios with credit risk characteristics based on aging

√ Applicable □ Not applicable

Ageing	Expected credit loss rate of trade receivables (%)
Within 1 year (inclusive, same below)	5.00
1 to 2 years	10.00
2 to 3 years	50.00
Over 3 years	100.00

The aging of other receivables is calculated by the first-in, first-out method starting from the month when the amounts actually arise.

Judgement criteria for provision for bad debts on an individual basis

√ Applicable □ Not applicable

The Company recognises expected credit losses on an individual basis for receivables and contract assets whose credit risks differ significantly from portfolio credit risks.

16. Inventories

√ Applicable □ Not applicable

Inventory categories, valuation method for issuance, inventory system, amortisation method for low-value consumables and packaging materials

√ Applicable □ Not applicable

1. Classification of Inventories

Inventories include finished goods or commodities held for sale in ordinary activities, work-in-progress in the production process, and materials and supplies consumed during production or provision of services.

2. Valuation Method for Issued Inventories

The weighted average method at month-end is adopted for issued inventories.

3. Inventory System

The perpetual inventory system is applied for inventories.

4. Amortisation Method for Low-value Consumables and Packaging Materials

(1) Low-value Consumables

Amortised by the one-off write-off method upon use.

(2) Packaging Materials

Amortised by the one-off write-off method upon use.

Recognition criteria and accrual method for inventory impairment provision

√ Applicable □ Not applicable

At the statement of assets and liabilities date, inventories are measured at the lower of cost and net realisable value, and inventory impairment provision is accrued based on the excess of cost over net realisable value. For inventories held for direct sale, their net realisable value is determined as the estimated selling price less estimated selling expenses and relevant taxes and duties in the ordinary course of business. For inventories requiring further processing, their net realisable value is determined as the estimated selling price of the finished goods produced less estimated costs to completion, estimated selling expenses and relevant taxes and duties in the ordinary course of business. Where part of a single item of inventory is covered by a contractual price and the remaining part is not at the statement of assets and liabilities date, the net realisable value shall be determined separately for each part and compared with the corresponding cost, so as to calculate the amount of accrual or reversal of inventory impairment provision respectively.

Categories and determination basis of portfolios for accruing inventory impairment provision on a portfolio basis, and determination basis of net realisable value for different categories of inventories

□ Applicable √ Not applicable

Calculation method and determination basis of net realisable value for each inventory age portfolio used to confirm net realisable value of inventories based on inventory age

☐ Applicable √ Not applicable

17. Contract Assets

☐ Applicable √ Not applicable

18. Non-current Assets or Disposal Groups Held for Sale

☐ Applicable √ Not applicable

Recognition criteria and accounting treatment methods for non-current assets or disposal groups classified as held for sale

☐ Applicable √ Not applicable

Identification criteria and presentation methods for discontinued operations

☐ Applicable √ Not applicable

19. Long term Investments

√ Applicable ☐ Not applicable

1. Judgement of Joint Control and Significant Influence

Joint control is recognised where parties have joint control over an arrangement in accordance with relevant agreements, and decisions on relevant activities of the arrangement shall be made only with the unanimous consent of all parties sharing control. Significant influence is recognised where an investor has the right to participate in decisions on the financial and operating policies of the investee, but cannot control or jointly control the formulation of such policies with other parties.

2. Determination of Investment Cost

(1) For long term investments arising from business combinations under common control, where the combining party settles the consideration by paying cash, transferring non-cash assets, assuming liabilities or issuing equity securities, the initial investment cost shall be measured as the share of the carrying amount of the combinee's owners' equity in the ultimate controlling party's consolidated financial statements as at the combination date. The difference between the initial investment cost of long term investments and the carrying amount of the consideration transferred or the total par value of shares issued shall be adjusted against capital reserve; if the capital reserve is insufficient to offset the difference, retained earnings shall be adjusted.

For long term investments formed by the Company through multiple transactions to achieve a business combination under common control in stages, it shall be judged whether such transactions constitute a "package deal". If the transactions constitute a "package deal", all transactions shall be accounted for as a single transaction to obtain control. If not, the initial investment cost shall be determined based on the share of the carrying amount of the combinee's net assets in the ultimate controlling party's consolidated financial statements to be enjoyed after the combination as at the combination date. The difference between the initial investment cost of long term investments as at the combination date and the sum of the carrying amount of long term investments prior to the combination and the carrying amount of the additional consideration paid for newly acquired shares on the combination date shall be adjusted against capital reserve; if the capital reserve is insufficient to offset the difference, retained earnings shall be adjusted.

(2) For long term investments arising from business combinations not under common control, the initial investment cost shall be measured at the fair value of the consideration transferred as at the acquisition date.

For long term investments formed by the Company through multiple transactions to achieve a business combination not under common control in stages, relevant accounting treatments shall be performed separately in the separate financial statements and consolidated financial statements:

1) In the separate financial statements, the initial investment cost accounted for under the cost method shall be the sum of the carrying amount of the originally held equity investment and the cost of additional investment.

2) In the consolidated financial statements, it shall be judged whether such transactions constitute a "package deal". If the transactions constitute a "package deal", all transactions shall be accounted for as a single transaction to obtain control. If not, the equity interest in the acquiree held prior to the acquisition date shall be remeasured at its fair value as at the acquisition date, and the difference between fair value and carrying amount shall be recognised in investment income for the current period. Where the equity interest in the acquiree held prior to the acquisition date involves other comprehensive income recognised under the equity method, the related other comprehensive income shall be reclassified to income for the period to which the acquisition date belongs, excluding other comprehensive income arising from changes in the remeasured net liability or net asset of the defined benefit plan of the investee.

(3) Excluding those arising from business combinations: If acquired by paying cash, the initial investment cost shall be the actual purchase price paid. If acquired by issuing equity securities, the initial investment cost shall be the fair value of the issued equity securities. If acquired through debt restructuring, the initial investment cost shall be determined in accordance with Accounting Standard for Business Enterprises No. 12 — Debt Restructuring. If acquired through non-monetary asset exchange, the initial investment cost shall be determined in accordance with Accounting Standard for Business Enterprises No. 7 — Exchange of Non-monetary Assets.

3. Subsequent Measurement and Profit or Loss Recognition Method

Long term investments over which the investor exercises control over the investee are accounted for using the cost method. Long term investments in associates and joint ventures are accounted for using the equity method.

4. Accounting Treatment for Disposal of Investment in a Subsidiary in Stages until Loss of Control

(1) Principles for Judging whether Transactions Constitute a "Package Deal"

Where the Company disposes of equity investment in a subsidiary in multiple transactions until losing control, it shall judge whether the staged transactions constitute a "package deal" by referring to the terms of transaction agreements, disposal consideration received respectively, transferees of disposed equity interests, disposal methods and disposal timing of each step. Transactions shall generally be deemed as a "package deal" if their terms, conditions and economic effects meet one or more of the following circumstances:

1) The transactions are entered into concurrently or with mutual consideration of their impacts;

2) A complete commercial result can only be achieved by the transactions as a whole;

3) The occurrence of one transaction is dependent on that of at least one other transaction;

4) A single transaction is uneconomical when viewed separately, but becomes economical when combined with other transactions.

(2) Accounting Treatment for Transactions Not Constituting a "Package Deal"

1) Separate Financial Statements

The difference between the carrying amount of the disposed equity interest and the actual consideration received shall be recognised in profit or loss for the current period. For the remaining equity interest, if the Company still has significant influence or joint control over the investee, it shall be reclassified to equity method accounting. If the Company no longer has control, joint control or significant influence over the investee, the remaining equity interest shall be accounted for in accordance with the provisions of Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments.

2) Consolidated Financial Statements

Prior to the loss of control, the difference between the disposal consideration and the share of the subsidiary's net assets continuously calculated from the acquisition date or combination date corresponding to the disposed long-term equity investment shall be adjusted against capital reserve (capital premium). If the capital premium is insufficient to offset the difference, retained earnings shall be reduced accordingly.

Upon loss of control over the former subsidiary, the remaining equity interest shall be remeasured at its fair value as at the date of loss of control. The difference between the sum of consideration from disposal and the fair value of remaining equity interest, and the share of the former subsidiary's net assets continuously calculated from the acquisition date or combination date based on the original shareholding ratio shall be recognised in investment income for the period when control is lost, and goodwill shall be written down simultaneously. Other comprehensive income related to the equity investment in the former subsidiary shall be reclassified to investment income for the current period upon loss of control.

(3) Accounting Treatment for Transactions Constituting a "Package Deal"

1) Separate Financial Statements

All transactions shall be accounted for as a single transaction of disposing of the subsidiary and losing control. Prior to the loss of control, the difference between each disposal consideration and the carrying amount of the corresponding disposed investment shall be recognised as other comprehensive income in the separate financial statements, and shall be reclassified in full to profit or loss for the period when control is lost.

2) Consolidated Financial Statements

All transactions shall be accounted for as a single transaction of disposing of the subsidiary and losing control. Prior to the loss of control, the difference between each disposal consideration and the corresponding share of the subsidiary's net assets relating to the disposed investment shall be recognised as other comprehensive income in the consolidated financial statements, and shall be reclassified in full to profit or loss for the period when control is lost.

20. Investment Property

(1) If measured under the cost model:

Depreciation and Amortisation Method

1. Investment property includes leased land use rights, land use rights held for appreciation and subsequent transfer, and leased buildings.

2. Investment property is initially measured at cost and subsequently measured under the cost model. Depreciation and amortisation are recognised using the same methods as property, plant and equipment and intangible assets.

21. Fixed Assets

(1) Property, Plant and Equipment

√ Applicable □ Not applicable

Property, plant and equipment refer to tangible assets held for production of goods, provision of services, rental or administrative purposes with a useful life exceeding one accounting year. A fixed asset is recognised when it is probable that associated economic benefits will flow in and its cost can be measured reliably.

(2) Depreciation Method

√ Applicable □ Not applicable

Category	Depreciation method	Depreciation term (years)	Residual value rate	Annual depreciation rate
Plants and buildings	Straight-line method	10-30	5	3.17-9.50
General equipment	Straight-line method	3-5	5	19.00-31.67
Special equipment	Straight-line method	10	5	9.50
Transportation tools	Straight-line method	4-5	5	19.00-23.75

22. Construction in Progress

√ Applicable □ Not applicable

1. Construction in progress is recognised when it is probable that economic benefits will flow in and its cost can be measured reliably. Construction in progress is measured at actual costs incurred before the asset is available for intended use.

2. When construction in progress is available for intended use, it is transferred to property, plant and equipment at the actual project cost. Where the asset is available for intended use but the final settlement has not been completed, it shall first be transferred to property, plant and equipment at estimated value. Upon completion of final settlement, the original estimated value shall be adjusted based on actual cost, while depreciation already accrued shall not be adjusted.

Category	Standards and timing for transferring construction in progress to property, plant and equipment
Machinery and equipment	Meet the design requirements or standards under the contract after installation and commissioning
Investment property	Meet the design requirements or standards under the contract after acceptance

23. Borrowing Costs

√ Applicable □ Not applicable

1. Recognition Principles for Capitalisation of Borrowing Costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of qualifying assets shall be capitalised and included in the cost of relevant assets. Other borrowing costs shall be recognised as expenses when incurred and included in profit or loss for the current period.

2. Capitalisation Period of Borrowing Costs

(1) Capitalisation shall commence when all the following conditions are satisfied simultaneously: 1) Asset expenditure has been incurred; 2) Borrowing costs have been incurred; 3) Necessary acquisition, construction or production activities to bring the asset to its intended use or saleable condition have commenced.

(2) Where the acquisition, construction or production of a qualifying asset is interrupted abnormally for a continuous period of more than three months, capitalisation of borrowing costs shall be suspended. Borrowing costs incurred during the interruption shall be recognised as expenses for the current period until the acquisition, construction or production activities resume.

(3) Capitalisation of borrowing costs shall cease when the qualifying asset under acquisition, construction or production is brought to its intended use or saleable condition.

3. Capitalisation Rate and Capitalised Amount of Borrowing Costs

For specific borrowings obtained for the acquisition, construction or production of qualifying assets, the amount of interest eligible for capitalisation shall be determined as the actual interest expenses incurred on such specific borrowings during the current period (including amortisation of discounts or premiums determined under the effective interest method), less interest income from depositing unused borrowings with banks or investment income from temporary investment of such funds. Where general borrowings are utilised for the acquisition, construction or production of qualifying assets, the amount of interest on general borrowings eligible for capitalisation shall be calculated by multiplying the weighted average amount of accumulated asset expenditures in excess of specific borrowings by the capitalisation rate of the utilised general borrowings.

24. Biological Assets

☐ Applicable √ Not applicable

25. Oil and Gas Assets

☐ Applicable √ Not applicable

26. Intangible Assets

(1) Useful life and its determination basis, estimation, amortisation method or review procedure

√ Applicable ☐ Not applicable

1. Intangible assets include land use rights, patents, non-patented technologies and software, which are initially measured at cost.

2. Intangible assets with finite useful lives are amortised systematically and reasonably over their useful lives in accordance with the expected pattern of consumption of economic benefits related thereto. If the expected pattern cannot be reliably determined, the straight-line method shall be adopted. Details are as follows:

Item	Useful lives and its basis of Determination	Amortization method
Land use rights	20 to 50 years, the time when the lands are available for use	Straight-line method
Patent rights	10 to 20 years, useful lives	Straight-line method
Non-patented technology	10 years, useful lives	Straight-line method
Software	5 years, useful lives	Straight-line method

(2) Scope of accumulation and relevant accounting treatment of research and development expenditure

√ Applicable □ Not applicable

1. Scope of Accumulation of Research and Development Expenditure

(1) Personnel Labour Costs

Personnel labour costs include salaries, basic pension insurance premiums, basic medical insurance premiums, unemployment insurance premiums, work injury insurance premiums, maternity insurance premiums and housing funds for the Company's research and development staff, as well as service fees for externally engaged research and development personnel.

Where research and development staff serve multiple research and development projects concurrently, labour costs shall be allocated proportionally among different projects based on working hour records of such staff provided by the Company's management department.

Where personnel directly engaged in research and development activities and externally engaged research and development personnel also undertake non-research and development activities, the Company shall allocate the actual incurred personnel labour costs between research and development expenses and operating expenses by reasonable methods such as actual working hour proportion, based on working hour records of the staff at different posts.

(2) Direct Input Costs

Direct input costs refer to relevant expenditures actually incurred by the Company for conducting research and development activities, including: 1) Costs of materials, fuels and power directly consumed; 2) Development and manufacturing costs of moulds and process equipment for intermediate tests and product trial production, purchase costs of samples, prototypes and general testing tools not classified as property, plant and equipment and inspection fees for trial-produced products; 3) Operating maintenance, adjustment, inspection, testing and repair fees of instruments and equipment used for research and development activities.

(3) Depreciation Expenses and Long term Prepaid Expenses

Depreciation expenses refer to depreciation charges of instruments, equipment and buildings in use for research and development activities.

Where instruments, equipment and buildings in use for research and development activities are also used for non-research and development activities, necessary records on their usage shall be maintained. The actually incurred depreciation expenses shall be allocated between research and development expenses and operating expenses by reasonable methods based on factors such as actual working hours and usage area.

Long term prepaid expenses refer to expenses arising from reconstruction, modification, decoration and repair of research and development facilities. Such expenses are accumulated based on actual expenditures and amortised equally by instalments within the prescribed period.

(4) Amortisation Expenses of Intangible Assets

Amortisation expenses of intangible assets refer to the amortisation expenses of software, intellectual property rights and non-patented technologies (proprietary technologies, licences, designs, calculation methods, etc.) used for research and development activities.

(5) Equipment Commissioning Expenses and Testing Expenses

Equipment commissioning expenses refer to expenses incurred from research and development activities during tooling preparation, including expenses arising from developing special and dedicated production machines, revising production and quality control procedures, or formulating new methods and standards.

Expenses for routine tooling preparation and industrial engineering carried out for large-scale mass production and commercial production shall not be included in the scope of accumulation. Testing expenses include clinical trial fees for new drug development, on-site test fees for exploration and development technologies, field test fees and others.

(6) Outsourced Research and Development Expenses

Outsourced research and development expenses refer to expenses incurred when the Company entrusts other institutions or individuals inside and outside the territory to conduct research and development activities (the achievements of research and development activities are owned by the Company and closely related to its principal business).

(7) Other Expenses

Other expenses refer to other expenses directly related to research and development activities other than the above expenses, including fees for technical books and materials, document translation fees, expert consultation fees, high-tech research and development insurance premiums, fees for retrieval, demonstration, review, appraisal and acceptance of research and development achievements, application fees, registration fees and agency fees for intellectual property rights, conference fees, travel expenses, communication fees and others.

2. Expenditures incurred in the research phase of internal research and development projects shall be recognised in profit or loss for the current period when incurred. Expenditures incurred in the development phase of internal research and development projects shall be recognised as intangible assets when all the following conditions are met: (1) It is technically feasible to complete the intangible asset for use or sale; (2) There is an intention to complete the intangible asset and use or sell it; (3) The manner in which the intangible asset will generate economic benefits, including proof that products produced by using the intangible asset have a market or the intangible asset itself has a market. If the intangible asset is to be used internally, its usability can be proven; (4) There are sufficient technical, financial and other resources to complete the development of the intangible asset, and the entity is capable of using or selling the intangible asset; (5) Expenditures attributable to the development phase of the intangible asset can be measured reliably.

3. Specific criteria adopted by the Company for distinguishing expenditures in the research phase and development phase of internal research and development projects:

For expenditures in the development phase of purchased or outsourced research and development projects, as well as production technologies or formulas that have undergone clinical trials, the purchase consideration and subsequent clinical trial expenses shall be recognised as development expenditures, which shall be transferred to intangible assets upon obtaining production approval documents.

27. Impairment of Long-term Assets

√ Applicable □ Not applicable

For long-term assets including long term investments, investment properties measured under the cost model, property, plant and equipment, construction in progress, right-of-use assets and intangible assets with finite useful lives, if there is indication of impairment at the statement of financial position date, their recoverable amounts shall be estimated. Goodwill arising from business combinations and intangible assets with indefinite useful lives shall be tested for impairment annually regardless of whether there is any impairment indication. Goodwill shall be tested for impairment together with the related asset group or combination of asset groups.

If the recoverable amount of the aforesaid long-term assets is lower than their carrying amount, an asset impairment provision shall be recognised for the difference and charged to profit or loss for the current period.

28. Long term prepaid expenses

√ Applicable □ Not applicable

Long term prepaid expenses account for various expenses already incurred with an amortisation period exceeding one year (excluding one year). Long term prepaid expenses are recorded at actual incurred amounts and amortised equally by instalments over the benefit period or prescribed period. If a long-term deferred expense item fails to generate benefits for subsequent accounting periods, the unamortised carrying amount of such item shall be fully transferred to profit or loss for the current period.

29. Contract Liabilities

□ Applicable √ Not applicable

30. Employee Remuneration

(1) Accounting treatment for short-term remuneration

√ Applicable □ Not applicable

During the accounting period when employees render services to the Company, the actually incurred short-term remuneration shall be recognised as liabilities and included in profit or loss for the current period or the cost of relevant assets.

(2) Accounting treatment for post-employment benefits

√ Applicable □ Not applicable

Post-employment benefits are divided into defined contribution plans and defined benefit plans.

(1) During the accounting period when employees render services to the Company, the contribution amount calculated in accordance with the defined contribution plans shall be recognised as liabilities and included in profit or loss for the current period or the cost of relevant assets.

(2) The accounting treatment for defined benefit plans generally includes the following steps:

1) Based on the projected unit credit method, unbiased and consistent actuarial assumptions are adopted to estimate relevant demographic variables and financial variables, measure obligations arising from defined benefit plans and determine the period to which such obligations relate. Meanwhile, obligations arising from defined benefit plans are discounted to determine the present value of defined benefit obligations and current service cost;

2) Where there are plan assets under defined benefit plans, the deficit or surplus calculated by deducting the fair value of plan assets from the present value of defined benefit obligations shall be recognised as net defined benefit liability or net defined benefit asset. In case of a surplus under defined benefit plans, the net defined benefit asset shall be measured at the lower of the surplus and the asset ceiling of the defined benefit plan;

3) At the end of the period, employee benefit costs arising from defined benefit plans are classified into three components, namely service cost, net interest on net defined benefit liability or net defined benefit asset, and remeasurement of net defined benefit liability or net defined benefit asset. Among them, service cost and net interest on net defined benefit liability or net defined benefit asset are included in profit or loss for the current period or the cost of relevant assets. Changes arising from remeasurement of net defined benefit liability or net defined benefit asset are recognised in other comprehensive income and shall not be reclassified to profit or loss in subsequent accounting periods, while the amounts recognised in other comprehensive income may be transferred within equity.

(3) Accounting treatment for termination benefits

√ Applicable □ Not applicable

Liabilities arising from termination benefits provided to employees shall be recognised and charged to profit or loss for the current period at the earlier of the following two dates: (1) When the Company can no longer unilaterally withdraw the termination benefits offered under the labour termination plan or redundancy proposal; (2) When the Company recognises costs or expenses related to the restructuring involving payment of termination benefits.

(4) Accounting treatment for other long-term employee benefits

√ Applicable □ Not applicable

Other long-term benefits provided to employees that meet the criteria of defined contribution plans shall be accounted for in accordance with the provisions on defined contribution plans. Other long-term benefits not falling into the above category shall be accounted for in accordance with the provisions on defined benefit plans. To simplify accounting treatment, the total net amount consisting of service cost, net interest on net liability or net asset of other long-term employee benefits, and changes arising from remeasuring such net liability or net asset shall be recognised in profit or loss for the current period or the cost of relevant assets.

31. Provisions

□ Applicable √ Not applicable

32. Share-based payment

√ Applicable □ Not applicable

1. Types of share-based payment

Including equity-settled share-based payment and cash-settled share-based payment.

2. Accounting treatment for implementation, modification and termination of share-based payment plans

(1) Equity-settled share-based payment

For equity-settled share-based payment for employee services that vest immediately after grant, the fair value of equity instruments shall be recognised as relevant costs or expenses at the grant date, with corresponding adjustment to capital reserve. For equity-settled share-based payment for employee services that vest only upon completion of services during the vesting period or satisfaction of specified performance conditions, at each statement of financial position date within the vesting period, based on the best estimate of the number of vested equity instruments, the services obtained in the current period shall be recognised as relevant costs or expenses at the fair value of equity instruments at the grant date, with corresponding adjustment to capital reserve.

For equity-settled share-based payment in exchange for services from other parties, if the fair value of such services can be reliably measured, they shall be measured at the fair value of the services on the acquisition date. If the fair value of such services cannot be reliably measured while the fair value of equity instruments is measurable, they shall be measured at the fair value of equity instruments on the service acquisition date, recognised as relevant costs or expenses, with corresponding increase in owners' equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment for employee services that vest immediately after grant, the fair value of liabilities assumed by the Company shall be recognised as relevant costs or expenses at the grant date, with corresponding increase in liabilities. For cash-settled share-based payment for employee services that vest only upon completion of services during the vesting period or satisfaction of specified performance conditions, at each statement of financial position date within the vesting period, based on the best estimate of vesting status, the services obtained in the current period shall be recognised as relevant costs or expenses and corresponding liabilities at the fair value of liabilities assumed by the Company.

(3) Modification and termination of share-based payment plans

If the modification increases the fair value of granted equity instruments, the Company shall recognise the increase of acquired services corresponding to the rise in fair value of equity instruments. If the modification increases the quantity of granted equity instruments, the Company shall recognise the fair value of additional equity instruments as the increase of acquired services. If vesting conditions are modified in favour of employees, the modified vesting conditions shall be taken into account when applying vesting conditions.

If the modification reduces the fair value of granted equity instruments, the Company shall continue to recognise the amount of acquired services based on the fair value of equity instruments at the grant date, regardless of the reduction in fair value. If the modification reduces the quantity of granted equity instruments, the reduced portion shall be treated as cancellation of granted equity instruments. If vesting conditions are modified to the disadvantage of employees, the modified vesting conditions shall not be taken into account when applying vesting conditions.

If the Company cancels or settles the granted equity instruments during the vesting period (excluding cancellation due to failure to meet vesting conditions), such cancellation or settlement shall be treated as accelerated vesting, and the amounts originally to be recognised over the remaining vesting period shall be recognised immediately.

33. Other financial instruments such as preference shares and perpetual bonds

☐ Applicable √ Not applicable

34. Revenue

(1) Disclosure of accounting policies adopted for revenue recognition and measurement by business type

√ Applicable ☐ Not applicable

1. Revenue Recognition Principles

At the commencement date of a contract, the Company assesses the contract, identifies each separate performance obligation contained therein, and determines whether each separate performance obligation is satisfied over time or at a point in time.

A performance obligation is satisfied over time if any of the following criteria is met; otherwise, it is satisfied at a point in time: (1) The customer simultaneously receives and consumes the economic benefits arising from the Company's performance as the Company performs; (2) The customer controls the work-in-progress goods created by the Company during performance; (3) The goods produced by the Company in the course of performance have no alternative use, and the Company has an enforceable right to receive payment for performance completed to date throughout the contract term.

For performance obligations satisfied over time, the Company recognises revenue over time based on the progress towards complete satisfaction of the performance obligation. When the progress cannot be reasonably determined and the incurred costs are expected to be recoverable, revenue is recognised at the amount of incurred costs until the progress can be reasonably determined. For performance obligations satisfied at a point in time, revenue is recognised when the customer obtains control of the relevant goods or services. In judging whether the customer has obtained control of goods, the Company considers the following indicators: (1) The Company has a present right to receive payment for the goods, i.e. the customer has a present obligation to pay for the goods; (2) The Company has transferred legal title to the goods to the customer, i.e. the customer holds legal title to the goods; (3) The Company has transferred physical possession of the goods to the customer, i.e. the customer takes physical possession of the goods; (4) The Company has transferred the principal risks and rewards of ownership of the goods to the customer, i.e. the customer assumes the principal risks and rewards of ownership of the goods; (5) The customer has accepted the goods; (6) Other indicators demonstrating that the customer has obtained control of the goods.

2. Revenue Measurement Principles

(1) The Company measures revenue at the transaction price allocated to each separate performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to customers.

(2) Where a contract contains variable consideration, the Company determines the best estimate of variable consideration using either the expected value method or the most likely amount method. The transaction price including variable consideration shall not exceed the amount for which it is highly probable that a significant reversal in the cumulative recognised revenue will not occur when the relevant uncertainty is resolved.

(3) Where a contract contains a significant financing component, the Company determines the transaction price based on the amount that the customer would pay in cash upon obtaining control of the goods or services. The difference between such transaction price and the contractual consideration is amortised using the effective interest method over the contract term. At the commencement date of a contract, if the interval between the customer obtaining control of the goods or services and making payment is expected to be no more than one year, the significant financing component in the contract shall not be taken into account.

(4) Where a contract includes two or more performance obligations, the Company allocates the transaction price to each separate performance obligation at the commencement date of the contract in proportion to the relative standalone selling prices of the promised goods under each separate performance obligation.

3. Specific Revenue Recognition Methods

Sales of dyes and intermediates undertaken by the Company represent performance obligations satisfied at a point in time. Domestic sales revenue is recognised when the customer accepts the goods, the consideration is received or the right to receive payment is obtained, and the associated economic benefits are probable to flow in. Export sales revenue is recognised when the products are declared to the customs and the bill of lading is obtained in accordance with the contract, the consideration is received or the right to receive payment is obtained, and the associated economic benefits are probable to flow in.

(2) Different revenue recognition and measurement methods adopted for the same type of business under different operating models

□ Applicable √ Not applicable

35. Contract Costs

√ Applicable □ Not applicable

Incremental costs incurred by the Company to obtain a contract shall be recognised as an asset representing contract acquisition costs if recovery is expected.

Costs incurred by the Company to fulfil a contract that are not within the scope of standards governing inventories, property, plant and equipment, intangible assets and other related items shall be recognised as assets representing contract fulfilment costs when all the following conditions are met:

1. The costs are directly related to an existing or anticipated contract, including direct labour, direct materials, manufacturing overheads (or similar expenses), costs explicitly borne by customers and other costs incurred solely for the contract;

2. The costs enhance the Company's resources for satisfying performance obligations in the future;

3. Recovery of the costs is expected.

Assets related to contract costs are amortised on the same basis as revenue recognition for the relevant goods or services, and the amortisation amount is recognised in profit or loss for the current period.

If the carrying amount of an asset related to contract costs exceeds the remaining consideration expected to be obtained from transferring the relevant goods or services less estimated costs to be incurred, an impairment provision shall be made for the excess portion and recognised as an impairment loss on assets. Where changes in circumstances that led to impairment in prior periods result in the remaining consideration expected to be obtained less estimated costs to be incurred exceeding the asset's carrying amount, the previously recognised impairment provision shall be reversed and recognised in profit or loss for the current period. The carrying amount of the asset after reversal shall not exceed its carrying amount at the reversal date assuming no impairment had been recognised.

36. Government Grants

√ Applicable □ Not applicable

1. A government grant shall be recognised when both of the following conditions are satisfied: (1) The Company is able to comply with the conditions attached to the grant; (2) The Company is able to receive the grant. A monetary government grant is measured at the amount received or receivable. A non-monetary government grant is measured at fair value; if fair value cannot be reliably determined, it is measured at a nominal amount.

2. Judgement criteria and accounting treatment for asset-related government grants

Grants specified in official documents to be used for acquiring, constructing or otherwise forming long-term assets are classified as asset-related government grants. If the documents are unclear, judgement shall be made based on the essential requirements for obtaining the grant; grants subject to the requirement of forming long-term assets through acquisition, construction or other means shall be classified as asset-related government grants. Asset-related government grants shall either offset the carrying amount of relevant assets or be recognised as deferred revenue. Where recognised as deferred revenue, such grants shall be amortised to profit or loss on a reasonable and systematic basis over the useful life of the relevant assets. Government grants measured at a nominal amount shall be recognised directly in profit or loss for the current period. If the relevant assets are sold, transferred, scrapped or impaired prior to the end of their useful lives, the unallocated balance of deferred revenue shall be recognised in profit or loss in the period of asset disposal.

3. Judgement criteria and accounting treatment for income-related government grants

All government grants other than asset-related ones are classified as income-related government grants. For grants containing both asset-related and income-related components that cannot be reasonably separated, the entire amount shall be classified as income-related government grants. Income-related government grants intended to compensate for relevant costs, expenses or losses of future periods shall be recognised as deferred revenue and recognised in profit or loss or offset relevant costs in the period when the corresponding costs, expenses or losses are incurred. Those intended to compensate for already incurred costs, expenses or losses shall be recognised directly in profit or loss for the current period or offset relevant costs.

4. Government grants related to the Company's daily business activities shall be recognised as other income or offset relevant costs and expenses based on the substance of transactions. Government grants unrelated to daily business activities shall be recognised as non-operating income or expenses.

37. Deferred tax assets / Deferred tax liabilities

√ Applicable □ Not applicable

1. Deferred tax assets or deferred tax liabilities are recognised based on the differences between the carrying amounts and tax bases of assets and liabilities. For items not recognised as assets or liabilities whose tax bases can be determined in accordance with tax laws, the differences between such tax bases and their book amounts shall also be taken into account. The applicable tax rate for the period in which the asset is expected to be recovered or the liability is settled shall be adopted for calculation.

2. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. At the statement of financial position date, if there is convincing evidence that sufficient taxable profit will probably be obtained in future periods to offset deductible temporary differences, deferred tax assets not recognised in prior accounting periods shall be recognised.

3. The carrying amounts of deferred tax assets are reviewed at each statement of financial position date. If it is probable that sufficient taxable profit will not be available in future periods to realise the benefits of deferred tax assets, their carrying amounts shall be reduced. Such reductions shall be reversed when sufficient taxable profit is likely to be obtained.

4. Current tax and deferred tax of the Company are recognised as income tax expense or income in profit or loss for the current period, excluding income tax arising from: (1) business combinations; (2) transactions or items recognised directly in equity.

5. The Company presents deferred tax assets and deferred tax liabilities on a net basis when both of the following conditions are met: (1) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; (2) The deferred tax assets and

deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and liabilities reverse.

38. Leases

√ Applicable □ Not applicable

Judgement criteria and accounting treatments for the simplified accounting applied to short-term leases and low-value asset leases by the lessee

√ Applicable □ Not applicable

1. The Company as lessee

At the commencement date of a lease, a lease with a lease term of no more than 12 months and no purchase option is classified as a short-term lease. A lease for an asset that is of low value when new is classified as a low-value asset lease.

For all short-term leases and low-value asset leases, the Company recognises lease payments in the cost of relevant assets or profit or loss for each period throughout the lease term using the straight-line method.

Except for the above-mentioned short-term leases and low-value asset leases accounted for under the simplified approach, the Company recognises right-of-use assets and lease liabilities at the commencement date of a lease.

(1) Right-of-use assets

Right-of-use assets are initially measured at cost, which comprises: 1) the initial measurement amount of lease liabilities; 2) lease payments made on or before the commencement date of the lease, less any lease incentives received; 3) initial direct costs incurred by the lessee; 4) estimated costs to be incurred by the lessee for dismantling and removing the leased asset, restoring the site where the leased asset is located or restoring the leased asset to the condition stipulated under the lease terms.

The Company depreciates right-of-use assets using the straight-line method. If it is reasonably certain that ownership of the leased asset will be obtained upon expiry of the lease term, depreciation is charged over the remaining useful life of the leased asset. If it is not reasonably certain that ownership will be obtained upon expiry of the lease term, depreciation is charged over the shorter of the lease term and the remaining useful life of the leased asset.

(2) Lease liabilities

At the commencement date of a lease, the Company recognises lease liabilities at the present value of outstanding lease payments. The interest rate implicit in the lease is used as the discount rate for calculating the present value of lease payments. If the implicit interest rate cannot be determined, the Company's incremental borrowing rate shall be adopted. The difference between lease payments and their present value is recognised as unrecognised finance costs. Interest expenses are recognised in profit or loss for each period over the lease term using the aforesaid discount rate. Variable lease payments not included in the measurement of lease liabilities are recognised in profit or loss when incurred.

After the commencement date of a lease, the Company remeasures lease liabilities at the present value of revised lease payments and adjusts the carrying amount of right-of-use assets accordingly if there are changes in substantially fixed payments, estimated guaranteed residual value, indices or rates used to determine lease payments, or changes in the assessment or actual exercise of purchase, renewal or termination options. Where the carrying amount of a right-of-use asset is reduced to zero while further reduction of the lease liability is required, the remaining amount is recognised in profit or loss for the current period.

2. The Company as lessor

At the commencement date of a lease, a lease that transfers substantially all the risks and rewards incidental to ownership of the leased asset is classified as a finance lease, and all other leases are operating leases.

The Company recognises lease receipts as rental income on a straight-line basis over each period of the lease term. Initial direct costs incurred are capitalised and amortised to profit or loss in each period on the same basis as rental income recognition. Variable lease payments related to operating leases that are not included in lease receipts are recognised in profit or loss when incurred.

Variable lease payments not included in the measurement of net investment in the lease are recognised in profit or loss when incurred.

Classification criteria and accounting treatments for leases as lessor

☐ Applicable √ Not applicable

39. Other significant accounting policies and accounting estimates

☐ Applicable √ Not applicable

40. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Contents and reasons for changes in accounting policies	Names of financial statement items significantly affected	Amount of impact
The Company implements the provisions of Interpretation No. 17 of Accounting Standards for Business Enterprises "Classification of Current Liabilities and Non-current Liabilities" issued by the Ministry of Finance starting from 1 January 2024, and such change in accounting policy has no impact on the financial statements of the Company.		0
The Company implements the provisions of Interpretation No. 17 of Accounting Standards for Business Enterprises "Disclosure of Supplier Financing Arrangements" issued by the Ministry of Finance starting from 1 January 2024.		0
The Company implements the provisions of Interpretation No. 17 of Accounting Standards for Business Enterprises "Accounting Treatment of Sale and Leaseback Transactions" issued by the Ministry of Finance starting from 1 January 2024, and such change in accounting policy has no impact on the financial statements of the Company.		0
The Company implements the provisions of Interpretation No. 18 of Accounting Standards for Business Enterprises "Accounting Treatment of Assurance-type Warranties Not Constituting Separate Performance Obligations" issued by the Ministry of Finance starting from 1 January 2024, and such change in accounting policy has no impact on the financial statements of the Company.		0

Other notes:

(2) Changes in significant accounting estimates

□ Applicable √ Not applicable

(3) First-time adoption of new accounting standards or interpretations effective from 2024 requiring adjustments to the opening financial statements of the year of initial application

□ Applicable √ Not applicable

41. Others

√ Applicable □ Not applicable

(I) Work safety expenses

In accordance with the provisions of the "Measures for the Administration of the Accrual and Use of Enterprise Work Safety Expenses" (Cai Zi [2022] No. 136) issued by the Ministry of Finance and the Ministry of Emergency Management, the Company accrues work safety expenses, which are recognised in the cost of relevant products or profit or loss for the current period and recorded in the "Special Reserve" account simultaneously. When the accrued work safety expenses are utilised, expenditure of a revenue nature shall directly reduce the special reserve. Where property, plant and equipment are formed, relevant expenditures shall be accumulated under the "Construction in Progress" account. Upon the completion of safety projects and when they are ready for intended use, such projects shall be recognised as property, plant and equipment. Meanwhile, the special reserve shall be reduced by the cost of the formed property, plant and equipment, and accumulated depreciation of the same amount shall be recognised. No further depreciation shall be charged on such property, plant and equipment in subsequent periods.

(II) Segment Reporting

The Company determines operating segments based on its internal organisational structure, management requirements and internal reporting system. An operating segment of the Company refers to a component that meets all of the following criteria:

1. The component generates revenue and incurs expenses in ordinary activities;

2. The management regularly reviews the operating results of the component to allocate resources and evaluate its performance;

3. Relevant accounting information including financial position, operating results and cash flows of the component is available for analysis.

VI. Taxation

1. Major Taxes and Tax Rates

√ Applicable □ Not applicable

Tax type	Tax basis	Tax rate
Value-added Tax	The output tax is calculated on the basis of the income from the sale of goods and taxable services calculated in accordance with the provisions of the tax law, and the difference is the value-added tax payable after deducting the input tax allowed to be deducted in the current period	13%、9%
City maintenance and construction tax	Actual amount of transfer tax paid	7%
Corporate income tax	Taxable profits	25%、15%、20%
Property tax	If levied at value, 1.2% of the original value of the property less 30% of the remaining value at one time; if levied at rent, 12% of the rental income	1.2%、12%
Education surcharge	Actual amount of transfer tax paid	3%
Local education surcharge	Actual amount of transfer tax paid	2%

Disclosure notes to taxable entities subject to different enterprise income tax rates

√ Applicable □ Not applicable

Name of Taxable Entity	Income Tax Rate (%)
Hangzhou Jihua Jiangdong Chemical Co., Ltd. (hereinafter referred to as Jihua Jiangdong Company), Jiangsu Jihua Chemical Co., Ltd. (hereinafter referred to as Jiangsu Jihua Company), Hangzhou Jihua Polymer Material Co., Ltd. (hereinafter referred to as Jihua Material Company)	15%
Jiangsu Kangbeide Pharmaceutical Co., Ltd. (hereinafter referred to as Kangbeide Company), Yancheng Youhua Pharmaceutical Chemical Technology Co., Ltd. (hereinafter referred to as Yancheng Youhua Company), Zhejiang Jihua Jizhi Dyeing & Chemical Technology Co., Ltd.	20%
Other taxable entities other than the above-mentioned	25%

2. Tax Incentives

√ Applicable □ Not applicable

1. Jihua Jiangdong Company, a subsidiary, was recognised as a High and New Technology Enterprise in October 2011 by the Department of Science and Technology of Zhejiang Province, the Department of Finance of Zhejiang Province, the State Taxation Bureau of Zhejiang Province and the Local Taxation Bureau of Zhejiang Province, with a valid period of three years. It passed re-recognition on 8 December 2024 and obtained the High and New Technology Enterprise Certificate with the certificate number GR202333008116, valid for three years. It is entitled to the preferential policy of paying enterprise income tax at a reduced tax rate of 15% for three years starting from the year of recognition. Jihua Jiangdong Company paid enterprise income tax at the tax rate of 15% for the year 2024.

2. Jiangsu Jihua Chemical Co., Ltd., a subsidiary, was recognised as a High and New Technology Enterprise in September 2010 by the Department of Science and Technology of Jiangsu Province, the Department of Finance of Jiangsu Province, the State Taxation Bureau of Jiangsu Province and the Local Taxation Bureau of Jiangsu Province, with a valid period of three years. It passed re-recognition on 12 December 2022 and obtained the High and New Technology Enterprise Certificate with the certificate number GR202232014156, valid for three years. It is entitled to the preferential policy of paying enterprise income tax at a reduced tax rate of 15% for three years starting from the year of recognition. Jiangsu Jihua Company paid enterprise income tax at the tax rate of 15% for the year 2024.

3. Jihua Materials Company, a subsidiary, was recognised as a High and New Technology Enterprise in September 2010 by the Department of Science and Technology of Zhejiang Province, the Department of Finance of Zhejiang Province, the State Taxation Bureau of Zhejiang Province and the Local Taxation Bureau of Zhejiang Province, with a valid period of three years. It passed re-recognition on 24 December 2022 and obtained the High and New Technology Enterprise Certificate with the certificate number GR202233004124, valid for three years. It is entitled to the preferential policy of paying enterprise income tax at a reduced tax rate of 15% for three years starting from the year of recognition. Jihua Materials Company paid enterprise income tax at the tax rate of 15% for the year 2024.

4. In accordance with the Announcement on Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement No. 6 of 2023 issued by the Ministry of Finance and State Taxation Administration) and the Announcement on Further Implementing Preferential Income Tax Policies for Small and Micro Enterprises (Announcement No. 13 of 2022 issued by the Ministry of Finance and State Taxation Administration), Kangbeide Company and Yancheng Youhua Company, subsidiaries of the Company, are classified as small and low-profit enterprises. From 1 January 2023 to 31 December 2024, for the portion of annual taxable income of small and low-profit enterprises not exceeding RMB 3 million, 25% of the amount shall be included in taxable income, and enterprise income tax shall be levied at the tax rate of 20%.

5. Pursuant to the Announcement on Further Implementing the Policy of Reducing or Exempting Six Types of Taxes and Two Types of Fees for Small and Micro Enterprises (Announcement No. 10 of 2022 issued by the Ministry of Finance and State Taxation Administration), the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall determine relevant matters in light of local conditions and macro-control needs. Kangbeide Company, Yancheng Youhua Company and Zhejiang Jihua Jizhi Dyeing and Chemical Technology Co., Ltd., subsidiaries of the Company, are small and low-profit enterprises. Resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, stamp duty (excluding stamp duty on securities transactions), cultivated land occupation tax, education surcharge and local education surcharge may be reduced by up to 50% of the tax amount for small-scale VAT taxpayers, small and low-profit enterprises and individual industrial and commercial households.

6. In accordance with Announcement No. 43 of 2023 issued by the Ministry of Finance and State Taxation Administration, advanced manufacturing enterprises are allowed to deduct an additional 5% of the current deductible input tax against the payable value-added tax from 1 January 2023 to 31 December 2027. The Company and its eligible subsidiaries are entitled to the aforesaid preferential policy for the current period.

7. Value-added tax: In accordance with the Circular on Policies concerning Urban Land Use Tax for Units Employing Disabled Persons and Other Matters (Cai Shui [2016] No. 52), Hangzhou Chuangli Polyurethane Co., Ltd., a subsidiary, enjoys the value-added tax refund policy implemented immediately upon collection by tax authorities based on the number of disabled persons employed by the taxpayer.

3. Others

√ Applicable □ Not applicable

The Company enjoys the tax exemption, credit and refund policy for exported goods, with a tax refund rate of 13%.

VII. Notes to Consolidated Financial Statement Items

1. Cash and Cash Equivalents

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand	149,001.56	121,761.99
Bank deposits	700,137,302.44	760,746,616.57
Other currency funds	282,102,831.27	13,301,043.37
Deposit in financial company		
Total	982,389,135.27	774,169,421.93
Including: Total amount deposited abroad		

Other notes:

2. Trading financial assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance	Reasons and basis for designation
Financial assets at fair value through profit or loss for the period	/		
Including:			
Wealth management products	105,000,000.00	20,000,000.00	/
Funds	528,617,352.50	400,656,714.19	/
Financial assets designated as measured at fair value through profit or loss			
Total	633,617,352.50	420,656,714.19	/

Other notes:

□ Applicable √ Not applicable

3. Derivatives

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Foreign exchange derivative	7,092,554.77	
Total	7,092,554.77	

4. Bills receivables (應收票據)

(1). Classification presentation of bills receivables (應收票據)

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance bills		
Commercial acceptance bills	108,118.62	237,500.00
Total	108,118.62	237,500.00

(2). Pledged bills receivables (應收票據) of the Company at the end of the period

□ Applicable √ Not applicable

(3). Bills receivables (應收票據) endorsed or discounted by the Company at the end of the period and not yet mature as at the statement of assets and liabilities date

□ Applicable √ Not applicable

(4). Disclosure by classification of provision methods for bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carrying amount	Book balance		Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts on an individual basis										
Provision for bad debts on a portfolio basis										
Including:										
Commercial acceptance bills	113,809.07	100.00	5,690.45	5.00	108,118.62	250,000.00	100.00	12,500.00	5.00	237,500.00
Total	113,809.07	/	5,690.45	/	108,118.62	250,000.00	/	12,500.00	/	237,500.00

Provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

√ Applicable □ Not applicable

Portfolio items for provision: Bills receivables (應收票據) with bad debts provided on a portfolio basis

Unit: Yuan Currency: RMB

Name	Closing balance		
	Bill receivable	Provision for bad debts	Percentage of provision(%)
Bank acceptance bills portfolio	113,809.07	5,690.45	5.00
Total	113,809.07	5,690.45	5.00

Note to provision for bad debts on a portfolio basis

☐ Applicable √ Not applicable

Provision for bad debts based on the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Note on significant changes in carrying amount of bills receivables (應收票據) with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of bad debts provisions

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Amount of change for the period				Closing balance
		Provision	Recovered or reversed	Written back or written-off	Other changes	
Provision for bad debts on a portfolio basis	12,500.00	-6,809.55				5,690.45
Total	12,500.00	-6,809.55				5,690.45

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

□ Applicable √ Not applicable

(6). Status of bills receivables (應收票據) actually written off during the current period

□ Applicable √ Not applicable

Among which, status of material write-offs of bills receivables (應收票據):

□ Applicable √ Not applicable

Note on write-off of bills receivables (應收票據):

□ Applicable √ Not applicable

Other notes:

√ Applicable □ Not applicable

5. Trade receivables

(1). Disclosure by aging

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Ageing	Closing book balance	Opening book balance
Within one year		
Including: Sub-items within 1 year		
Within one year	217,631,189.72	268,498,832.34
Subtotal within 1 year	217,631,189.72	268,498,832.34
One to two years	15,176,377.39	12,777,844.29
Two to three years	3,469,041.85	1,722,075.78
More than three years	355,204.00	96,643.00
Three to four years		
Four to five years		
More than five years		
Total	236,631,812.96	283,095,395.41

(2). Disclosure by classification of provision methods for bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance					Opening balance				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		
Category	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying amount	Amount	Percentage (%)	Amount	Percentage of provision (%)	Carrying amount
Provision for bad debts on an individual basis	2,330,397.90	0.98	2,330,397.90	100.00		1,325,500.00	0.47	1,325,500.00	100.00	
Including:										
Provision for bad debts on an individual basis	2,330,397.90	0.98	2,330,397.90	100.00		1,325,500.00	0.47	1,325,500.00	100.00	
Provision for bad debts on a portfolio basis	234,301,415.06	99.02	14,127,956.60	6.03	220,173,458.46	281,769,895.41	99.53	15,586,331.94	5.53	266,183,563.47
Including:										
Provision for bad debts on a portfolio basis	234,301,415.06	99.02	14,127,956.60	6.03	220,173,458.46	281,769,895.41	99.53	15,586,331.94	5.53	266,183,563.47
Total	236,631,812.96	/	16,458,354.50	/	220,173,458.46	283,095,395.41	/	16,911,831.94	/	266,183,563.47

Provision for bad debts on an individual basis:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance			
Name	Book balance	Provision for bad debts	Percentage of provision(%)	Reason of provision
Provision for bad debts on an individual basis	2,330,397.90	2,330,397.90	100.00	
Total	2,330,397.90	2,330,397.90	100.00	/

Note to provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

√ Applicable □ Not applicable

Portfolio items for provision: Provision for bad debts on a portfolio basis

Unit: Yuan Currency: RMB

Name	Closing balance		
	Trade receivables	Provision for bad debts	Percentage of provision (%)
Provision for bad debts on a portfolio basis	234,301,415.06	14,127,956.60	6.03
Total	234,301,415.06	14,127,956.60	6.03

Note to provision for bad debts on a portfolio basis:

□ Applicable √ Not applicable

Provision for bad debts based on the general expected credit loss model

□ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Note on significant changes in carrying amount of trade receivables with changes in loss provisions during the current period:

□ Applicable √ Not applicable

(3). Status of bad debts provisions

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Provision	Amount of change for the period			Closing balance
			Recovered or reversed	Written back or written-off	Other changes	
Provision for bad debts on an individual basis	1,325,500.00	1,004,897.90				2,330,397.90
Provision for bad debts on a portfolio basis	15,586,331.94	-1,392,375.34		66,000.00		14,127,956.60
Total	16,911,831.94	-387,477.44		66,000.00		16,458,354.50

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

□ Applicable √ Not applicable

Other notes:

(4). Status of trade receivables actually written off during the current period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
Trade receivables actually written-off	66,000.00

Among which, status of material write-offs of trade receivables

□ Applicable √ Not applicable

Note on write-off of trade receivables:

√ Applicable □ Not applicable

(5). Status of trade receivables and contract assets with the top five balances by debtor at the end of the period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of entity	Closing balance of trade receivables	Closing balance of contract assets	Closing balance of trade receivables and contract assets	Percentage of the total closing balance of trade receivables and contract assets(%)	Closing balance of provision for bad debts
First	12,158,270.21		12,158,270.21	5.14	607,913.51
Second	11,200,452.50		11,200,452.50	4.73	771,416.00
Third	10,805,947.90		10,805,947.90	4.57	540,297.40
Fourth	6,985,064.84		6,985,064.84	2.95	349,253.24
Fifth	6,133,243.87		6,133,243.87	2.59	306,662.19
Total	47,282,979.32		47,282,979.32	19.98	2,575,542.34

Other notes:

√ Applicable □ Not applicable

The total balance of the top five trade receivables at the end of the period is RMB47,282,979.32, accounting for 19.98% of the total ending balance of trade receivables. The corresponding provision for bad debts on trade receivables is RMB2,575,542.34.

6. Contract assets

(1). Status of contract assets

□ Applicable √ Not applicable

(2). Amount and reasons for significant changes in carrying amount during the reporting period

□ Applicable √ Not applicable

(3). Disclosure by classification of provision methods for bad debts

□ Applicable √ Not applicable

Provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

□ Applicable √ Not applicable

Provision for bad debts based on the general expected credit loss model

□ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Note to significant changes in carrying amount of contract assets with changes in loss provisions during the current period:

□ Applicable √ Not applicable

(4). Status of bad debts provisions accrued for contract assets during the current period

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

(5). Status of contract assets actually written off during the current period

☐ Applicable √ Not applicable

Among which, status of material write-offs of contract assets

☐ Applicable √ Not applicable

Note on write-off of contract assets:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

7. Bills receivables (應收款項融資)

(1). Classification presentation of bills receivables (應收款項融資)

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	439,037,571.36	437,379,856.91
Finance company acceptance bills	505,694.02	
Total	439,543,265.38	437,379,856.91

(2). Pledged bills receivables (應收款項融資) of the Company at the end of the period

☐ Applicable √ Not applicable

(3). Bills receivables (應收款項融資) endorsed or discounted by the Company at the end of the period and not yet mature as at the statement of assets and liabilities date

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	519,970,141.01	
Total	519,970,141.01	

(4). Disclosure by classification of provision methods for bad debts

□ Applicable √ Not applicable

Provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

□ Applicable √ Not applicable

Provision for bad debts based on the general expected credit loss model

□ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Note on significant changes in carrying amount of bills receivables (應收款項融資) with changes in loss provisions during the current period:

√ Applicable □ Not applicable

(5). Status of bad debts provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

(6). Status of bills receivables (應收款項融資) actually written off during the current period

☐ Applicable √ Not applicable

Among which, status of material write-offs of bills receivables (應收款項融資)

☐ Applicable √ Not applicable

Note on write-offs:

√ Applicable ☐ Not applicable

(7). Changes in amount and fair value of bills receivables (應收款項融資) during the current period:

√ Applicable ☐ Not applicable

(8). Other notes

√ Applicable ☐ Not applicable

The acceptors of bank acceptance bills are commercial banks with high credit standing. Such bills have a low risk of non-payment upon maturity, so the Company derecognises the endorsed or discounted bank acceptance bills. Nevertheless, in the event of non-payment at maturity, the Company shall still bear joint and several liability to the bill holders in accordance with the "Negotiable Instruments Law".

8. Prepayments

(1). Prepayments presented by aging

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance		Opening balance	
Ageing	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Within one year	9,927,746.13	99.30	11,433,666.41	99.36
One to two years	70,107.85	0.70		
Two to three years			73,835.45	0.64
More than three years				
Total	9,997,853.98	100.00	11,507,501.86	100.00

Note to reasons for untimely settlement of material prepayments with aging over one year:

(2). Status of prepayments with the top five balances by prepayment parties at the end of the period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of entity	**Closing balance**	**Percentage of the total closing balance of prepayments (%)**
First	6,831,882.34	68.34
Second	1,231,448.94	12.32
Third	857,261.82	8.57
Fourth	496,098.70	4.96
Fifth	165,033.33	1.65
Total	9,581,725.13	95.84

Other notes:

□ Applicable √ Not applicable

9. Other receivables

Presentation of items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivables		
Dividend receivables		
Other receivables	29,272,877.20	31,020,937.49
Total	29,272,877.20	31,020,937.49

Other notes:

□ Applicable √ Not applicable

Interest receivable

(1). Classification of interest receivable

□ Applicable √ Not applicable

(2). Material overdue interest

□ Applicable √ Not applicable

(3). Disclosure by classification of provision methods for bad debts

□ Applicable √ Not applicable

Provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

□ Applicable √ Not applicable

(4). Provision for bad debts based on the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts

Note on significant changes in carrying amount of interest receivable with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of bad debts provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

(6). Status of interest receivable actually written off during the current period

☐ Applicable √ Not applicable

Among which, status of material write-offs of interest receivable

☐ Applicable √ Not applicable

Note on write-offs:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Dividends receivable

(1). Dividends receivable

☐ Applicable √ Not applicable

(2). Material dividends receivable with aging over one year

☐ Applicable √ Not applicable

(3). Disclosure by classification of provision methods for bad debts

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(4). Provision for bad debts based on the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio of bad debts:

Note on significant changes in carrying amount of dividends receivable with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of bad debts provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

(6). Status of dividends receivable actually written off during the current period

☐ Applicable √ Not applicable

Among which, status of material write-offs of dividends receivable

☐ Applicable √ Not applicable

Note on write-offs:

☐ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

Other receivables

(1). Disclosure by aging

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Ageing	Closing book balance	Opening book balance
Within one year		
Including: Sub-items within 1 year		
Within one year	1,035,003.91	32,568,075.48
Subtotal within 1 year	1,035,003.91	32,568,075.48
One to two years	31,400,000.00	59,247.00
Two to three years	59,247.00	55,887.00
More than three years	11,221,288.00	11,321,288.00
Three to four years		
Four to five years		
More than five years		
Total	43,715,538.91	44,004,497.48

(2). Classification by nature of amounts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Nature of amount	Closing book balance	Opening book balance
Funds lent and borrowed	5,000,000.00	5,000,000.00
Security deposit	37,651,335.00	37,805,335.00
Export tax rebate	15,094.25	65,885.85
Others	1,049,109.66	1,133,276.63
Total	43,715,538.91	44,004,497.48

(3). Status of provision for bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Provision for bad debts	Stage 1 Expected credit loss over the next 12 months	Stage 2 Lifetime expected credit loss(not credit impaired)	Stage 3 Lifetime expected credit loss(credit impaired)	Total
Balance as at 1 January 2024	1,628,403.79	5,924.70	11,349,231.50	12,983,559.99
Balance as at 1 January 2024 for the current period				
— Transfer to Stage 2	-1,570,000.00	1,570,000.00		
— Transfer to Stage 3		-5,924.70	5,924.70	
— Transfer back to Stage 2				
— Transfer back to Stage 1				
Provision for the current period	-6,653.58	1,570,000.00	-104,244.70	1,459,101.72
Reversal for the current period				
Written back for the current period				
Write-off for the current period				
Other changes				
Balance as at 31 December 2024	51,750.21	3,140,000.00	11,250,911.50	14,442,661.71

Basis for division of each stage and accrual ratio of provision for bad debts

Note to significant changes in carrying amount of other receivables with changes in loss provisions during the current period:

□ Applicable √ Not applicable

Amount of provision for bad debts accrued during the current period and basis adopted for assessing whether credit risk of financial instruments has increased significantly:

□ Applicable √ Not applicable

(4). Status of provision for bad debts

☐ Applicable √ Not applicable

Among which, the amount of recovered or reversed bad debt provisions in the current period is material:

☐ Applicable √ Not applicable

(5). Status of other receivables actually written off during the period

☐ Applicable √ Not applicable

Among which, status of material write-offs of other receivables:

☐ Applicable √ Not applicable

Note to write-offs of other receivables:

☐ Applicable √ Not applicable

(6). Status of other receivables with the top five balances by debtor at the end of the period

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of entity	Closing balance	Proportion in the total closing balance of other receivables (%)	Nature of the payment	Ages	Closing balance of provision for bad debt
Gansu Zhipeng Technology Co., Ltd.	30,000,000.00	68.63	Security deposits	1-2 years	3,000,000.00
Coastal Industrial Park Management Committee of Jiangsu Binhai Economic Development Zone	6,000,000.00	13.73	Security deposits	Over 3 years	6,000,000.00
Binhai Linhai Asset Management Co., Ltd.	5,000,000.00	11.44	Funds lent and borrowed	Over 3 years	5,000,000.00
Intelligent Manufacturing Industry Development Management Office of Jiangbei New Area, Nanjing	1,400,000.00	3.20	Security deposits	1-2 years	140,000.00
Hangzhou Guoke Chanrong Biotechnology Industry Development Co., Ltd.	226,207.90	0.52	Others	Within 1 year	11,310.40
Total	42,626,207.90	97.52	/	/	14,151,310.40

(7). Presented under other receivables due to centralized fund management

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

10. Inventories

(1). Classification of inventories

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment of inventories/provision for impairment of contract performance costs	Carrying amount	Book balance	Provision for impairment of inventories/provision for impairment of contract performance costs	Carrying amount
Raw materials	142,364,714.11	7,246,244.99	135,118,469.12	136,474,851.13	7,344,286.87	129,130,564.26
Work in progress	64,291,988.66	10,199,758.44	54,092,230.22	62,626,942.41	10,275,582.46	52,351,359.95
Finished goods in stock	337,790,241.44	11,488,409.09	326,301,832.35	374,797,748.04	21,066,552.53	353,731,195.51
Reusable materials						
Consumable biological assets						
Contract performance costs	4,135,684.02		4,135,684.02	2,449,359.61		2,449,359.61
Materials consigned for processing	23,546.32		23,546.32	18,914.59		18,914.59
Goods in transit	7,955,620.71		7,955,620.71	9,278,932.20		9,278,932.20
Total	556,561,795.26	28,934,412.52	527,627,382.74	585,646,747.98	38,686,421.86	546,960,326.12

(2). Data resources recognised as inventories

☐ Applicable √ Not applicable

(3). Provision for inventory impairment and impairment provision for contract fulfilment costs

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Amount increased in the current period		Amount decreased in the current period		Closing balance
		Provision	Others	Reversal or written back	Others	
Raw materials	7,344,286.87	261,237.21		359,279.09		7,246,244.99
Work in progress	10,275,582.46	-6,269.99		69,554.03		10,199,758.44
Finished goods in stock	21,066,552.53	919,018.90		10,497,162.34		11,488,409.09
Reusable materials						
Consumable biological assets						
Contract performance costs						
Total	38,686,421.86	1,173,986.12		10,925,995.46		28,934,412.52

Reasons for reversal or write-off of inventory impairment provision during the current period

√ Applicable □ Not applicable

Item	Specific basis for determining net realizable value	Reasons for reversal of inventory impairment provisions	Reasons for write-off of inventory impairment provisions
Raw materials/ Work in progress/ Finished goods	The net realizable value is determined as the estimated selling price of relevant finished products less the estimated costs to completion, estimated selling expenses and relevant taxes and fees	Inventories for which inventory impairment provisions were recognised in prior periods have increased in net realizable value	Inventories with previously recognised inventory impairment provisions are consumed or sold during the current period

Provision for inventory impairment accrued by portfolio

□ Applicable √ Not applicable

Accrual criteria for provision for inventory impairment accrued by portfolio

☐ Applicable √ Not applicable

(4). Capitalised borrowing costs included in closing balance of inventories together with their calculation criteria and basis

☐ Applicable √ Not applicable

(5). Note to amortisation amount of contract fulfilment costs for the current period

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Balance at the beginning of the period	Increase during the current period	Amortisation for the current period	Impairment provision for the current period	Balance at the end of the period
Lot-et-Garonne Commissioned R&D Project	2,449,359.61	1,686,324.41			4,135,684.02
Subtotal	2,449,359.61	1,686,324.41			4,135,684.02

Other notes:

☐ Applicable √ Not applicable

11. Assets held for sale

☐ Applicable √ Not applicable

12. Non-current assets due within one year

☐ Applicable √ Not applicable

Debt investments due within one year

☐ Applicable √ Not applicable

Other debt investments due within one year

☐ Applicable √ Not applicable

Other notes on non-current assets due within one year:

13. Other current assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Contract acquisition cost		
Cost of return receivable		
Wealth management products	303,224,580.03	395,221,579.81
VAT to be deducted	4,540,259.95	18,656,040.40
Prepaid enterprise income tax	133,797.91	408,253.75
Total	307,898,637.89	414,285,873.96

14. Debt investments

(1). Status of debt investments

□ Applicable √ Not applicable

Changes in impairment provision for debt investments during the current period

□ Applicable √ Not applicable

(2). Material debt investments at the end of period

□ Applicable √ Not applicable

(3). Accrual status of impairment provision

□ Applicable √ Not applicable

Basis for division of each stage and accrual ratio of impairment provision:

Note to significant changes in carrying amount of debt investments with changes in loss provisions during the current period:

□ Applicable √ Not applicable

Amount of impairment provision accrued during the current period and basis adopted for assessing whether credit risk of financial instruments has increased significantly

□ Applicable √ Not applicable

(4). Status of debt investments actually written off during the current period

☐ Applicable √ Not applicable

Among which, status of write-offs of material debt investments

☐ Applicable √ Not applicable

Note to write-offs of debt investments:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

15. Other debt investments

(1). Status of other debt investments

☐ Applicable √ Not applicable

Changes in impairment provision for other debt investments during the current period

☐ Applicable √ Not applicable

(2). Material other debt investments at the end of period

☐ Applicable √ Not applicable

(3). Accrual status of impairment provision

☐ Applicable √ Not applicable

Basis for division of each stage and accrual ratio of impairment provision:

Note to significant changes in carrying amount of other debt investments with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

Amount of impairment provision accrued during the current period and basis adopted for assessing whether credit risk of financial instruments has increased significantly

☐ Applicable √ Not applicable

(4). Status of other debt investments actually written off during the current period

☐ Applicable √ Not applicable

Among which, status of write-offs of material other debt investments

☐ Applicable √ Not applicable

Note to write-offs of other debt investments:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

16. Long-term receivables

(1). Status of long-term receivables

☐ Applicable √ Not applicable

(2). Disclosure classified by bad debt accrual method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts accrued by portfolio:

☐ Applicable √ Not applicable

(3). Provision for bad debts accrued under general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and accrual ratio of provision for bad debts

Note to significant changes in carrying amount of long-term receivables with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

Amount of provision for bad debts accrued during the current period and basis adopted for assessing whether credit risk of financial instruments has increased significantly

☐ Applicable √ Not applicable

(4). Status of provision for bad debts

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

(5). Status of long-term receivables actually written off during the current period

☐ Applicable √ Not applicable

Among which, status of write-offs of material long-term receivables

☐ Applicable √ Not applicable

Note to write-offs of long-term receivables:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

17. Long term investments

(1). Status of long term investments

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

		Increases/decreases during the period								
Invested Entity	Opening balance	Additional investment	Decrease in investment	Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Declaration of cash dividend or profit	Provision for impairment	Others	Closing balance	Closing balance of provision for impairment
I. Joint ventures											
Hangzhou Linjiang Environmental Thermal Power Co., Ltd.	106,835,097.62			13,719,464.86			4,302,354.94			116,252,207.54	
Zhejiang Ranhuatong Supply Chain Management Co., Ltd.	2,887,876.28			33,824.89						2,921,701.17	
Guangzhou Tuoleshu Pharmaceutical Technology Partnership (Limited Partnership)	1,493,050.37			-673.23						1,492,377.14	
Subtotal	111,216,024.27			13,752,616.52			4,302,354.94			120,666,285.85	
II. Associates											
Subtotal											
Total	111,216,024.27			13,752,616.52			4,302,354.94			120,666,285.85	

(2). Impairment test status of long term investments

□ Applicable √ Not applicable

Other notes:

The Company accounts for its investment in Binhai Hongbo Environmental Technology Service Co., Ltd. using the equity method. Due to the excess losses incurred by Binhai Hongbo Environmental Technology Service Co., Ltd., the carrying amount of long term investments is RMB 0.

18. Other equity instrument investments

(1). Status of other equity instrument investments

☐ Applicable √ Not applicable

(2). Note on derecognition occurred during the current period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

19. Other non-current financial assets

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Financial assets classified as measured at fair value through profit or loss	107,750,612.32	100,760,049.40
Including: investments in equity instruments	107,750,612.32	100,760,049.40
Total	107,750,612.32	100,760,049.40

Other notes:

☐ Applicable √ Not applicable

20. Investment properties

Measurement model of investment properties

(1). Investment properties measured under the cost model

Unit: Yuan Currency: RMB

Item	Buildings	Land use rights	Construction in progress	Total
I. Original carrying amount				
1. Opening balance	297,418,322.66	19,930,296.10		317,348,618.76
2. Amount increased in the current period	30,768,971.86			30,768,971.86
(1) External purchases				
(2) Transfer from inventory/property, plant and equipment/construction in Progress	30,768,971.86			30,768,971.86
(3) Increase in business combinations				
3. Amount decreased in the current period	40,577,802.13	15,267,340.80		55,845,142.93
(1) Disposal	40,577,802.13	15,267,340.80		55,845,142.93
(2) Other transfer-out				
4. Closing balance	287,609,492.39	4,662,955.30		292,272,447.69
II. Accumulated depreciation and accumulated amortisation				
1. Opening balance	19,250,769.84	8,852,197.83		28,102,967.67
2. Amount increased in the current period	14,867,825.22	1,420,504.33		16,288,329.55
(1) Provision or amortisation	14,867,825.22	1,420,504.33		16,288,329.55
3. Amount decreased in the current period	6,297,964.75	8,587,879.20		14,885,843.95
(1) Disposal	6,297,964.75	8,587,879.20		14,885,843.95
(2) Other transfer-out				
4. Closing balance	27,820,630.31	1,684,822.96		29,505,453.27
III. Provision for impairment				
1. Opening balance				
2. Amount increased in the current period				
(1) Provision				
3. Amount decreased in the current period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance				
IV. Carrying amount				
1. Carrying amount at the end of the period	259,788,862.08	2,978,132.34		262,766,994.42
2. Carrying amount at the beginning of the period	278,167,552.82	11,078,098.27		289,245,651.09

(2). Status of investment properties with incomplete property title certificates

☐ Applicable √ Not applicable

(3). Impairment test status of investment properties measured under the cost model

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

21. Property, plant and equipment

Item presentation

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Property, plant and equipment	789,366,235.83	881,557,468.45
Disposal of property, plant and equipment		
Total	789,366,235.83	881,557,468.45

Other notes:

☐ Applicable √ Not applicable

Property, plant and equipment

(1). Status of property, plant and equipment

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Buildings	Machine equipments	Transport facilities	Electronic equipments	Total
I. Original carrying amount:					
1. Opening balance	642,788,119.51	1,848,227,574.43	24,381,744.42	20,587,072.87	2,535,984,511.23
2. Amount increased in the current period	2,023,007.14	62,415,093.42	913,380.54	1,340,595.42	66,692,076.52
(1) Purchase	1,809,739.81	40,494,570.32	913,380.54	1,023,084.77	44,240,775.44
(2) Transfer to construction in progress	213,267.33	21,920,523.10		317,510.65	22,451,301.08
(3) Increase in business combinations					
3. Amount decreased in the current period	1,731,777.01	57,440,749.04	2,104,747.39	561,320.00	61,838,593.44
(1) Disposal or retirement	1,731,777.01	57,440,749.04	2,104,747.39	561,320.00	61,838,593.44
4. Closing balance	643,079,349.64	1,853,201,918.81	23,190,377.57	21,366,348.29	2,540,837,994.31
II. Accumulated depreciation					
1. Opening balance	281,298,266.94	1,153,915,016.94	19,277,161.56	17,166,406.56	1,471,656,852.00
2. Amount increased in the current period	28,621,252.09	101,972,429.92	1,473,172.04	787,528.25	132,854,382.30
(1) Provision	28,621,252.09	101,972,429.92	1,473,172.04	787,528.25	132,854,382.30
3. Amount decreased in the current period	837,763.48	28,579,190.10	1,966,838.56	559,979.98	31,943,772.12
(1) Disposal or retirement	837,763.48	28,579,190.10	1,966,838.56	559,979.98	31,943,772.12
4. Closing balance	309,081,755.55	1,227,308,256.76	18,783,495.04	17,393,954.83	1,572,567,462.18
III. Provision for impairment					
1. Opening balance	13,418,552.94	169,308,237.56		43,400.28	182,770,190.78
2. Amount increased in the current period					
(1) Provision					
3. Amount decreased in the current period		3,865,894.48			3,865,894.48
(1) Disposal or retirement		3,865,894.48			3,865,894.48
4. Closing balance	13,418,552.94	165,442,343.08		43,400.28	178,904,296.30
IV. Carrying amount					
1. Carrying amount at the end of the period	320,579,041.15	460,451,318.97	4,406,882.53	3,928,993.18	789,366,235.83
2. Carrying amount at the beginning of the period	348,071,299.63	525,004,319.93	5,104,582.86	3,377,266.03	881,557,468.45

(2). Status of temporarily idle property, plant and equipment

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Buildings	196,536,778.82	102,428,155.95	13,037,071.48	81,071,551.39	
Specialised equipments	1,115,039,179.76	805,650,075.49	164,428,095.62	144,961,008.65	
Subtotal	1,311,575,958.58	908,078,231.44	177,465,167.10	226,032,560.04	

(3). Property, plant and equipment leased out under operating leases

□ Applicable √ Not applicable

(4). Status of property, plant and equipment with incomplete property title certificates

□ Applicable √ Not applicable

(5). Impairment test status of property, plant and equipment

√ Applicable □ Not applicable

The recoverable amount is determined based on the fair value less costs of disposal

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Carrying amount	Recoverable amount	Amount of impairment	Determination of fair value and disposal costs	Key parameters	Basis for determining key parameters
Relevant assets of Jiangsu Jihua	296,447,615.36	442,564,889.21				
Total	296,447,615.36	442,564,889.21		/	/	/

The recoverable amount is determined based on the present value of estimated future cash flows

□ Applicable √ Not applicable

Reasons for material discrepancies between the aforesaid information and information used for impairment tests in previous years or external information

☐ Applicable √ Not applicable

Reasons for material discrepancies between information adopted for impairment tests in previous years and actual conditions of the current year

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Disposal of property, plant and equipment

☐ Applicable √ Not applicable

22. Construction in progress

Item presentation

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Construction in progress	8,923,509.04	9,645,693.47
Engineering materials		
Total	8,923,509.04	9,645,693.47

Other notes:

☐ Applicable √ Not applicable

Construction in progress

(1). Status of construction in progress

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance			Opening balance		
Items	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Intermediate projects	6,741,239.69	1,223,299.45	5,517,940.24	8,360,379.16	1,223,299.45	7,137,079.71
Miscellaneous works	3,358,398.99		3,358,398.99	2,508,613.76		2,508,613.76
Others	47,169.81		47,169.81			
Total	10,146,808.49	1,223,299.45	8,923,509.04	10,868,992.92	1,223,299.45	9,645,693.47

(2). Changes in major construction in progress projects during the current period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item name	Budgets	Opening balance	Amount increase in the current period	Amount transferred to property, plant and equipment in the current period	Other decreases in the current period	Closing balance	Accumulated investment in the project as a percentage of the budget (%)	Project progress	Accumulated amount of interest capitalisation	Including: amount of interest capitalization in current period	Interest capitalisation rate in the current period (%)	Sources of funding
Phases 1 and 2 of the Innovation Industrial Park	237,714,400.00		30,768,971.86	30,768,971.86			100.00	100.00				Own funds
Total	237,714,400.00		30,768,971.86	30,768,971.86			/	/			/	/

(3). Status of impairment provision accrued for construction in progress in the current period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason for provision
Miscellaneous works	1,223,299.45			1,223,299.45	
Total	1,223,299.45			1,223,299.45	/

(4). Status of impairment test for construction in progress

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Materials for construction

(1). Status of materials for construction

☐ Applicable √ Not applicable

23. Productive biological assets

(1). Productive biological assets measured under the cost model

☐ Applicable √ Not applicable

(2). Status of impairment test for productive biological assets measured under the cost model

☐ Applicable √ Not applicable

(3). Productive biological assets measured under the fair value model

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

24. Oil and gas assets

(1) Status of oil and gas assets

☐ Applicable √ Not applicable

(2) Status of impairment test for oil and gas assets

☐ Applicable √ Not applicable

Other notes:

25. Right-of-use assets

(1) Status of right-of-use assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items		Buildings	Transport facilities	Total
I.	Original carrying amount			
	1. Opening balance	5,202,310.17	920,665.86	6,122,976.03
	2. Amount increased in the current period		1,735,239.35	1,735,239.35
	(1) Lease		1,735,239.35	1,735,239.35
	3. Amount decreased in the current period		722,313.28	722,313.28
	(1) Disposal		722,313.28	722,313.28
	4. Closing balance	5,202,310.17	1,933,591.93	7,135,902.10
II.	Accumulated depreciation			
	1. Opening balance	3,034,680.95	761,070.42	3,795,751.37
	2. Amount increased in the current period	1,040,462.04	671,890.93	1,712,352.97
	(1) Provision	1,040,462.04	671,890.93	1,712,352.97
	3. Amount decreased in the current period		722,313.28	722,313.28
	(1) Disposal		722,313.28	722,313.28
	4. Closing balance	4,075,142.99	710,648.07	4,785,791.06
III.	Provision for impairment			
	1. Opening balance			
	2. Amount increased in the current period			
	(1) Provision			
	3. Amount decreased in the current period			
	(1) Disposal			
	4. Closing balance			
IV.	Carrying amount			
	1. Carrying amount at the end of the period	1,127,167.18	1,222,943.86	2,350,111.04
	2. Carrying amount at the beginning of the period	2,167,629.22	159,595.44	2,327,224.66

(2) Status of impairment test for right-of-use assets

√ Applicable □ Not applicable

The recoverable amount is determined based on the net amount of fair value less disposal costs

□ Applicable √ Not applicable

The recoverable amount is determined based on the present value of estimated future cash flows

□ Applicable √ Not applicable

Reasons for material inconsistency between the aforesaid information and the information or external information adopted in impairment tests of previous years

□ Applicable √ Not applicable

Reasons for material inconsistency between the information adopted for impairment tests in previous years and the actual conditions of the year

□ Applicable √ Not applicable

Other notes:

26. Intangible assets

(1). Status of intangible assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Land use rights	Patent rights	Unpatented technology	Software	Total
I. Original carrying amount					
1. Opening balance	124,835,120.43	52,566,109.85	22,022,047.32	2,210,484.91	201,633,762.51
2. Amount increased in the current period		757,877.70	18,472,292.31	143,173.10	19,373,343.11
(1) Purchase		757,877.70		143,173.10	901,050.80
(2) Internal R&D			18,472,292.31		18,472,292.31
(3) Increase in business combinations					
3. Amount decreased in the current period		7,763,610.00			7,763,610.00
(1) Disposal		7,763,610.00			7,763,610.00
4. Closing balance	124,835,120.43	45,560,377.55	40,494,339.63	2,353,658.01	213,243,495.62
II. Accumulated amortisation					
1. Opening balance	40,120,316.64	48,760,679.39	4,330,085.30	1,965,723.89	95,176,805.22
2. Amount increased in the current period	3,097,024.14	425,590.09	3,705,029.17	134,108.78	7,361,752.18
(1) Provision	3,097,024.14	425,590.09	3,705,029.17	134,108.78	7,361,752.18
3. Amount decreased in the current period		4,042,724.67		0.00	4,042,724.67
(1) Disposal		4,042,724.67			4,042,724.67
4. Closing balance	43,217,340.78	45,143,544.81	8,035,114.47	2,099,832.67	98,495,832.73
III. Provision for impairment					
1. Opening balance					
2. Amount increased in the current period					
(1) Provision					
3. Amount decreased in the current period					
(1) Disposal					
4. Closing balance					
IV. Carrying amount					
1. Carrying amount at the end of the period	81,617,779.65	416,832.74	32,459,225.16	253,825.34	114,747,662.89
2. Carrying amount at the beginning of the period	84,714,803.79	3,805,430.46	17,691,962.02	244,761.02	106,456,957.29

The proportion of intangible assets formed through the Company's internal research and development at the end of the current period to the balance of intangible assets is 16.88%

(2). Data resources recognised as intangible assets

□ Applicable √ Not applicable

(3). Status of land use rights with incomplete property title certificates

☐ Applicable √ Not applicable

(3) Status of impairment test for intangible assets

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

27. Goodwill

(1). Original carrying amount of goodwill

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of invested entity or Matter giving rise to goodwill	Opening balance	Increase during the current period: Resulting from the business combination	Decrease during the current period: Disposal	Closing balance
Kangbeide Company	12,697,900.19			12,697,900.19
Yancheng Youhua Company	2,544,395.49			2,544,395.49
Total	15,242,295.68			15,242,295.68

(2). Impairment provision for goodwill

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of invested entity or Matter giving rise to goodwill	Opening balance	Increase during the current period: Provision	Decrease during the current period: Disposal	Closing balance
Kangbeide Company	5,197,007.51			5,197,007.51
Yancheng Youhua Company	2,544,395.49			2,544,395.49
Total	7,741,403.00			7,741,403.00

(3). Relevant information of the asset groups or combination of asset groups to which goodwill is allocated

√ Applicable □ Not applicable

Name	Composition and basis of the asset group or combination to which it belongs	Operating segment to which it belongs and basis	Consistency with previous years
Yancheng Youhua Company Asset Group	Operating Assets and Liabilities of Yancheng Youhua Company	Assets and liabilities of Yancheng Youhua Pharma	Yes
Kangbeide Company Asset Group	Assets Related to Operations of Kangbeide Company	Assets and Liabilities Related to Kangbeide Company	No

Changes occurred to asset groups or combination of asset groups

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

(4). Specific methods for determining the recoverable amount

The recoverable amount is determined based on the net amount of fair value less disposal costs

□ Applicable √ Not applicable

The recoverable amount is determined based on the present value of estimated future cash flows

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Carrying amount	Recoverable amount	Amount of impairment	Length of the forecast period	Key parameters for the forecast period (growth rates, profit margins, etc.)	Basis for determining parameters during the forecast period	Key parameters (growth rate, profit margin, discount rate, etc.) during the stable period	Basis for determining key parameters during the stable phase
Yancheng Youhua Company Asset Group								
Kangbeide Company Asset Group	58,392,055.41	62,543,075.54						
Total	58,392,055.41	62,543,075.54		/	/	/	/	/

Reasons for material discrepancies between the aforesaid information and the information or external information adopted for impairment tests in previous years

□ Applicable √ Not applicable

Reasons for material discrepancies between the information adopted for impairment tests in previous years and the actual conditions of the current year

□ Applicable √ Not applicable

(5). Performance commitments and corresponding goodwill impairment

Performance commitments existed when goodwill was formed and the reporting period or the period preceding the reporting period fell within the performance commitment period

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

28. Long term prepaid expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Amount increased in the current period	Amortisation for the current period	Other decrease amount	Closing balance
Decoration expenses	764,576.07	624,503.28	144,028.14		1,245,051.21
River channel lease expense		348,750.00	58,125.00		290,625.00
Total	764,576.07	973,253.28	202,153.14		1,535,676.21

Other notes:

29. Deferred tax assets / Deferred tax liabilities

(1). Deferred tax assets before offsetting

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	28,475,978.82	5,359,139.05	34,061,542.07	6,344,401.80
Unrealized profits from internal transactions				
Deductible loss				
Deferred revenue	35,545,986.14	5,384,589.28	38,409,219.97	5,822,696.58
Lease liabilities	2,517,635.90	557,512.97	2,571,450.29	626,543.04
Total	66,539,600.86	11,301,241.30	75,042,212.33	12,793,641.42

(2). Deferred tax liabilities before offsetting

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Asset valuation appreciation due to business combination not involving enterprises under common control	9,127,443.36	2,281,860.84	9,962,989.00	2,490,747.25
Changes in fair value of other debt investments				
Changes in fair value of investments in other equity instruments			2,255,342.71	563,835.68
Depreciation difference of property, plant and equipment	76,114,563.92	11,417,184.60	91,706,787.79	13,756,018.18
Differences in right-of-use assets	2,350,111.04	517,173.49	2,327,224.66	565,846.63
Financial assets held for trading	17,136,160.38	4,284,040.09		
Gains on Disposal of Assets	162,414,279.92	40,603,569.98		
Total	267,142,558.62	59,103,829.00	106,252,344.16	17,376,447.74

(3). Deferred tax assets or liabilities presented at net amount after offsetting

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Deferred tax assets and liabilities offset amount at the end of the period	Deferred tax assets or liabilities balance after offset at the beginning of the period	Deferred tax assets and liabilities offset amount at the end of the period	Deferred tax assets or liabilities balance after offset at the beginning of the period
Deferred tax assets	563,721.88	10,737,519.42	622,707.60	12,170,933.82
Deferred tax liabilities	563,721.88	58,540,107.12	622,707.60	16,753,740.14

(4). Breakdown of unrecognised deferred tax assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Deductible temporary difference	286,177,949.60	264,354,533.66
Deductible loss	907,226,158.66	747,417,724.88
Total	1,193,404,108.26	1,011,772,258.54

(5). Deductible losses for which deferred tax assets are not recognised will expire in the following years

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Year	Closing balance	Opening balance	Note
2024		579,307.18	
2025	7,870,533.08	10,863,587.29	
2026	18,643,718.22	20,887,285.00	
2027	41,855,164.25	41,855,164.25	
2028	18,739,937.00	18,739,937.00	
2029	108,256,188.00	87,772,637.41	
2030	140,155,298.42	140,155,298.42	
2031	150,078,568.15	150,078,568.15	
2032	131,045,051.32	131,045,051.32	
2033	219,826,330.93	145,440,888.86	
2034	70,755,369.29		
Total	907,226,158.66	747,417,724.88	/

Other notes:

□ Applicable √ Not applicable

30. Other non-current assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Contract acquisition costs						
Contract performance costs						
Cost of return receivable						
Contract assets						
Prepayments for the acquisition of long-term assets	25,292,070.00	25,292,070.00		25,733,787.00	25,292,070.00	441,717.00
Overdue trust	129,308,085.21	65,583,367.59	63,724,717.62	131,526,638.06	43,404,155.77	88,122,482.29
Total	154,600,155.21	90,875,437.59	63,724,717.62	157,260,425.06	68,696,225.77	88,564,199.29

Other notes:

31. Assets with restricted ownership or right of use

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing				Opening			
	Book balance	Carrying amount	Restriction type	Restriction	Book balance	Carrying amount	Restriction type	Restriction
Bank and cash balances	318,980,768.34	318,980,768.34	Frozen	Guarantee deposits	12,478,000.00	12,478,000.00	Frozen	Guarantee deposits
Bills receivables (應收票據)								
Inventory								
Including: data resources								
Property, plant and equipment								
Intangible assets								
Including: data resources								
Bank and cash balances	217,868.60	217,868.60	Frozen	Litigation				
Total	319,198,636.94	319,198,636.94	/	/	12,478,000.00	12,478,000.00	/	/

32. Short-term borrowings

(1). Classification of short-term borrowings

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Pledge borrowings		
Mortgage borrowings		
Guaranteed borrowings		
Credit borrowings	20,018,486.11	10,010,694.44
Bills discounted borrowings not yet derecognised	100,000,000.00	50,000,000.00
Total	120,018,486.11	60,010,694.44

Note to classification of short-term borrowings:

(2). Status of overdue and unpaid short-term borrowings

□ Applicable √ Not applicable

Details of material overdue and unpaid short-term borrowings are set out below:

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

33. Trading financial liabilities

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

34. Derivative financial liabilities

□ Applicable √ Not applicable

35. Bills payables

(1). Presentation of bills payables

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Types	Closing balance	Opening balance
Commercial acceptance bills		
Bank acceptance bills		12,300,000.00
Total		12,300,000.00

The total amount of matured and unpaid bills payable at the end of the current period is RMB 0. The reason for non-payment upon maturity is not applicable.

36. Trade payables

(1). Presentation of trade payables

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Operating trade payables	306,366,210.72	281,989,778.19
Construction trade payables	37,388,251.21	40,229,246.57
Total	343,754,461.93	322,219,024.76

(2). Material trade payables with aging exceeding one year or overdue

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

37. Advances received

(1). Presentation of advances received

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Rental fee	1,368,694.20	3,783,939.24
Total	1,368,694.20	3,783,939.24

(2). Material advances received with aging exceeding one year

□ Applicable √ Not applicable

(3). Amounts and reasons for significant changes in carrying amounts during the reporting period

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

38. Contract liabilities

(1). Status of contract liabilities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Loans	56,118,627.24	75,660,462.68
Total	56,118,627.24	75,660,462.68

(2). Material contract liabilities with aging exceeding one year

□ Applicable √ Not applicable

(3). Amounts and reasons for significant changes in carrying amounts during the reporting period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

39. Benefits payables to employees

(1). Presentation of benefits payables to employees

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during current the period	Decrease during the current period	Closing balance
I. Short-term remuneration	35,852,953.53	170,497,410.50	165,060,609.30	41,289,754.73
II. Post-employment benefits — defined contribution plan	1,193,597.77	10,976,016.90	11,514,749.59	654,865.08
III. Termination benefits		358,019.89	358,019.89	
IV. Other benefits due within one year				
Total	37,046,551.30	181,831,447.29	176,933,378.78	41,944,619.81

(2). Presentation of short-term remuneration

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
I. Salary, bonus, allowance and subsidy	35,116,870.26	153,788,423.84	148,334,848.36	40,570,445.74
II. Staff welfare		2,846,968.44	2,846,968.44	
III. Social insurance	500,343.33	7,547,656.71	7,591,213.05	456,786.99
Including: Medical insurance	364,545.40	6,645,152.13	6,607,838.22	401,859.31
Work injury insurance	135,797.93	869,979.61	950,849.86	54,927.68
Maternity insurance		32,524.97	32,524.97	
IV. Housing provident fund	235,739.94	4,182,273.06	4,155,491.00	262,522.00
V. Trade union fund and staff education fund		2,132,088.45	2,132,088.45	
VI. Short-term absence with payment				
VII. Short-term profit sharing plan				
Total	35,852,953.53	170,497,410.50	165,060,609.30	41,289,754.73

(3). Presentation of defined contribution plans

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
1. Basic pension insurance	1,152,433.93	10,617,374.00	11,136,067.53	633,740.40
2. Unemployment insurance premium	41,163.84	358,642.90	378,682.06	21,124.68
3. Enterprise annuity payment				
Total	1,193,597.77	10,976,016.90	11,514,749.59	654,865.08

Other notes:

□ Applicable √ Not applicable

40. Current tax liabilities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Value added tax	3,509,727.14	4,557,871.85
Consumption tax		
Business tax		
Enterprise income tax	11,785,782.42	7,053,434.67
Personal income tax	431,491.47	419,170.84
Urban maintenance and construction tax	211,942.53	326,010.34
Property tax	4,856,251.72	4,003,264.43
Land use tax	2,247,320.94	2,570,845.94
Education surcharge	91,277.54	139,718.72
Local education surcharge	60,851.69	93,145.80
Stamp duty	414,255.87	342,708.54
Total	23,608,901.32	19,506,171.13

41. Other payables

(1). Presentation of items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Interests payable		
Dividends payable		
Other payables	18,937,218.57	22,737,720.28
Total	18,937,218.57	22,737,720.28

Other notes:

□ Applicable √ Not applicable

(2). Interest payable

Presentation by classification

□ Applicable √ Not applicable

Material overdue interest payable:

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

(3). Dividends payable

Presentation by classification

□ Applicable √ Not applicable

(4). Other payables

Presentation of other payables by nature of amounts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Pledge and security deposit	13,397,559.20	16,201,625.20
Placements	4,948,579.64	4,948,579.64
Fees	449,515.52	1,033,239.86
Prepayments for equity incentives		
Others	141,564.21	554,275.58
Total	18,937,218.57	22,737,720.28

Material other payables with aging exceeding one year or overdue

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

42. Liabilities held for sale

□ Applicable √ Not applicable

43. Non-current liabilities due within one year

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within one year		
Bonds payable due within one year		
Long-term payables due within one year		
Lease liabilities due within one year	1,915,115.44	1,234,417.40
Total	1,915,115.44	1,234,417.40

44. Other current liabilities

Status of other current liabilities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Short-term bonds payable		
Returns payable		
Input tax to be carried forward	6,496,530.65	8,827,330.28
Total	6,496,530.65	8,827,330.28

Changes in short-term bonds payable:

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

45. Long-term borrowings

(1). Classification of long-term borrowings

□ Applicable √ Not applicable

Other notes:

√ Applicable □ Not applicable

46. Bonds payable

(1). Bonds payable

□ Applicable √ Not applicable

(2). Specific information of bonds payable: (excluding other financial instruments such as preferred shares and perpetual bonds classified as financial liabilities)

□ Applicable √ Not applicable

(3). Note to convertible corporate bonds

☐ Applicable √ Not applicable

Accounting treatment and judgment basis of conversion right

☐ Applicable √ Not applicable

(4). Note to other financial instruments classified as financial liabilities

Basic information of other financial instruments such as outstanding preferred shares and perpetual bonds at the end of the period

☐ Applicable √ Not applicable

Statement of changes in financial instruments such as outstanding preferred shares and perpetual bonds at the end of the period

☐ Applicable √ Not applicable

Note to the basis for classifying other financial instruments as financial liabilities

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

47. Lease liabilities

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing Balance	Opening Balance
Lease liabilities	628,000.00	1,367,796.20
Less: Unrecognised finance costs	25,479.54	30,763.31
Total	602,520.46	1,337,032.89

48. Long-term payables

Presentation of items

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Long-term payables

(1). Presentation of long-term payables by nature of amounts

☐ Applicable √ Not applicable

Special payables

(1). Presentation of special payables by nature of amounts

☐ Applicable √ Not applicable

49. Long-term benefits payables to employees

√ Applicable ☐ Not applicable

(1). Statement of long-term benefits payable to employees

☐ Applicable √ Not applicable

(2). Changes in defined benefit plans

Present value of defined benefit plan obligations:

☐ Applicable √ Not applicable

Plan assets:

☐ Applicable √ Not applicable

Net liabilities (net assets) of defined benefit plans

☐ Applicable √ Not applicable

Note to contents of defined benefit plans, relevant risks and impacts on the company's future cash flows, timing and uncertainties:

√ Applicable ☐ Not applicable

Note to major actuarial assumptions and results of sensitivity analysis of defined benefit plans

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

50. Provisions

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance	Formation reasons
External guarantees provided			
Pending litigations	497,666.79	135,665.52	
Product quality guarantee			
Restructuring obligations			
Pending loss contracts			
Returns payable			
Others			
Total	497,666.79	135,665.52	/

Other notes, including significant assumptions and estimates relating to material provisions:

51. Deferred revenue

Status of deferred revenue

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance	Formation reasons
Government grants	42,056,635.36	3,790,000.00	8,285,349.22	37,561,286.14	
Total	42,056,635.36	3,790,000.00	8,285,349.22	37,561,286.14	/

Other notes:

☐ Applicable √ Not applicable

52. Other non-current liabilities

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Contract liabilities	6,000,000.00	6,000,000.00
Total	6,000,000.00	6,000,000.00

53. Share capital

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

		Increase or Decrease from Current Change (+, -)					
	Opening balance	Issuance of new shares	Bonus shares	Conversion of capital reserve into shares	Other	Subtotal	Closing balance
Total number of shares	700,000,000.00				-23,166,640.00	-23,166,640.00	676,833,360.00

Other notes:

Pursuant to the resolution of the 15th meeting of the Fourth Board of Directors, the Company repurchased and cancelled 23,166,640 shares. The total share capital of the Company changed from 700,000,000 shares to 676,833,360 shares. The difference of RMB 63,837,353.93 between the total repurchase amount and share capital was adjusted to capital surplus — share premium.

54. Other equity instruments

(1). Basic information of other financial instruments such as outstanding preferred shares and perpetual bonds at the end of the period

☐ Applicable √ Not applicable

(2). Statement of changes in financial instruments such as outstanding preferred shares and perpetual bonds at the end of the period

☐ Applicable √ Not applicable

Changes in other equity instruments during the current period, explanation on reasons for changes and basis for relevant accounting treatments:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

55. Capital reserve

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Capital premium (share capital premium)	1,143,713,240.36		63,837,353.93	1,079,875,886.43
Other capital reserve	8,842,921.72		6,596,305.99	2,246,615.73
Total	1,152,556,162.08		70,433,659.92	1,082,122,502.16

Other notes, including changes during the current period and explanation on reasons for changes: Pursuant to the resolution of the 15th meeting of the Fourth Board of Directors, the Company repurchased and cancelled 23,166,640 shares, resulting in a reduction of treasury shares by RMB 87,003,993.93. The difference of RMB 63,837,353.93 between the total repurchase amount and share capital was adjusted to Capital reserve — share premium.

Reduction of other capital reserve is due to the termination of the share option incentive plan. Upon review and approval by the 7th meeting of the Second Board of Directors of Jiangsu Kangbeide Pharmaceutical Co., Ltd., the Company terminated its share option incentive plan signed in 2020. Relevant documents including the previously signed equity transfer agreements and share option grant agreements shall be terminated accordingly. Following the termination of the aforesaid equity incentive plan, the shares have been transferred back from Nanjing Fanglan Pharmaceutical Technology Consulting Partnership (Limited Partnership) to Jihua Pharmaceutical. All incentive payments made by the original intended incentive recipients have been fully refunded. The capital reserve recognised for meeting share-based payment conditions in 2023 in the amount of RMB 6,596,305.99 was reversed in the current period.

56. Treasury shares

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Repurchase of shares		87,003,993.93	87,003,993.93	
Total		87,003,993.93	87,003,993.93	

Other notes, including changes during the current period and explanation on reasons for changes:

Upon review and approval by the 15th meeting of the Fourth Board of Directors of the Company held on 29 February 2024, the Company repurchased a total of 23,166,640 public shares through centralized bidding transactions using its own funds during the current period, with a total transaction value of RMB 87,003,993.93 (including transaction fees), and treasury shares increased by RMB 87,003,993.93 accordingly. The Company has cancelled such repurchased shares, and treasury shares decreased by RMB 87,003,993.93 accordingly.

57. Other comprehensive income

□ Applicable √ Not applicable

58. Special reserve

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Safety production expenses	2,022,006.85	8,284,751.31	8,270,558.06	2,036,200.10
Total	2,022,006.85	8,284,751.31	8,270,558.06	2,036,200.10

Other notes, including changes during the current period and explanation on reasons for changes:

The Company provided work safety expenses of RMB 8,284,751.31 during the current period, and utilised RMB 8,270,558.06 in accordance with regulations, of which RMB 8,270,558.06 was revenue expenditure.

59. Surplus reserve

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Statutory surplus reserve	358,421,889.12			358,421,889.12
Discretionary surplus reserve				
Reserve funds				
Enterprise development fund				
Others				
Total	358,421,889.12			358,421,889.12

Note to surplus reserve, including changes during the current period and explanation on reasons for changes:

60. Retained earnings

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	1,674,126,688.96	1,993,845,068.64
Total undistributed profit at the beginning of the period after adjustment (increase +, decrease -)		51,549.18
Undistributed profit at the beginning of the period after adjustment	1,674,126,688.96	1,993,896,617.82
Add: Net profit attributable to the owners of the parent company for the period	170,316,109.91	-240,845,793.81
Less: Appropriation of statutory surplus reserve		22,924,135.05
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividends payable on ordinary shares	47,500,562.20	56,000,000.00
Dividends on ordinary shares transferred to share capital		
Undistributed profit at the end of the period	1,796,942,236.67	1,674,126,688.96

Details of adjustments to opening retained earnings:

1. Retrospective adjustments pursuant to the Accounting Standards for Business Enterprises and relevant new provisions affected opening retained earnings by RMB 0.

2. Changes in accounting policies affected opening retained earnings by RMB 0.

3. Correction of material accounting errors affected opening retained earnings by RMB 0.

4. Changes in consolidation scope arising from common control affected opening retained earnings by RMB 0.

5. Total effect of other adjustments on opening retained earnings was RMB 0.

61. Operating revenue and cost of goods sold

(1). Status of operating revenue and operating cost

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Principal operating businesses	1,584,733,978.75	1,403,656,792.59	1,625,834,950.96	1,543,296,538.02
Other businesses	53,640,056.21	38,853,900.61	65,444,196.04	46,241,448.54
Total	1,638,374,034.96	1,442,510,693.20	1,691,279,147.00	1,589,537,986.56

(2). Breakdown information of operating revenue and operating cost

□ Applicable √ Not applicable

Other notes:

√ Applicable □ Not applicable

Revenue arising from contracts with customers broken down by type of goods or services

Items	Amount for the current period		Amount for the same period of previous year	
	Income	Cost	Income	Cost
Dyes and intermediates	1,386,255,510.06	1,244,248,686.74	1,463,982,750.29	1,411,126,392.33
polymer coating	133,274,167.09	104,691,418.51	114,444,598.36	90,551,996.68
Polyurethane foam	69,845,589.10	57,968,198.80	51,672,523.02	45,473,091.41
Others	27,025,505.41	19,314,059.60	35,673,684.16	26,790,011.75
Subtotal	1,616,400,771.66	1,426,222,363.65	1,665,773,555.83	1,573,941,492.17

Revenue arising from contracts with customers broken down by operating regions

Items	Amount for the current period		Amount for the same period of previous year	
	Income	Cost	Income	Cost
Domestic	1,351,220,035.65	1,196,406,505.91	1,392,424,930.38	1,311,015,406.49
Overseas	265,180,736.01	229,815,857.74	273,348,625.45	262,926,085.68
Subtotal	1,616,400,771.66	1,426,222,363.65	1,665,773,555.83	1,573,941,492.17

Revenue arising from contracts with customers broken down by time of transfer of goods or services

Item	Amount for the current period	Amount for the same period of previous year
Recognised as revenue at a point in time	1,616,400,771.66	1,665,773,555.83
Subtotal	1,616,400,771.66	1,665,773,555.83

Revenue recognised in the current period that was included in the carrying amount of opening contract liabilities amounted to RMB 60,991,026.42.

(3). Note to performance obligations

☐ Applicable √ Not applicable

(4). Note to allocation to remaining performance obligations

☐ Applicable √ Not applicable

(5). Material contract changes or material adjustments to transaction prices

☐ Applicable √ Not applicable

62. Sales related tax and auxiliary charges

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Consumption tax		
Business tax		
Urban maintenance and construction tax	3,176,776.49	2,560,736.82
Education surcharge	1,362,505.15	1,101,191.84
Resource tax		
Property tax	6,604,892.91	5,303,225.71
Land use tax	3,223,785.36	3,553,168.69
Vehicle and vessel use tax	26,080.80	34,799.30
Stamp duty	2,073,220.32	1,424,608.01
Local education surcharge	908,336.76	735,061.22
Environment protection tax	44,629.49	36,903.46
Total	17,420,227.28	14,749,695.05

63. Selling expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Staff remuneration	15,969,555.36	18,248,050.08
Business entertainment expenses	584,137.72	550,279.28
Insurance expenses	142,221.00	287,376.32
Travelling expenses	808,806.99	743,676.58
Others	1,951,986.43	2,507,062.81
Total	19,456,707.50	22,336,445.07

64. Selling expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Loss from shutdown	1,872,969.95	14,371,714.26
Staff remuneration	38,070,744.61	46,365,015.93
Depreciation expenses	33,915,793.55	16,928,431.93
Amortization of intangible assets	6,936,162.09	4,479,771.42
Intermediary service expenses	4,964,818.90	4,225,179.03
Insurance expenses	1,717,846.34	1,775,415.66
Business entertainment expenses	4,447,487.66	5,213,155.21
Repair and maintenance expenses	2,033,238.42	2,108,124.03
Vehicle usage expenses	351,605.34	878,627.84
Equity incentive expenses		1,960,000.00
Other expenses	10,674,767.81	11,462,136.45
Total	104,985,434.67	109,767,571.76

65. Research and development expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Staff remuneration	22,991,329.16	30,418,689.88
Consumption of materials	27,799,802.00	29,882,213.42
Depreciation and amortization	4,286,107.11	9,706,370.27
Equipment commissioning expenses	7,989,315.31	8,889,301.68
Other expenses	589,231.77	2,379,991.15
Total	63,655,785.35	81,276,566.40

66. Finance expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Interest expenses	1,252,258.17	1,927,048.29
Less: Interest income	29,610,862.90	31,965,248.36
Handling fees	1,178,155.68	1,241,611.60
Exchange gains or losses	-5,535,172.19	-8,096,625.22
Total	-32,715,621.24	-36,893,213.69

67. Other income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Classification by nature	Amount for the current period	Amount for the previous period
Government grants relating to assets	8,285,349.22	8,186,974.10
Government grants relating to gains	3,868,664.51	7,529,822.61
Refund of charges for individual income tax	142,251.93	212,040.54
VAT additional deduction	7,243,484.92	7,233,026.81
Total	19,539,750.58	23,161,864.06

68. Investment income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Long-term equity investment income accounted for under the equity method	13,752,616.52	17,970,507.90
Investment income on disposal of long-term equity investment		
Investment income of held-for-trading financial assets during the period of holding	3,743,381.37	-2,953,952.38
Dividend income from investment in other equity instruments during the period of holding	407,634.49	801,604.75
Interest income from debt investment in the period of holding		
Interest income from other debt investments in the period of holding		
Investment income on disposal of held-for-trading financial assets		
Investment income on disposal of investment in other equity instruments		
Investment income on disposal of debt investments		
Investment income on disposal of other debt investments		
Gain on debt restructuring		
Returns from wealth management	17,233,503.31	40,417,435.12
Loss on discount of financing receivables	-815,715.05	-1,710,015.99
Total	34,321,420.64	54,525,579.40

69. Net exposure hedging gain

□ Applicable √ Not applicable

70. Fair value change gain

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Sources of Fair Value Change Income	Amount for the current period	Amount for the previous period
Financial assets held for trading		
Including: Gains from change in fair value of derivative financial instruments		
Fair value change income generated from financial assets classified as financial assets at fair value through profit or loss	17,999,498.26	-42,178,775.28
Financial liabilities held for trading		
Investment real estate measured at fair value		
Total	17,999,498.26	-42,178,775.28

71. Credit impairment loss

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Loss on bad debts of bills receivables (應收票據)	6,809.55	
Loss on bad debts of trade receivables	387,477.44	-6,397,521.27
Loss on bad debts of other receivables	-1,459,101.72	-1,009,218.91
Impairment losses on debt investments		
Impairment losses on other debt investments		
Bad debt loss on long-term receivables		
Impairment losses related to financial guarantees		
Total	-1,064,814.73	-7,406,740.18

72. Asset impairment loss

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
1. Impairment losses on contract assets		
2. Inventory depreciation loss and impairment loss on contract performance cost	-1,173,986.12	-23,122,808.51
3. Impairment loss on long-term equity investment		
4. Impairment losses on investment properties		
5. Impairment loss on property, plant and equipment		-149,808,284.92
6. Impairment loss on construction material		
7. Impairment loss on construction in progress		-1,223,299.45
8. Impairment loss on bearer biological assets		
9. Impairment loss on oil and gas assets		
10. Impairment loss on intangible assets		
11. Impairment loss on goodwill		
12. Others	-22,179,211.82	-9,399,611.49
Total	-23,353,197.94	-183,554,004.37

73. Gain on disposal of assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Gain on disposal of intangible assets	162,481,872.99	-418,668.38
Gain on disposal of property, plant and equipment	323,480.17	6,458,238.20
Gain on disposal of right-of-use assets		596.85
Total	162,805,353.16	6,040,166.67

74. Non-operating income

Status of non-operating income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring gain or loss
Total gains on disposal of non-current assets	784,830.87		784,830.87
Including: Gain on disposal of property, plant and equipment	784,830.87		784,830.87
Gain on disposal of intangible assets			
Gains on exchange of non-monetary assets			
Donations received			
Government grants			
Forfeiture and penalty income	108,017.00	99,834.53	108,017.00
Others	166,867.38	11,035.61	166,867.38
Payables that will not need to be paid	88.00	829,776.18	88.00
Total	1,059,803.25	940,646.32	1,059,803.25

Other notes:

□ Applicable √ Not applicable

75. Non-operating expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring gain or loss
Total losses on disposal of non-current assets	2,551,257.16	1,914,098.38	2,551,257.16
Including: Losses on disposal of property, plant and equipment	2,551,257.16	1,914,098.38	2,551,257.16
Losses on disposal of intangible assets			
Losses on exchange of non-monetary assets			
External donation	609,615.43	193,668.50	609,615.43
Fines and late payment penalties	1,341,486.20	82,690.59	1,341,486.20
Compensation expenditure	104,050.00		
Others	557,307.06	32,243.42	557,307.06
Total	5,059,665.85	2,326,750.89	5,059,665.85

76. Income tax expense

(1). Statement of income tax expense

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Current income tax expense	16,420,421.27	9,004,095.19
Deferred income tax expense	43,219,781.38	-4,198,542.01
Total	59,640,202.65	4,805,553.18

(2). Reconciliation of accounting profit and income tax expense

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period
Total profit	229,308,955.57
Income tax expense calculated at statutory/applicable tax rate	57,327,238.83
Effect of different tax rates applicable to subsidiaries	-7,979,494.36
Effect of adjusting income taxes for the prior period	202,417.66
Impact on non-taxable income	-2,248,584.55
Effect of non-deductible costs, expenses and losses	1,741,633.81
Effect of using deductible losses of deferred income tax assets not recognized in the prior period	-1,536,654.77
Effect of deductible temporary differences or deductible losses of deferred income tax assets not recognized in the current period	22,218,316.91
Additional deduction of research and development expenses	-9,554,873.81
Additional deduction of wages for disabled employees	-529,797.07
Income tax expense	59,640,202.65

Other notes:

□ Applicable √ Not applicable

77. Other comprehensive income

□ Applicable √ Not applicable

78. Items in the statement of cash flows

(1). Cash related to operating activities

Other cash received from operating activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Recovery of bill deposit and time deposits	22,670,496.00	64,390,360.00
Government grants	6,700,112.33	10,552,420.20
Interest income	29,610,862.90	31,965,248.36
Receipt of security deposit, etc.		1,089,512.00
Rental collection	17,275,471.59	28,390,805.32
Others	380,664.58	2,273,105.55
Total	76,637,607.40	138,661,451.43

Note to other cash received from operating activities:

Other cash paid for operating activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Cash payments	36,330,972.73	45,739,510.10
Payments of bank charges	1,178,155.68	1,241,611.60
Other non-operating expenses	2,029,734.02	194,011.42
Payments of bills deposit and pledged time deposits	30,320,174.02	39,960,000.00
Payments of pledge and security deposit	48,698.73	31,416,233.30
Others	5,149,945.62	6,132,044.52
Total	75,057,680.80	124,683,410.94

Note to other cash paid for operating activities:

(2). Cash related to investing activities

Material cash received from investing activities

☐ Applicable √ Not applicable

Material cash paid for investing activities

☐ Applicable √ Not applicable

Other cash received from investing activities

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Recovery of security deposits for foreign currency derivatives		1,393,135.23
Total		1,393,135.23

Note to other cash received from investing activities:

Other cash paid for investing activities

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Payment of security deposits for foreign currency derivatives	298,851,090.32	
Total	298,851,090.32	

Note to other cash paid for investing activities:

(3). Cash related to financing activities

Other cash received from financing activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Proceeds from discounted bills	149,184,444.45	348,290,694.43
Total	149,184,444.45	348,290,694.43

Note to other cash received from financing activities:

Other cash paid for financing activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Cash payment for the lease	2,011,174.00	1,921,056.00
Repurchase of shares	87,003,993.93	
Refund of advance payments for equity incentives	2,424,756.00	
Total	91,439,923.93	1,921,056.00

Note to other cash paid for financing activities:

Changes in various liabilities arising from financing activities

□ Applicable √ Not applicable

(4). Note to cash flows presented on a net basis

□ Applicable √ Not applicable

(5). Major activities that do not involve current cash receipts and payments but affect the enterprise's financial position or may affect the enterprise's cash flows in the future and their financial impacts

□ Applicable √ Not applicable

79. Supplementary information to the statement of cash flows

(1). Supplementary information to the statement of cash flows

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	169,668,752.92	-245,099,471.60
Add: Asset impairment provision	23,353,197.94	183,554,004.37
Credit impairment loss	1,064,814.73	7,406,740.18
Depreciation of property, plant and equipment, depreciation of oil and gas assets and depreciation of productive biological assets	149,142,711.85	186,147,592.29
Amortization of right-of-use assets	1,712,352.97	1,700,130.20
Amortization of intangible assets	7,361,752.18	15,067,500.75
Amortization of long term prepaid expenses	202,153.14	60,761.04
Losses on disposal of property, plant and equipment, intangible assets and other long-term assets (gains shall be presented with "-")	-162,805,353.16	-6,040,166.67
Losses on scrapping of property, plant and equipment (gains shall be presented with "-")	1,766,426.29	1,914,098.38
Losses from fair value changes (gains shall be presented with "-")	-17,999,498.26	42,178,775.28
Finance cost (gains shall be presented with "-")	-4,282,914.02	-6,169,576.93
Investment losses (gains shall be presented with "-")	-34,321,420.64	-54,525,579.40
Decrease in deferred tax assets (increases shall be presented with "-")	1,433,414.40	1,937,571.50
Increase in deferred tax liabilities (decreases shall be presented with "-")	41,786,366.98	-6,136,113.51
Decrease in inventories (increases shall be presented with "-")	10,072,674.78	104,115,673.35
Decrease in operating receivables (increases shall be presented with "-")	51,184,232.55	-596,601,559.33
Increase in operating payables (decreases shall be presented with "-")	-53,047,720.87	240,839,317.84
Others	14,193.25	3,806,502.58
Net cash flows generated from operating activities	186,306,137.03	-125,843,799.68

Supplementary information	Amount for the current period	Amount for the previous period
2. Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Property, plant and equipment acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	663,190,498.33	761,691,421.93
Less: Opening balance of cash	761,691,421.93	854,081,219.75
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-98,500,923.60	-92,389,797.82

(2). Net cash paid for acquisition of subsidiaries during the current period

☐ Applicable √ Not applicable

(3). Net cash received from disposal of subsidiaries during the current period

☐ Applicable √ Not applicable

(4). Composition of cash and cash equivalents

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
1. Cash	663,190,498.33	761,691,421.93
Including: Cash on hand	149,001.56	121,761.99
Bank deposits readily available for payment	663,009,433.84	760,728,616.57
Other bank and cash balances readily available for payment	32,062.93	841,043.37
Deposits with central bank available for payment		
Deposits with other banks		
Loans from other banks		
2. Cash equivalents	663,190,498.33	761,691,421.93
Including: Bond investments that mature within three months		
3. Closing balance of cash and cash equivalents		
Including: Restricted cash and cash equivalents used by the parent company or subsidiaries within the Group		

(5). Circumstances where cash and cash equivalents with restricted scope of use are still presented as cash and cash equivalents

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Reasons
Fundraising account	2,833,759.27	Earmarked use of fundraising proceeds
Total	2,833,759.27	/

(6). Bank and cash balances not classified as cash and cash equivalents

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period	Reasons
Deposits for letter of credit issuance, foreign exchange settlement and ETC	129,678.02	18,000.00	Unable to withdraw at any time
Bills deposit	20,000,000.00	12,460,000.00	Unable to withdraw at any time
Foreign currency derivative deposits	298,851,090.32		Unable to withdraw at any time
Frozen litigation	217,868.60		Unable to withdraw at any time
Total	319,198,636.94	12,478,000.00	/

Other notes:

□ Applicable √ Not applicable

80. Notes to items in the statement of changes in Equity

State the names of "Other" items with adjustments to the closing balances of the previous year and the adjustment amounts:

√ Applicable □ Not applicable

81. Foreign currency monetary items

(1). Foreign currency monetary items

√ Applicable □ Not applicable

Unit: Yuan

Items	Closing balance in foreign currencies	Exchange rate	Closing balance converted to RMB
Bank and cash balances	—	—	341,055,195.05
Including: USD	10,895,568.57	7.1884	78,321,705.11
EUR	102,634.92	7.5257	772,399.62
HKD	132,208,000.00	0.92604	122,429,896.32
JPY	3,018,000,000.00	0.046233	139,531,194.00
Trade receivables	—	—	28,623,352.01
Including: USD	3,981,880.81	7.1884	28,623,352.01
EUR			
HKD			
Trade payable			3,246,615.70
Including: USD	451,646.50	7.1884	3,246,615.70
EUR			
HKD			

(2). Notes to overseas operating entities. For material overseas operating entities, disclose their principal places of operation overseas, functional currencies and the basis for selection. Disclose the reasons if there are changes in functional currencies

□ Applicable √ Not applicable

82. Leases

(1) As lessee

√ Applicable □ Not applicable

Variable lease payments not included in the measurement of lease liabilities

√ Applicable □ Not applicable

Lease expenses for short-term leases or low-value asset leases accounted for using the simplified approach

√ Applicable □ Not applicable

The amounts of short-term lease expenses and low-value asset lease expenses credited to profit or loss for the current period are as follows:

Item	Amount for the current period	Amount for the same period of previous year
Short-term rental expense	1,457,032.45	739,269.44
Total	1,457,032.45	739,269.44

Sale and leaseback transactions and the judgment basis

√ Applicable □ Not applicable

Total cash outflows related to leases: 3,568,392.04 (Unit: Yuan, Currency: RMB)

(2) As lessor

Operating leases as lessor

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Lease income	Among which: Income related to variable lease payments not included in lease receivables
Lease income	21,973,263.30	
Total	21,973,263.30	

Finance leases as lessor

☐ Applicable √ Not applicable

Reconciliation of undiscounted lease receivables and net investment in leases

☐ Applicable √ Not applicable

Undiscounted lease receivables for the next five years

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Undiscounted annual lease receivables	
	Closing amount	Opening amount
In the first year	26,380,022.74	33,729,687.69
In the second year	27,137,051.31	35,226,928.65
In the third year	11,908,787.13	36,745,072.72
In the fourth year	10,977,666.80	38,387,708.52
In the fifth year	9,962,885.89	21,715,847.15
After five years	49,999,143.98	82,811,995.58
Total undiscounted lease receivable for the next five years	136,365,557.85	248,617,240.31

(3) Recognition of profit or loss from finance leases as a manufacturer or dealer

☐ Applicable √ Not applicable

83. Data resources

☐ Applicable √ Not applicable

84. Others

☐ Applicable √ Not applicable

VIII. Research and development expenses

1. Presented by nature of expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount incurred in current period	Amount incurred in previous period
Materials consumed	27,799,802.00	29,882,213.42
Employee remuneration	22,991,329.16	30,418,689.88
Equipment commissioning fees	7,989,315.31	8,889,301.68
Depreciation and amortisation	4,286,107.11	9,706,370.27
Other expenses	589,231.77	2,379,991.15
Total	63,655,785.35	81,276,566.40
Among which: Expensed research and development expenditures	63,655,785.35	81,276,566.40
Capitalised research and development expenditures		

2. Development expenditures of research and development projects meeting capitalisation conditions

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Amount increased in the current period: Internal development expenditures	Amount increased in the current period: Others	Amount increased in the current period: Recognised as intangible assets	Amount decreased in the current period	Closing balance
Transferred to profit or loss for the current period						
Industrialised Development of Afatinib and Tofacitinib Projects	17,522,047.31		950,245.00	18,472,292.31		
Total	17,522,047.31		950,245.00	18,472,292.31		

Material capitalised research and development projects

☐ Applicable √ Not applicable

Impairment provision for development expenditures

☐ Applicable √ Not applicable

Other notes:

3. Material purchased in-progress projects

☐ Applicable √ Not applicable

IX. Changes in consolidation scope

1. Business combinations not under common control

☐ Applicable √ Not applicable

2. Business combinations under common control

☐ Applicable √ Not applicable

3. Reverse acquisitions

☐ Applicable √ Not applicable

4. Disposal of subsidiaries

Whether there are transactions or events resulting in loss of control over subsidiaries during the current period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Whether there are cases of disposing of investments in subsidiaries through multiple transactions in stages and losing control during the current period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

5. Changes in consolidation scope for other reasons

State changes in consolidation scope caused by other reasons (e.g. establishment of new subsidiaries, liquidation of subsidiaries, etc.) and relevant information:

☐ Applicable √ Not applicable

6. Others

☐ Applicable √ Not applicable

X. Interests in other entities

1. Interests in subsidiaries

(1). Composition of the enterprise group

√ Applicable ☐ Not applicable

Unit: 0'000 Currency: RMB

Name of subsidiaries	Principal place of operation	Registered capital	Place of registration	Nature of business	Proportion of shareholding (%)		Acquisition method
					Direct	Indirect	
Jihua Jiangdong Company	Hangzhou, Zhejiang	10,000	Hangzhou, Zhejiang	Production and sales of dyes and intermediates	100.00		Establishment
Jiangsu Jihua Company	Binhai, Jiangsu	10,000	Binhai, Jiangsu	Production and sales of dyes and intermediates	100.00		Establishment
Jihua Import and Export Company	Hangzhou, Zhejiang	1,000	Hangzhou, Zhejiang	Import and export trade	100.00		Business Combination under Common Control
Chuangli Polyurethane Company	Hangzhou, Zhejiang	800	Hangzhou, Zhejiang	Production and sale of polyurethane foam	100.00		Business Combination under Common Control
Jihua Materials Company	Hangzhou, Zhejiang	7,000	Hangzhou, Zhejiang	Production and sales of water-based coatings	68.89		Establishment
Jihua Technology Company	Hangzhou, Zhejiang	1,000	Hangzhou, Zhejiang	Sales and R&D of dyes and intermediates		100.00	Establishment
Jihua Pharmaceutical Company	Binhai, Jiangsu	20,000	Binhai, Jiangsu	R&D and transfer of pharmaceutical technology		100.00	Establishment
Jihua Jizhi Company	Hangzhou, Zhejiang	1,000	Hangzhou, Zhejiang	Production and sales of dyes and intermediates	100.00		Establishment

Name of subsidiaries	Principal place of operation	Registered capital	Place of registration	Nature of business	Proportion of shareholding (%) Direct	Proportion of shareholding (%) Indirect	Acquisition method
Jiangsu Jizhao Company	Binhai, Jiangsu	10,000	Binhai, Jiangsu	Production and sales of dyes and intermediates	100.00		Establishment
Kangbeide Company	Nanjing, Jiangsu	5,700	Nanjing, Jiangsu	R&D and production of pharmaceuticals		63.1137	Business Combination under Non-Common Control
Yancheng Youhua Company	Binhai, Jiangsu	4,486	Binhai, Jiangsu	Research and development of pharmaceutical and chemical products and their technology transfer		61.9929	Business Combination under Non-Common Control

Notes to differences between shareholding ratios and voting rights ratios in subsidiaries:

Basis for holding half or less of the voting rights but still exercising control over the investees, and holding more than half of the voting rights but not exercising control over the investees:

Basis for control over material structured entities included in the consolidation scope: Basis for determining whether the Company acts as an agent or a principal:

Other notes:

Transactions where the equity interests in subsidiaries change while control over the subsidiaries is retained

1. Notes to changes in equity interests in subsidiaries

Name of subsidiaries	Date of change	Shareholding percentage before change	Shareholding percentage after change
Kangbeide Company	11 July 2024	52.5874%	63.1137%

2. Impact of transactions on non-controlling interests and equity attributable to owners of the parent company

Item	Kangbeide Company
Adjust capital surplus recognised in prior period	-6,596,305.99

3. Other notes

Pursuant to the resolution of the 7th meeting of the 2nd Board of Directors of Jiangsu Kangbeide Pharmaceutical Co., Ltd., the equity option incentive plan signed in 2020 shall be terminated. Relevant documents including previously signed equity transfer agreements and equity option grant agreements shall be terminated accordingly. Upon termination of this equity incentive plan, the shares have been transferred back from Fanglan Pharmaceutical to Jihua Pharmaceutical. All incentive payments already made by the intended incentive recipients have been fully refunded. The capital reserve recognised in 2023 upon satisfaction of share-based payment conditions in the amount of RMB 6,596,305.99 has been reversed in full in the current period.

(2). Material non-wholly-owned subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of Subsidiary	Shareholding proportion of minority shareholders	Profit or loss belonging to minority shareholders in the current period	Dividends declared and distributed to minority shareholders in the current period	Minority shareholders' interest balance at the end of the period
Jihua Material Company	31.11%	4,091,274.31	2,395,800.00	35,278,103.31

Notes to differences between shareholding ratios and voting rights ratios of non-controlling interests in subsidiaries:

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

(3). Key financial information of material non-wholly-owned subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Jihua Material Company	175,228,247.20	11,009,815.89	186,238,063.09	65,376,691.16	92,058.26	65,468,749.42	172,776,193.20	12,193,426.83	184,969,620.03	68,762,018.55	888,221.32	69,650,239.87

Name of subsidiary	Amount incurred in current period				Amount incurred in previous period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Jihua Material Company	133,274,167.09	13,149,933.51	13,149,933.51	10,916,971.94	114,444,598.36	8,006,231.98	8,006,231.98	-224,742.44

Other notes:

(4). Significant restrictions on the use of group assets and settlement of group liabilities

□ Applicable √ Not applicable

(5). Financial support or other support provided to structured entities included in the consolidated financial statements

□ Applicable √ Not applicable

Other notes:

√ Applicable □ Not applicable

1. Summarised financial information of immaterial joint ventures and associates

Items	Closing balance / Amount for the current period	Opening balance / Amount for the same period of previous year
Total carrying amount of investments	120,666,285.85	111,216,024.27
Total amount calculated based on shareholding percentage for each of the following items		
Net profit	13,752,616.52	17,970,507.90
Total comprehensive income	13,752,616.52	17,970,507.90

2. Excess losses incurred by joint ventures or associates

Names of joint venture and associate	Accumulated unrecognized losses of previous period	Unrecognised losses for current period (or net profit shared in current period)	Cumulative unrecognised losses at end of current period
Binhai Hongbo Environmental Technology Services Co., Ltd.	-28,612,521.65		-28,612,521.65

2. Transactions with changes in equity interests in subsidiaries while retaining control over the subsidiaries

√ Applicable □ Not applicable

(1). Notes on changes in equity interests in subsidiaries

□ Applicable √ Not applicable

(2). Impact of transactions on non-controlling interests and equity attributable to owners of the parent company

□ Applicable √ Not applicable

3. Interests in joint ventures and associates

√ Applicable □ Not applicable

(1). Material joint ventures or associates

□ Applicable √ Not applicable

(2). Key financial information of material joint ventures

□ Applicable √ Not applicable

(3). Key financial information of material associates

□ Applicable √ Not applicable

(4). Summarised financial information of immaterial joint ventures and associates

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance / Amount incurred in current period	**Opening balance / Amount incurred in previous period**
Joint Ventures:		
Total carrying amount of investments	120,666,285.85	111,216,024.27
Total amount calculated based on shareholding percentage for each of the following items		
- Net profit		
- Other comprehensive income		
- Total comprehensive income		
Associates:		
Total carrying amount of investments		
Total amount calculated based on shareholding percentage for each of the following items		
- Net profit	13,752,616.52	17,970,507.90
- Other comprehensive income	13,752,616.52	17,970,507.90
- Total comprehensive income		

(5). Notes to significant restrictions on the ability of joint ventures or associates to transfer funds to the Company

√ Applicable □ Not applicable

(6). Excess losses incurred by joint ventures or associates

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of joint venture or associate	Accumulated unrecognized losses of previous period	Unrecognised losses in the current period (or net profit shared in the current period)	Cumulative unrecognised losses at the end of current period
Binhai Hongbo Environmental Technology Services Joint Stock Co., Ltd.	-28,612,521.65		-28,612,521.65

(7). Unrecognised commitments relating to investments in joint ventures

□ Applicable √ Not applicable

(8). Contingent liabilities relating to investments in joint ventures or associates

□ Applicable √ Not applicable

4. Material joint operations

□ Applicable √ Not applicable

5. Interests in structured entities not included in the scope of consolidated financial statements Notes on structured entities not included in the scope of consolidated financial statements:

□ Applicable √ Not applicable

6. Others

□ Applicable √ Not applicable

XI. Government Grants

1. Government grants recognised based on receivable amounts at the end of the reporting period

☐ Applicable √ Not applicable

Reasons for failure to receive the expected amount of government grants at the scheduled time

☐ Applicable √ Not applicable

2. Liability items relating to government grants

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items of financial statements	Opening balance	Amount of new subsidies added in current period	Amount included in non-operating revenue of the current period	Amount transferred to other income in the current period	Amount transferred to other income in the current period	Closing balance	Relate to assets / income
Deferred revenue	42,056,635.36	3,790,000.00		8,285,349.22		37,561,286.14	
Total	42,056,635.36	3,790,000.00		8,285,349.22		37,561,286.14	/

3. Government grants credited to profit or loss

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Category	Amount incurred in current period	Amount incurred in previous period
Relate to assets	8,285,349.22	8,186,974.10
Relate to income	3,868,664.51	7,529,822.61
Total	12,154,013.73	15,716,796.71

Other notes:

XII. Risks Relating to Financial Instruments

1. Risks of financial instruments

√ Applicable □ Not applicable

The objective of the Company's risk management is to strike a balance between risks and returns, minimise the adverse impact of risks on the operating performance of the Company and maximise the interests of shareholders and other equity investors. Based on such risk management objective, the basic risk management strategy of the Company is to identify and analyse various risks faced by the Company, set appropriate risk tolerance thresholds and conduct risk management, as well as monitor various risks in a timely and reliable manner so as to keep risks within defined limits.

The Company is exposed to various risks relating to financial instruments in the ordinary course of business, mainly including credit risk, liquidity risk and market risk. The management has reviewed and approved the policies for managing these risks, which are summarised as follows.

(I) Credit Risk

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations, resulting in financial losses to the other party.

1. Practices of Credit Risk Management

(1) Credit Risk Assessment Methods

The Company assesses at each statement of assets and liabilities date whether the credit risk of relevant financial instruments has increased significantly since initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information available without undue cost or effort, including qualitative and quantitative analyses based on historical data, external credit risk ratings and forward-looking information. On the basis of individual financial instruments or portfolios of financial instruments with similar credit risk characteristics, the Company compares the default risk of financial instruments at the statement of assets and liabilities date with that at the initial recognition date, so as to determine changes in default risk during the expected life of financial instruments.

The Company deems that the credit risk of a financial instrument has increased significantly when one or more of the following quantitative and qualitative criteria are met:

1) The quantitative criterion mainly refers to that the default probability during the remaining life at the statement of assets and liabilities date rises by a certain proportion compared with that at initial recognition;

2) The qualitative criteria mainly include significant adverse changes in the operating or financial conditions of debtors, existing or expected changes in technological, market, economic or legal environments that will materially adversely affect the repayment capacity of debtors to the Company.

(2) Definition of Default and Credit-impaired Assets

A financial asset is deemed to be in default by the Company if it meets one or more of the following conditions, and such criteria are consistent with the definition of credit impairment:

1) The debtor is experiencing significant financial difficulties;

2) The debtor breaches restrictive covenants stipulated in the contract;

3) The debtor is likely to go bankrupt or undertake other financial restructuring;

4) The creditor grants concessions to the debtor that would not otherwise be made due to economic or contractual considerations relating to the debtor's financial difficulties.

2. Measurement of Expected Credit Losses

Key parameters for measuring expected credit losses include probability of default, loss given default and exposure at default. The Company establishes models for probability of default, loss given default and exposure at default by conducting quantitative analysis on historical statistics such as counterparty ratings, guarantee methods, types of collaterals and repayment methods, and taking into account forward-looking information.

3. For the reconciliation statements of opening and closing balances of loss allowances for financial instruments, please refer to Notes 5(1)3, 5(1)4, 5(1)5, 5(1)7 and 5(1)11 to these financial statements.

4. Credit Risk Exposure and Credit Risk Concentration

The Company's credit risk mainly arises from bank and cash balances and receivables. The Company has adopted the following measures to control the aforesaid risks.

(1) Bank and cash balances

Bank deposits and other bank and cash balances of the Company are placed with financial institutions with high credit ratings, resulting in low credit risk.

(2) Receivables

The Company continuously conducts credit assessment on customers with credit transactions. Based on credit assessment results, the Company conducts transactions with approved customers with sound credit standing and monitors the balances of receivables to ensure that the Company is not exposed to significant risk of bad debts.

As the credit risk of trade receivables is spread among multiple business partners and customers, as at 31 December 2024, 19.98% (31 December 2023: 17.40%) of the Company's trade receivables is attributable to the top five customers by balance. The Company has no significant credit concentration risk.

(II) Liquidity Risk

Liquidity risk refers to the risk that the Company encounters fund shortage when fulfilling obligations settled by delivering cash or other financial assets. Liquidity risk may arise from failure to sell financial assets at fair value in a timely manner, counterparty's inability to settle contractual liabilities, early maturity of debts or failure to generate expected cash flows.

To control such risk, the Company adopts various financing methods including bill settlement and bank borrowings, and optimises the financing structure by appropriately combining long-term and short-term financing to strike a balance between financing sustainability and flexibility. The Company has obtained credit facilities from multiple commercial banks to meet working capital requirements and capital expenditures.

Classification of financial liabilities by remaining maturity

	Amount at the end of the period				
Items	**Carrying amount**	**Undiscounted contractual amount**	**Within 1 year**	**1 to 3 years**	**Over 3 years**
Bank borrowings	120,018,486.11	120,092,125.00	120,092,125.00		
Bills payables					
Trade payable	343,754,461.93	343,754,461.93	343,754,461.93		
Other payables	18,937,218.57	18,937,218.57	18,937,218.57		
Lease liabilities (including non-current liabilities due within one year)	2,517,635.90	2,623,796.20	1,995,796.20	628,000.00	
Other non-current liabilities	6,000,000.00	6,000,000.00		6,000,000.00	
Subtotal	491,468,622.75	491,648,421.94	485,020,421.94	6,628,000.00	

(Continued from above table)

		Amount at the end of previous year			
Items	Carrying amount	Undiscounted contractual amount	Within 1 year	1 to 3 years	Over 3 years
Bank borrowings	60,010,694.44	60,058,333.33	60,058,333.33		
Bills payables	12,300,000.00	12,300,000.00	12,300,000.00		
Trade payable	322,219,024.76	322,219,024.76	322,219,024.76		
Other payables	22,737,720.28	22,737,720.28	22,737,720.28		
Lease liabilities (including non-current liabilities due within one year)	2,571,450.29	2,689,961.92	1,322,165.72	1,367,796.20	
Other non-current liabilities	6,000,000.00	6,000,000.00		6,000,000.00	
Subtotal	425,838,889.77	426,005,040.29	418,637,244.09	7,367,796.20	

(III) Market Risk

Market risk refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

1. Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in market interest rates. Interest-bearing financial instruments with fixed rates expose the Company to fair value interest rate risk, while those with floating rates expose the Company to cash flow interest rate risk. The Company determines the proportion of fixed-rate and floating-rate financial instruments in light of market conditions, and maintains an appropriate portfolio of financial instruments through regular review and monitoring.

2. Foreign Exchange Risk

Foreign exchange risk refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in foreign exchange rates. The Company's exposure to exchange rate fluctuations is mainly related to its foreign currency monetary assets and liabilities. In the event of short-term imbalance in foreign currency assets and liabilities, the Company will purchase and sell foreign currencies at market exchange rates when necessary to keep the net risk exposure at an acceptable level. The Company operates in mainland China and its major businesses are denominated in Renminbi. Therefore, the Company is not exposed to significant foreign exchange market risk.

For details of foreign currency monetary assets and liabilities of the Company at the end of the period, please refer to Note 5(4)1 to these financial statements.

(IV) Transfer of Financial Assets

1. Basic information on transfer of financial assets

Method of transfer	Nature of transferred financial assets	Amount of transferred financial assets	Derecognition status	Basis for judgment of derecognition status
Bill endorsement	Bills receivables (應收款項融資)	519,970,141.01	Basis for judgment of derecognition status	Substantially all risks and rewards have been transferred
Subtotal		519,970,141.01		

2. Information on financial assets derecognised due to transfer

Item	Method of transfer of financial assets	Amount of derecognised financial assets	Gains or losses associated with derecognition
Bills receivables (應收款項融資)	Endorsement	519,970,141.01	
Subtotal		519,970,141.01	

2. Hedging

(1) The Company conducts hedging business for risk management

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

(2) The Company conducts qualifying hedging business and applies hedge accounting

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

(3) The Company conducts hedging business for risk management, which is expected to achieve risk management objectives but hedge accounting is not applied

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

3. Transfer of Financial Assets

(1) Classification by transfer method

☐ Applicable √ Not applicable

(2) Financial assets derecognised upon transfer

☐ Applicable √ Not applicable

(3) Transferred financial assets with continuing involvement

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

XIII. Disclosure of Fair Value

1. Fair value of assets and liabilities measured at fair value at the end of period

√ Applicable ☐ Not applicable

Unit：Yuan Currency: RMB

Items	Fair value at the end of the period			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Continuous fair value measurement	528,617,352.50	7,092,554.77	652,293,877.70	1,188,003,784.97
(I) Trading financial assets	528,617,352.50	7,092,554.77	652,293,877.70	1,188,003,784.97
1. Financial assets at fair value through profit				
(1) Debt instrument investments				
(2) Equity instrument investments			107,750,612.32	107,750,612.32
(3) Derivative financial assets				

Items	Fair value at the end of the period			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Trading financial assets—funds	528,617,352.50			528,617,352.50
Trading financial assets - Wealth management products			105,000,000.00	105,000,000.00
Trading financial assets - Financial derivatives		7,092,554.77		7,092,554.77
Bills receivables (應收款項融資)			439,543,265.38	439,543,265.38
2. Financial assets designated as measured at fair value through profit or loss				
(1) Debt instrument investments				
(2) Equity instrument investments				
(II) Other debt investments				
(III) Other equity instrument investments				
(IV) Investment properties				
1. Land use rights for leasing purposes				
2. Buildings held for rental				
3. Land use rights held for appreciation and for subsequent transfer				
(V) Biological Assets				
1. Consumable biological assets				
2. Productive biological assets				
Total assets continuously measured at fair value	528,617,352.50	7,092,554.77	652,293,877.70	1,188,003,784.97

Items	Fair value at the end of the period Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
(VI) Trading financial Liabilities				
1. Financial liabilities at fair value through profit or loss				
Of which: Issued trading bonds				
Derivative financial liabilities				
Others				
2. Financial liabilities designated as measured at fair value through profit or loss				
Total liabilities continuously measured at fair value				
II. Discontinuous fair value measurement				
(i) Assets held for sale				
Total assets not continuously measured at fair value	528,617,352.50	7,092,554.77	652,293,877.70	1,188,003,784.97
Total liabilities not continuously measured at fair value				

2. Basis for determining market prices of recurring and non-recurring Level 1 fair value measurement items

√ Applicable □ Not applicable

1. The financial assets measured at fair value with changes credited to profit or loss held by the Company are funds, and their fair value is determined according to the net asset value per unit of funds at the date of statement of assets and liabilities.

3. Qualitative and quantitative information on valuation techniques and significant parameters adopted for recurring and non-recurring Level 2 fair value measurement items

√ Applicable □ Not applicable

The derivatives measured at Level 2 fair value held by the Company are forward foreign exchange contracts and swaps. The Company determines their fair value based on valuation notices provided by banks.

4. Qualitative and quantitative information on valuation techniques and significant parameters adopted for recurring and non-recurring Level 3 fair value measurement items

√ Applicable □ Not applicable

1. Specific valuation techniques are adopted to determine the fair value of wealth management products.

2. The fair value of held bills receivables (應收款項融資) is determined based on the book amount of notes.

3. As the investees including Jiangsu Binhai Rural Commercial Bank Co., Ltd., Zhejiang Rongteng Venture Capital Partnership, Shanghai Lumaotong Group Industrial Co., Ltd., Tianjin Yuanzhi Heli Enterprise Management Consulting Partnership, Qingdao Tianzi Huilun Investment Partnership (Limited Company), Jiaxing Yuanzhi Changkong Equity Investment Partnership (Limited Partnership), CICC Jiatai Phase III (Tianjin) Venture Capital Fund of Funds Partnership and others are unable to estimate fair value through direct observation or internal financial forecasts. Considering no material changes have occurred in their operating environment, operating conditions and financial position, the Company measures the fair value with investment cost as a reasonable estimate.

5. Reconciliation information between carrying amounts at the beginning and at the end of period and sensitivity analysis of unobservable parameters for recurring Level 3 fair value measurement items

□ Applicable √ Not applicable

6. Reasons for transfers between different levels and policies for determining the timing of transfers for recurring fair value measurement items with transfers occurred during the current period

□ Applicable √ Not applicable

7. Changes in valuation techniques occurred during the current period and reasons for such changes

□ Applicable √ Not applicable

8. Fair value information of financial assets and financial liabilities not measured at fair value

□ Applicable √ Not applicable

9. Others

□ Applicable √ Not applicable

XIV. Related Parties and Related Party Transactions

1. Information on the parent company of the enterprise

☐ Applicable √ Not applicable

2. Information on subsidiaries of the enterprise

See notes for details of the enterprise's subsidiaries

☐ Applicable √ Not applicable

3. Information on joint ventures and associates of the enterprise

See notes for details of significant joint ventures or associates of the enterprise

√ Applicable ☐ Not applicable

Information on other joint ventures or associates that have related party transactions with the Company during the current period or have balances arising from related party transactions with the Company in prior periods is as follows

√ Applicable ☐ Not applicable

Name of joint venture or associate	Relationship with the Company
Hangzhou Linjiang Environmental Thermal Power Co., Ltd.	Associate of the Company
Guangzhou Tuoleshu Pharmaceutical Technology (Limited Partnership)	Associate of the Company

Other notes:

☐ Applicable √ Not applicable

4. Information on other related parties

√ Applicable □ Not applicable

Name of other related parties	Relationship between other related parties and the Company
Hangzhou Yangli Chemical Equipment Co., Ltd.	Enterprises in which Chairman Shao Hui serves as supervisor and holds equity interests
Hangzhou Xiehe Huifeng Real Estate Development Co., Ltd.	Enterprises controlled by Chairman Shao Hui
Hangzhou Lifei Electromechanical Trading Co., Ltd.	Enterprises controlled by the spouse of Director Yin Jian
Wu Aijun	General Manager, Director

Other notes:

5. Related Party Transactions

(1). Related party transactions of goods purchase and sale, services provision and acceptance

Statement of goods purchased and services received

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Related Parties	Contents of Related Party Transactions	Amounts Incurred in Current Period	Approved transaction limit (if applicable)	Whether exceeding transaction limit (if applicable)	Amounts Incurred in Previous Period
Hangzhou Linjiang Environmental Thermal Power Co., Ltd.	Other utility expenses such as water, electricity and gas (purchases)	40,116,736.70			52,842,118.26
Hangzhou Lifei Electromechanical Trading Co., Ltd.	Purchase of goods	372,602.06			218,118.74
Hangzhou Yangli Chemical Equipment Co., Ltd.	Purchase of goods	28,825.18			163,330.98

Statement of goods sold and services provided

□ Applicable √ Not applicable

Note to related party transactions of purchase and sale of goods, provision and acceptance of services

☐ Applicable √ Not applicable

(2). Related entrusted management/contracting and entrusted-out management/outsourcing

Statement of entrusted management/contracting of the Company:

☐ Applicable √ Not applicable

Note to related entrusted management/contracting

☐ Applicable √ Not applicable

Statement of entrusted-out management/outsourcing of the Company

☐ Applicable √ Not applicable

Note to related management/outsourcing

☐ Applicable √ Not applicable

(3). Related leasing The Company as lessor:

☐ Applicable √ Not applicable

The Company as lessee:

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of Lessor	Type of leased assets	Rental expenses for short-term leases and low-value asset leases accounted for under simplified treatment (if applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rent paid		Interest expense on lease liabilities borne		Right-of-use assets added	
		Amounts incurred in current period	Amounts incurred in previous period	Amounts incurred in current period	Amounts incurred in previous period	Amounts incurred in current period	Amounts incurred in previous period	Amounts incurred in current period	Amounts incurred in previous period	Amounts incurred in current period	Amounts incurred in previous period
Hangzhou Xiehe Huifeng Real Estate Development Co., Ltd.	House					1,220,165.72	1,149,577.14	80,496.07	132,048.28		

Note to related leasing

☐ Applicable √ Not applicable

(4). Related guarantees

The Company as guarantor

☐ Applicable √ Not applicable

The Company as guaranteed party

☐ Applicable √ Not applicable

Note to related guarantees

☐ Applicable √ Not applicable

(5). Fund lending and borrowing with related parties

☐ Applicable √ Not applicable

(6). Asset transfer and debt restructuring with related parties

☐ Applicable √ Not applicable

(7). Remuneration of key management personnel

√ Applicable ☐ Not applicable

Unit: 0'000 Currency: RMB

Item	Amounts incurred in current period	Amounts incurred in previous period
Remuneration of key management personnel	967.37	673.55

(8). Other related party transactions

√ Applicable ☐ Not applicable

Related party	Content of connected transactions	Amount for the current period	Amount for the same period of previous year
Hangzhou Yangli Chemical Equipment Co., Ltd.	Procurement of equipment	1,122,029.54	1,750,634.13

6. Status of unsettled items such as receivables from and payables to connected parties

(1). Receivable items

☐ Applicable √ Not applicable

(2). Payable items

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of item	Related parties	Closing book balance	Closing book balance
Other receivables	Wu Aijun		384,000.00
Trade payables	Hangzhou Yangli Chemical Equipment Co., Ltd.	289,439.79	298,958.16
Trade payable	Hangzhou Lifei Electromechanical Trading Co., Ltd.	147,119.33	101,830.29
Trade payable	Hangzhou Linjiang Environmental Protection Thermal Power Co., Ltd.	3,766,263.30	4,425,467.89
Lease liabilities	Hangzhou Xiehe Huifeng Real Estate Development Co., Ltd.		1,268,585.29
Contract liabilities	Guangzhou Tuoleshu Pharmaceutical Technology Partnership (Limited Partnership)	4,716,981.13	
Non-current liabilities due within one year	Hangzhou Xiehe Huifeng Real Estate Development Co., Ltd.	1,268,585.29	1,139,669.65

(3). Other items

☐ Applicable √ Not applicable

7. Connected party commitments

☐ Applicable √ Not applicable

8. Others

☐ Applicable √ Not applicable

XV. Share-based payment

1. Various equity instruments

☐ Applicable √ Not applicable

Outstanding share options or other equity instruments at the end of the period

☐ Applicable √ Not applicable

2. Status of equity-settled share-based payment

☐ Applicable √ Not applicable

3. Status of cash-settled share-based payment

☐ Applicable √ Not applicable

4. Share-based payment expenses for the current period

☐ Applicable √ Not applicable

5. Modification and termination of share-based payment

☐ Applicable √ Not applicable

6. Others

☐ Applicable √ Not applicable

XVI. Commitments and contingent liabilities

1. Material commitments

√ Applicable ☐ Not applicable

Material external commitments existing at the statement of assets and liabilities date, nature and amount

2. Contingent matters

(1). Material contingent matters existing at the statement of assets and liabilities date

☐ Applicable √ Not applicable

(2). Explanation shall also be made if the Company has no material contingent matters to be disclosed:

☐ Applicable √ Not applicable

3. Others

√ Applicable ☐ Not applicable

As at the statement of assets and liabilities date, the Company has no material contingent matters requiring disclosure.

XVII. Events after the statement of assets and liabilities date

1. Material non-adjusting events

√ Applicable □ Not applicable

Unit: 0'000 Currency: RMB

Item	Content	Amount of impact on financial position and operating results	Reasons for inability to estimate the amount of impact
Issue of shares and bonds			
Material external investments			
Material debt restructuring			
Natural disasters			
Material fluctuations in foreign exchange rates			
Occurrence of material litigation matters	Gansu Zhipeng Technology Co., Ltd. failed to perform its contractual obligations and has not yet refunded the deposit of RMB30 million paid by Zhejiang Jihua Group Co., Ltd. in 2023. Pursuant to the Notice on Property Preservation Matters issued by the People's Court of Qiantang District, Hangzhou City dated 22 April 2025, Case No. (2025) Zhe 0114 Min Chu No. 2678 and Preservation Enforcement Case No. (2025) Zhe 0114 Zhi Bao No. 177, upon applications filed by Zhejiang Jihua Group Co., Ltd. and Hangzhou Jihua Jiangdong Chemical Co., Ltd. and in accordance with relevant legal provisions, preservation measures have been imposed on the defendant's properties. As required by relevant assisting authorities, the preservation period for the sealed real estates is set as three years, commencing on 19 March 2025 and ending on 18 March 2028. The preserved properties are listed as follows: Unit 801, No. 292, Lane 100, Zhongtan Road, Shanghai; Parking Space No.756, Basement 1, No.254, 302, 304, 306, Certificate of Real Estate Right No. Hu (2023) Pu Zi No. 07007013; Unit 2001, Tower A, Phase II, China Merchants Qianhai Economic and Trade Centre, Nanshan Sub-district, Nanshan District, Shenzhen City, Certificate of Real Estate Right No. Yue (2023) Shenzhen No. 0361325; Room 1803, Unit 2, No.1 Qingliangmen Street, Gulou District, Nanjing City, Certificate of Real Estate Right No. Su (2023) Ning Gu No. 0008537.	300.00	The real estate properties held by the actual controller of Zhipeng Technology Co., Ltd. with real estate certificates No. Hu (2023) Pu Zi No. 07007013, No. Su (2023) Ning Gu No. 0008537 and No. Yue (2023) Shenzhen No. 0361325 are fully mortgaged as at present. Senior management personnel and connected companies have provided guarantees for the deposit of RMB30 million.

2. Profit distribution

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Proposed distributable profits or dividends	47,378,335.20
Profits or dividends declared and approved upon review	

3. Sales returns

□ Applicable √ Not applicable

4. Note to other events after the statement of assets and liabilities date

□ Applicable √ Not applicable

XVIII. Other material matters

1. Correction of prior period accounting errors

(1). Retrospective restatement method

□ Applicable √ Not applicable

(2). Prospective application method

□ Applicable √ Not applicable

2. Material debt restructuring

□ Applicable √ Not applicable

3. Asset replacement

(1). Non-monetary asset exchange

□ Applicable √ Not applicable

(2). Other asset replacement

□ Applicable √ Not applicable

4. Pension plan

□ Applicable √ Not applicable

5. Discontinued operations

☐ Applicable √ Not applicable

6. Segment information

(1). Basis for determining reportable segments and accounting policies

√ Applicable ☐ Not applicable

The Company determines reportable segments based on internal organisational structure, management requirements and internal reporting system, with business segments as the basis. The operating performance of dye and intermediate business, polyurethane foam business, polymer coating business and others are assessed respectively. Assets and liabilities shared by all segments are allocated among different segments in proportion to scale.

(2). Financial information of reportable segments

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Dyes and dye intermediates	Polyurethane foam	Polymer coating	Others	Inter-segment Elimination	Total
Operating revenue	1,386,255,510.06	69,845,589.10	133,274,167.09	48,998,768.71		1,638,374,034.96
Among which: Revenue arising from contracts with customers	1,386,255,510.06	69,845,589.10	133,274,167.09	27,025,505.41		1,616,400,771.66
Costs of goods sold	1,244,248,686.74	57,968,198.80	104,691,418.51	35,602,389.15		1,442,510,693.20
Total assets	4,023,328,406.06	52,717,155.02	186,238,063.09	385,507,229.96		4,647,790,854.13
Total liabilities	461,800,347.57	15,765,896.90	65,468,749.42	174,329,241.89		717,364,235.78

(3). Note to the reasons if the Company has no reportable segments or cannot disclose the total assets and total liabilities of each reportable segment

☐ Applicable √ Not applicable

(4). Other notes

☐ Applicable √ Not applicable

7. Other material transactions and matters affecting investors' decisions

√ Applicable ☐ Not applicable

Due to the accelerated development of the Airport Economic Demonstration Zone in Hangzhou, the land and buildings of Jihua Technology Company, a wholly-owned subsidiary of the Company, located in Hongshan Farm Block of Hangzhou Airport Economic Demonstration Zone have been included in the demolition scope. The demolished assets include the land with the real estate certificate No. Zhe (2023) Hangzhou Real Estate No. 0225149 held by Jihua Technology Company, covering a land area of 64,640.00 square metres and buildings with a floor area of 24,674.83 square metres. As of 31 December 2024, Jihua Technology Company has received total demolition proceeds of RMB204,176,017.00, from which the remaining vacant housing expenses directly paid to tenants by Hongshan Demolition Headquarters of Hangzhou Airport Economic Demonstration Zone have been deducted.

8. Others

□ Applicable √ Not applicable

XIX. Notes to major items in the parent company's financial statements

1. Trade receivables

(1). Disclosure by aging

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Aging	Closing book balance	Opening book balance
Within 1 year		
Among which: Sub-items within 1 year		
Within 1 year	260,771,719.08	304,723,153.16
Subtotal within 1 year	260,771,719.08	304,723,153.16
1 to 2 years	158,700,460.16	1,317,515.00
2 to 3 years	156,000.00	
Over 3 years		66,000.00
3 to 4 years		
4 to 5 years		
Over 5 years		
Total	419,628,179.24	306,106,668.16

(2). Disclosure classified by provision method for bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance					Opening balance				
	Book Balance		Provision for Bad Debts			Book Balance		Provision for Bad Debts		
Category	Amount	Percentage (%)	Amount	Provision Rate (%)	Book value	Amount	Percentage (%)	Amount	Provision Rate (%)	Book value
Provision for bad debts on an individual basis	1,668,400.00	0.40	1,668,400.00	100		1,325,500.00	0.43	1,325,500.00	100	
Of which:										
Provision for bad debts on an individual basis	1,668,400.00	0.40	1,668,400.00	100		1,325,500.00	0.43	1,325,500.00	100	
Provision for bad debts on a portfolio basis	417,959,779.24	99.6	5,647,776.87	1.36	412,312,002.37	304,781,168.16	99.57	8,286,371.45	2.72	296,494,796.71
Of which:										
Provision for bad debts on a portfolio basis	417,959,779.24	99.60	5,647,776.87	1.35	412,312,002.37	304,781,168.16	99.57	8,286,371.45	2.72	296,494,796.71
Total	419,628,179.24	/	7,316,176.87	/	412,312,002.37	306,106,668.16	/	9,611,871.45	/	296,494,796.71

Provision for bad debts on an individual basis:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing Balance			
Name	Book balance	Provision for Bad Debts	Provision ratio (%)	Reason for Provision
Provision for bad debts on an individual basis	1,668,400.00	1,668,400.00	100.00	
Total	1,668,400.00	1,668,400.00	100.00	/

Note to provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

√ Applicable □ Not applicable

Portfolio provision item: Provision for bad debts on a portfolio basis

Unit: Yuan Currency: RMB

Name	Closing Balance		
	Trade receivables	Provision for Bad Debts	Provision Rate (%)
Aging	79,066,177.20	3,953,308.86	5.00
Portfolio of related parties within the scope of consolidation	338,893,602.04	1,694,468.01	0.50
Total	417,959,779.24	5,647,776.87	1.35

Note to provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

Provision for bad debts based on general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio for bad debts

Note to significant changes in the carrying amount of trade receivables with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(3). Status of bad debts provisions

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Amount of changes in current period				Closing balance
		Accrued	Recovered or Reversal	Write-back or Write-off	Other changes	
Provision for bad debts on an individual basis	1,325,500.00	342,900.00				1,668,400.00
Provision for bad debts on a portfolio basis	8,286,371.45	-2,572,594.58		66,000.00		5,647,776.87
Total	9,611,871.45	-2,229,694.58		66,000.00		7,316,176.87

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

(4). Status of actual write-off of trade receivables during the current period

☐ Applicable √ Not applicable

Among which, status of material write-off of trade receivables

☐ Applicable √ Not applicable

Note to write-off of trade receivables:

☐ Applicable √ Not applicable

(5). Status of trade receivables and contract assets with the top five balances by debtor at the end of the period

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of entity	Closing balance of trade receivables	Closing balance of contract assets	Closing balances of trade receivables and contract assets	Percentage of total closing balances of trade receivables and contract assets (%)	Closing balance of provision for bad debts
No.1	338,893,602.04		338,893,602.04	80.76	1,694,468.01
No.2	10,805,947.90		10,805,947.90	2.58	540,297.40
No.3	4,602,203.77		4,602,203.77	1.10	230,110.19
No.4	4,122,030.05		4,122,030.05	0.98	206,101.50
No.5	3,550,540.13		3,550,540.13	0.85	177,527.01
Total	361,974,323.89		361,974,323.89	86.26	2,848,504.10

Other notes:

√ Applicable ☐ Not applicable

2. Other receivables

Presentation of items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing Balance	Opening Balance
Interest receivable		
Dividends receivable		
Other receivables	512,732,740.62	453,926,435.03
Total	512,732,740.62	453,926,435.03

Other notes:

□ Applicable √ Not applicable

Interest receivable

(1). Classification of interest receivable

□ Applicable √ Not applicable

(2). Material overdue interest

□ Applicable √ Not applicable

(3). Disclosure classified by provision method for bad debts

□ Applicable √ Not applicable

Provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

□ Applicable √ Not applicable

(4). Provision for bad debts based on general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio for bad debts

Note to significant changes in the carrying amount of interest receivable with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of bad debts provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

(6). Status of actual write-off of interest receivable during the current period

☐ Applicable √ Not applicable

Among which, status of material write-off of interest receivable

☐ Applicable √ Not applicable

Note to write-off:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Dividends receivable

(1). Dividends receivable

☐ Applicable √ Not applicable

(2). Material dividends receivable with aging over one year

☐ Applicable √ Not applicable

(3). Disclosure classified by provision method for bad debts

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(4). Provision for bad debts based on general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio for bad debts

Note to significant changes in the carrying amount of dividends receivable with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of bad debts provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

(6). Status of actual write-off of dividends receivable during the current period

☐ Applicable √ Not applicable

Among which, status of material write-off of dividends receivable

☐ Applicable √ Not applicable

Note to write-off:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Other receivables

(1). Disclosure by aging

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Aging	Closing book balance	Opening book balance
Within 1 year		
Including: Sub-items within 1 year		
Within 1 year	193,706,925.90	215,911,084.91
Subtotal within 1 year	193,706,925.90	215,911,084.91
1 to 2 years	91,082,529.14	2,400,000.00
2 to 3 years	2,400,000.00	65,440,754.50
Over 3 years	231,015,445.04	173,843,632.54
3 to 4 years		
4 to 5 years		
Over 5 years		
Total	518,204,900.08	457,595,471.95

(2). Classification by nature of amounts

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Nature of amount	Closing book balance	Opening book balance
Current accounts	488,168,681.18	427,560,928.38
Security deposits	30,031,058.00	30,031,058.00
Temporary payments receivable	5,160.90	3,485.57
Total	518,204,900.08	457,595,471.95

(3). Status of provision for bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Provision for Bad Debts	Phase I Expected credit losses for the next 12 months	Phase II Expected credit losses over the entire lifetime (no credit impairment occurred)	Phase III Expected credit losses over the entire lifetime (credit impairment incurred)	Total
Balance at 1 January 2024	2,429,712.28	12,000.00	1,227,324.64	3,669,036.92
Balance as at 1 January 2024 during the period				
- Transferred to Phase II	-22,569.17	22,569.17		-
- Transferred to Phase III				
- Reversed to Phase II				
- Reversed to Phase I				
Provision for the period	-1,479,876.23	4,479,265.41	-1,196,266.64	1,803,122.54
Reversal for the period				
Charge-back for the period				
Write-off for the period				
Other changes				
Balance as at 31 December 2024	927,266.88	4,513,834.58	31,058.00	5,472,159.46

Basis for division of each stage and provision ratio for bad debts

Note to significant changes in the carrying amount of other receivables with changes in loss provisions during the current period:

□ Applicable √ Not applicable

Amount of provisions for bad debts recognised during the current period and basis adopted for assessing whether the credit risk of financial instruments has increased significantly:

□ Applicable √ Not applicable

(4). Status of provisions for bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Opening Balance	Amount of changes in current period				Closing Balance
		Accrued	Recovered or reversed	write-back or write-off	Other changes	
Provision for bad debts on a portfolio basis	3,669,036.92	1,803,122.54				5,472,159.46
Total	3,669,036.92	1,803,122.54				5,472,159.46

Among which, the amount of recovered or reversed bad debt provisions in the current period is material:

□ Applicable √ Not applicable

(5). Status of actual write-off of other receivables during the current period

□ Applicable √ Not applicable

Among which, status of material write-off of other receivables

□ Applicable √ Not applicable

Note to write-off of other receivables:

√ Applicable □ Not applicable

(6). Status of other receivables with the top five balances by debtor at the end of the period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of entity	Closing balance	Percentage of total closing balances of other receivables (%)	Nature of amounts	Ageing	Closing balance of provision for bad debts
Jiangsu Jihua Company	302,766,916.18	58.43	Current accounts	Within 1 year, 1-2 years, 2-3 years, Over 3 years	1,513,834.58
Jihua Import and Export Company	160,000,000.00	30.88	Current accounts	Within 1 year	800,000.00
Gansu Zhipeng Technology Co., Ltd.	30,000,000.00	5.79	Security deposits	1-2 years	3,000,000.00
Jiangsu Kangbeide Company	20,401,765.00	3.94	Current accounts	Within 1 year	102,008.83
Jihua Material Company	5,000,000.00	0.96	Current accounts	Within 1 year	25,000.00
Total	518,168,681.18	99.99	/	/	5,440,843.41

(7). Presented in other receivables due to centralized fund management

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

3. Long-term equity investment

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Carrying balance	Impairment provision	Carrying amount	Carrying balance	Impairment provision	Carrying amount
Carrying balance	916,775,413.47		916,775,413.47	916,775,413.47		916,775,413.47
Investment in associates and joint ventures	119,173,908.71		119,173,908.71	109,722,973.90		109,722,973.90
Total	1,035,949,322.18		1,035,949,322.18	1,026,498,387.37		1,026,498,387.37

(1). Investment in subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening balance (carrying amount)	Opening balance of impairment provision	Increase/ decrease for the period				Closing balance (carrying amount)	Closing balance of impairment provision
			Increase in investment	Decrease in investment	Provision of impairment	Others		
Jihua Jiangdong Company	652,503,897.38						652,503,897.38	
Jiangsu Jihua Company	205,466,716.09						205,466,716.09	
Jihua Materials Company	5,324,800.00						5,324,800.00	
Jihua Import and Export Company	10,200,000.00						10,200,000.00	
Chuangli Polyurethane Company	33,280,000.00						33,280,000.00	
Jihua Jizhi Company	10,000,000.00						10,000,000.00	
Total	916,775,413.47						916,775,413.47	

(2). Investment in associates and joint ventures

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening balance	Increase/decrease for the period								Closing balance	Closing balance of impairment provision
		Increase in investment	Decrease in investment	Investment profit or loss recognised under equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration and distribution of cash dividends or profits	Provision of impairment	Others		
I. Joint ventures											
Subtotal											
II. Associates											
Zhejiang Ranhuatong Supply Chain Management Co., Ltd.	2,887,876.28			33,824.89						2,921,701.17	
Hangzhou Linjiang Environmental Protection Thermal Power Co., Ltd.	106,835,097.62			13,719,464.86			4,302,354.94			116,252,207.54	
Subtotal	109,722,973.90			13,753,289.75			4,302,354.94			119,173,908.71	
Total	109,722,973.90			13,753,289.75			4,302,354.94			119,173,908.71	

(3). Impairment test status of long-term equity investment

□ Applicable √ Not applicable

4. Operating revenue and cost of goods sold

(1). Status of operating revenue and cost of goods sold

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount incurred in the current period		Amount incurred in the previous period	
	Revenue	Cost	Revenue	Cost
Principal Business	1,370,392,103.21	1,372,041,626.76	1,451,621,236.23	1,453,540,886.47
Other Business	22,660.55			
Total	1,370,414,763.76	1,372,041,626.76	1,451,621,236.23	1,453,540,886.47

(2). Breakdown information of operating revenue and cost of goods sold

□ Applicable √ Not applicable

Other notes:

√ Applicable □ Not applicable

Breakdown information of revenue

1) Revenue arising from contracts with customers broken down by type of goods or services

Item	Amount for the current period		Amount for the same period of previous year	
	Revenue	Cost	Revenue	Cost
Dyes and dye intermediates	1,370,392,103.21	1,372,041,626.76	1,451,621,236.23	1,453,540,886.47
Subtotal	1,370,392,103.21	1,372,041,626.76	1,451,621,236.23	1,453,540,886.47

2) Revenue arising from contracts with customers broken down by operating regions

Item	Amount for the current period		Amount for the same period of previous year	
	Revenue	Cost	Revenue	Cost
Domestic	1,370,392,103.21	1,372,041,626.76	1,451,621,236.23	1,453,540,886.47
Subtotal	1,370,392,103.21	1,372,041,626.76	1,451,621,236.23	1,453,540,886.47

3) Revenue arising from contracts with customers broken down by time of transfer of goods or services

Item	Amount for the current period	Amount for the same period of previous year
Recognised as revenue at a point in time	1,370,392,103.21	1,451,621,236.23
Subtotal	1,370,392,103.21	1,451,621,236.23

(3) Revenue recognised in the current period included in the opening carrying amount of contract liabilities is RMB 53,740,852.36.

(3). Note to performance obligations

☐ Applicable √ Not applicable

(4). Note to performance obligations allocated to the remaining period

☐ Applicable √ Not applicable

(5). Significant contract changes or significant transaction price adjustments

☐ Applicable √ Not applicable

Other notes:

5. Investment income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount incurred in the current period	Amount incurred in the previous period
Income from long term investments accounted for under cost method	5,304,200.00	206,750,800.00
Income from long term investments accounted for under equity method	13,753,289.75	17,971,181.21
Investment income arising from disposal of long term investments		
Investment income from trading financial assets held during the holding period		
Dividend income obtained from investments in other equity instruments during the holding period		
Interest income obtained from debt investments during the holding period		
Interest income obtained from other debt investments during the holding period		
Investment income obtained from disposal of trading financial assets	4,861,337.63	
Investment income obtained from disposal of investments in other equity instruments		
Investment income obtained from disposal of debt investments		
Investment income obtained from disposal of other debt investments		
Income from debt restructuring		
Income derived from wealth management products	5,839,917.01	33,708,660.56
Discount loss on financing of receivables	-227,500.00	
Total	29,531,244.39	258,430,641.77

6. Others

☐ Applicable √ Not applicable

XX. Supplementary Information

1. Breakdown of non-recurring gains and losses for the current period

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Amount	Note
Profit or loss on disposal of non-current assets, including the reversal portion of asset impairment provisions already provided	161,038,926.87	
Government grants credited to profit or loss for the current period, excluding government grants closely related to the Company's normal business operations, complying with national policy provisions, enjoyed in accordance with prescribed criteria and exerting continuous impacts on the Company's profit or loss	12,154,013.73	
Fair value changes arising from financial assets and financial liabilities held by non-financial enterprises, as well as profit or loss arising from disposal of financial assets and financial liabilities, excluding effective hedging transactions related to the Company's normal business operations	38,976,382.94	
Fund occupation fees charged to non-financial enterprises credited to profit or loss for the current period		
Profit or loss from entrusting others to invest or manage assets		
Profit or loss derived from externally entrusted loans		
Losses of various assets incurred due to force majeure events such as natural disasters		
Reversal of impairment provisions for receivables subject to individual impairment testing		
Income arising where the cost of investments in subsidiaries, associates and joint ventures acquired by the enterprise is less than the fair value of the identifiable net assets of the investee to which the enterprise is entitled at the acquisition date		
Net profit or loss of subsidiaries for the current period from the beginning of the period to the combination date arising from business combinations under common control		

Items	Amount	Note
Profit or loss from non-monetary asset exchanges		
Profit or loss from debt restructuring		
One-off expenses incurred by the enterprise upon discontinuance of relevant business activities, such as staff resettlement expenditures		
One-off impacts on profit or loss for the current period resulting from adjustments to tax, accounting and other laws and regulations		
One-off share-based payment expenses recognised upon cancellation or modification of share incentive plans		
Profit or loss arising from fair value changes of salaries payable after the vesting date for cash-settled share-based payments		
Profit or loss arising from fair value changes of investment properties measured subsequently under the fair value model		
Income arising from transactions with obviously unfair transaction prices		
Profit or loss arising from contingencies unrelated to the Company's normal business operations		
Trustee management fee income obtained from entrusted operation		
Other non-operating income and expenses other than the above items	-2,233,436.31	
Other profit or loss items complying with the definition of non-recurring profit or loss	-22,179,211.82	
Less: Income tax impact	47,475,311.23	
Impact attributable to non-controlling interests (net of tax)	266,806.71	
Total	140,014,557.47	

Where the Company identifies items not specified in the Explanatory Announcement No.1 on Information Disclosure of Companies Publicly Offering Securities — Non-recurring Gains and Losses as non-recurring gains and losses items with material amounts, and defines non-recurring gains and losses items specified in the Explanatory Announcement No.1 on Information Disclosure of Companies Publicly Offering Securities — Non-recurring Gains and Losses as recurring gains and losses items, reasons shall be stated.

☐ Applicable √ Not applicable

Other notes:

√ Applicable ☐ Not applicable

Note to material non-recurring profit and loss items

The land and buildings of Jihua Technology Company, a wholly-owned grand subsidiary of Zhejiang Jihua Group Co., Ltd., located in Hongshan Farm Block, Hangzhou Airport Economic Demonstration Zone, have been included in the demolition scope. The full demolition compensation and differential compensation were received in 2024, and the profit and loss arising from disposal of non-current assets of RMB 162,414,279.92 was recognised in the current period.

Note to the definition of "other profit and loss items complying with the definition of non-recurring profit and loss" in accordance with the definitions and principles stipulated in Explanatory Announcement No. 1 on Information Disclosure of Companies Publicly Offering Securities — Non-recurring Profit and Loss (Revised 2023)

Item	Amount	Reason
Provision for expected asset losses on trust products	-22,179,211.82	Relevant income from investments in trust products shall be classified as non-recurring profit or loss items, and the corresponding expected credit losses provided shall be classified as non-recurring profit or loss items
Subtotal	-22,179,211.82	

2. Return on Net Assets and Earnings Per Share

√ Applicable □ Not applicable

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	4.39	0.25	0.25
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	0.78	0.04	0.04

3. Differences in accounting data under domestic and overseas accounting standards

□ Applicable √ Not applicable

4. Others

√ Applicable □ Not applicable

1. Calculation process of weighted average return on net assets

Items		No.	Amount for the current period
Net profit attributable to ordinary shareholders of the Company		A	170,316,109.91
Non-recurring profit or loss		B	140,014,557.47
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss		C=A-B	30,301,552.44
Opening net assets attributable to ordinary shareholders of the Company		D	3,887,126,747.01
Additional net assets attributable to ordinary shareholders of the Company arising from new share issuance or debt-to-equity conversion		E	
Cumulative number of months from the month following the addition of net assets to the end of the reporting period		F	
Reduced net assets attributable to ordinary shareholders of the Company arising from share repurchases or cash dividends	Reduced net assets attributable to ordinary shareholders of the Company arising from share repurchases	G1	47,500,562.20
	Cumulative number of months from the month following the reduction of net assets to the end of the reporting period	H1	7
	Reduced net assets attributable to ordinary shareholders of the Company arising from share repurchases	G2	12,983,249.25
	Cumulative number of months from the month following the reduction of net assets to the end of the reporting period	H2	9
	Net assets attributable to the Company's ordinary shareholders reduced by share repurchases	G3	56,367,310.11
	Cumulative months from the month subsequent to net asset reduction to the end of the reporting period	H3	8

Items		No.	Amount for the current period
	Net assets attributable to the Company's ordinary shareholders reduced by share repurchases	G4	11,619,658.72
	Cumulative months from the month subsequent to net asset reduction to the end of the reporting period	H4	7
	Net assets attributable to ordinary shareholders of the Company reduced through share repurchases	G5	6,033,775.85
	Cumulative number of months from the month after the reduction of net assets to the end of the reporting period	H5	5
Others	Cancellation of share incentive plan	I1	-6,596,305.99
	Cumulative number of months from the month following the change in net assets to the end of the reporting period	J1	12
	Current period movement of special reserve	I2	14,193.25
	Cumulative number of months from the month following the change in net assets to the end of the reporting period	J2	6
Number of months in the reporting period		K	12
Weighted average net assets		L= D+A/2+ E×F/K-G×H/K ±I×J/K	3,881,379,080.12
Weighted average return on net assets		M=A/L	4.39%
Weighted average return on net assets after deducting non-recurring profit or loss		N=C/L	0.78%

2. Calculation process of basic earnings per share and diluted earnings per share

(1) Calculation process of basic earnings per share

Items	No.	Amount for the current period
Net profit attributable to ordinary shareholders of the Company	A	170,316,109.91
Non-recurring profit or loss	B	140,014,557.47
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	C=A-B	30,301,552.44
Total number of shares at the beginning of the period	D	700,000,000.00
Number of additional shares arising from capital reserve capitalisation or stock dividend distribution	E	
Number of additional shares arising from new share issuance or debt-to-equity conversion	F	
Cumulative number of months from the month following the share increase to the end of the reporting period	G	
Number of shares reduced through share repurchases	H1	3,564,400.00
Cumulative number of months from the month following the share reduction to the end of the reporting period	I1	9
Number of shares reduced through share repurchases and other matters	H2	15,182,040.00
Cumulative number of months from the month following the share reduction to the end of the reporting period	I2	8
Number of shares reduced through share repurchases and other matters	H3	2,674,100.00
Cumulative number of months from the month following the share reduction to the end of the reporting period	I3	7
Number of shares reduced through share repurchases and other matters	H4	1,746,100.00
Cumulative number of months from the month following the share reduction to the end of the reporting period	I4	5
Number of share consolidation in the reporting period	J	
Number of months in the reporting period	K	12
Weighted average number of ordinary shares outstanding	L=D+E+F×G/K-H×I/K-J	684,917,907.00
Basic earnings per share	M=A/L	0.25
Basic earnings per share after deducting non-recurring profit or loss	N=C/L	0.04

(2) Calculation process of diluted earnings per share

The calculation process of diluted earnings per share is the same as that of basic earnings per share.

Chairman: Shao Hui
Date approved and submitted by the Board of Directors: 28 April 2025

Revision information

☐ Applicable √ Not applicable

I. Audit Report

√ Applicable □ Not Applicable

Audit Report

Tian Jian Shen [2026] No. 9908

To all shareholders of Zhejiang Jihua Group Co., Ltd.:

I. Audit Opinion

We have audited the financial statements of Zhejiang Jihua Group Co., Ltd. (hereinafter referred to as Jihua Group Company), comprising the consolidated and parent company statements of assets and liabilities as at 31 December 2025, the consolidated and parent company profit statements, consolidated and parent company cash flow statements and consolidated and parent company statements of changes in owner's equity for the year ended 31 December 2025, as well as the relevant notes to the financial statements.

We believe the attached financial statements are compiled in compliance with the provisions of the Accounting Standards for Business Enterprises in all material aspects, and fairly reflect the consolidated and parent company financial position of Jihua Group Company as at 31 December 2025, and the consolidated and parent company operating results and cash flows for the year 2025.

II. Basis for Forming the Audit Opinion

We have performed our audit in accordance with the provisions of the Chinese Standards on Auditing for Certified Public Accountants. The section "Responsibilities of Certified Public Accountants for the Audit of Financial Statements" in the auditor's report further elaborates our responsibilities under these standards. In compliance with Chinese Code of Ethics for Certified Public Accountants No. 1 — Requirements on Independence for Financial Statement Audit and Review Engagements and the Code of Professional Ethics for Certified Public Accountants of China, we maintain independence from Jihua Group Company and have fulfilled other ethical responsibilities. We have complied with the independence requirements applicable to the audit of public interest entities during the audit. We believe that the audit evidence we have obtained is sufficient and appropriate, which provides a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are of most importance to the audit of the financial statements for the current period. Our procedures in respect of these matters were performed in the context of the overall audit of the financial statements and the formation of our audit opinion, and we do not express an opinion on these matters individually.

(I) Revenue Recognition

1. Description of the Matter

Please refer to Notes 3(24), 5(2)1 and 14(1) to the financial statements for relevant disclosures.

The revenue of Jihua Group Company is mainly derived from the sales of dyes, intermediates and other products. For the year 2025, the revenue of Jihua Group Company amounted to RMB 1,523,875,000, among which the revenue from dyes and intermediates business was RMB 1,312,195,000, accounting for 86.11% of the total operating income.

As revenue is one of the key performance indicators of Jihua Group Company, there exists an inherent risk that the management of Jihua Group Company (hereinafter referred to as the Management) may adopt inappropriate revenue recognition to achieve specific targets or expectations. Therefore, we have identified revenue recognition as a key audit matter.

2. Audit Responses

For revenue recognition, the audit procedures implemented by us mainly include:

(1) Understand the key internal controls related to revenue recognition, evaluate the design of these controls, confirm whether they are implemented, and test the operating effectiveness of relevant internal controls;

(2) Examine sales contracts, understand the main contract terms and conditions, and evaluate whether the revenue recognition method is appropriate;

(3) Conduct analytical procedures on revenue and gross profit margin by month, product, customer and other dimensions, identify material or abnormal fluctuations and find out the causes of such fluctuations;

(4) For domestic sales revenue, inspect supporting documents related to revenue recognition on a sampling basis, including inquiry sheets, delivery orders, invoices and others. For export revenue, obtain electronic port information and check it against book records, and inspect supporting documents such as sales contracts, export customs declarations, bills of lading and sales invoices on a sampling basis;

(5) In conjunction with the confirmation of trade receivables, confirm the current period sales revenue to major customers on a sampling basis;

(6) Conduct cut-off tests on revenue recognised before and after the date of statement of assets and liabilities, and evaluate whether revenue is recognised in the appropriate period;

(7) Check whether the information related to revenue is properly presented in the financial statements.

(II) Net Realisable Value of Inventories

1. Description of the Matter

Please refer to Notes 3(13) and 5(1)9 to the financial statements for relevant disclosures.

As of 31 December 2025, the book balance of inventories of Zhejiang Jihua Group Co., Ltd. was RMB 451,498,400, the provision for inventory impairment was RMB 25,240,200, and the carrying value was RMB 426,258,200.

Given that the amount of inventories is material and the determination of net realisable value of inventories involves significant judgments made by the management, we have identified the net realisable value of inventories as a key audit matter.

2. Audit Responses

For the net realisable value of inventories, the audit procedures implemented by us mainly include:

(1) Understand the key internal controls related to the net realisable value of inventories, evaluate the design of these controls, confirm whether they are implemented, and test the operating effectiveness of relevant internal controls;

(2) Review the forecasts on the net realisable value of inventories made by the management in previous years and the actual operating results, and evaluate the accuracy of the past forecasts of the management;

(3) Review the forecasts on the estimated selling prices of inventories made by the management on a sampling basis, and compare the estimated selling prices with historical data, post-period circumstances and others;

(4) Evaluate the reasonableness of the estimates made by the management on the costs to be incurred until the completion of inventories, selling expenses and relevant taxes and fees;

(5) Test whether the calculation on the net realisable value of inventories made by the management is accurate;

(6) In conjunction with inventory observation, inspect whether year-end inventories have circumstances such as long inventory age, outdated models, reduced output and fluctuations in production costs or selling prices, and evaluate whether the management has reasonably estimated the net realisable value;

(7) Check whether the information related to the net realisable value of inventories is properly presented in the financial statements.

(III) Impairment of Long-term Assets

1. Description of the Matter

Please refer to Notes 3(20), 5(1)14, 5(1)21 and 5(2)11 to the financial statements for relevant disclosures.

As of 31 December 2025, the carrying value of property, plant and equipment of Jihua Group was RMB 654,773,000 and the carrying value of other non-current assets was RMB 44,882,800. The amount of impairment provision for the above long-term assets at the end of the current period was RMB 238,897,800.

As the amount of long-term assets is material and important to the financial statements, and asset impairment involves significant judgments made by the management, we therefore identify the impairment of such long-term assets as a key audit matter.

2. Audit Responses

In respect of impairment loss of assets, the audit procedures performed by us mainly include:

(1) Understand the key internal controls related to impairment of long-term assets, evaluate the design of such controls, confirm whether they are implemented, and test the operating effectiveness of relevant internal controls;

(2) Review the management's judgment on impairment indicators of long-term assets, and assess whether the management has conducted impairment tests in compliance with the requirements of Accounting Standards for Business Enterprises;

(3) Based on the conditions of long-term assets, analyse and review the key assumptions adopted by the management of Jihua Group in estimating the present value of future cash flows for impairment tests, and examine relevant supporting documents;

(4) Carry out stocktaking observation and on-site inspection procedures for physical assets, verify whether such assets are idle, and determine whether there are any impairment indicators;

(5) In conjunction with the confirmation of trust assets and the subsequent collection status, evaluate the accuracy of impairment provisions recognised by the management;

(6) Verify whether the information relating to the net realisable value of long-term assets including property, plant and equipment and other non-current assets is appropriately presented in the financial statements.

IV. Other Information

The management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our audit report.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained by us during the audit, or appears to contain material misstatements.

Based on the work performed by us, if we conclude that there is a material misstatement in the other information, we shall report such fact. In this respect, we have nothing to report.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation, as well as designing, implementing and maintaining necessary internal controls to ensure that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the ability of Jihua Group to continue as a going concern, disclosing matters relating to going concern (where applicable), and adopting the going concern basis of accounting, unless the management intends to liquidate the Group, cease operations or has no other realistic alternative.

Those charged with governance of Jihua Group (hereinafter referred to as "those charged with governance") are responsible for overseeing the financial reporting process of Jihua Group.

VI. Responsibilities of Certified Public Accountants for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error. Misstatements are considered material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users made on the basis of the financial statements.

In conducting the audit in accordance with auditing standards, we exercise professional judgement and maintain professional scepticism. Meanwhile, we perform the following work:

(I) Identify and assess the risks of material misstatement in the financial statements arising from fraud or error, design and implement audit procedures to address such risks, and obtain sufficient appropriate audit evidence as the basis for expressing the audit opinion. As fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls, the risk of failing to detect a material misstatement resulting from fraud is higher than that resulting from error.

(II) Obtain an understanding of internal controls relevant to the audit so as to design appropriate audit procedures.

(III) Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and related disclosures made by them.

(IV) Form a conclusion on the appropriateness of the management's use of the going concern assumption. Meanwhile, based on the audit evidence obtained, conclude whether there exists a material uncertainty relating to events or conditions that may cast significant doubt on the ability of Jihua Group to continue as a going concern. If we conclude that a material uncertainty exists, auditing standards require us to draw the attention of users of the financial statements to the relevant disclosures in the financial statements in the audit report. If the disclosures are inadequate, we shall express a modified opinion. Our conclusions are based on the information available as of the date of the audit report. Nevertheless, future events or conditions may cause Jihua Group to be unable to continue as a going concern.

(V) Evaluate the overall presentation, structure and content of the financial statements, and assess whether the financial statements fairly present the underlying transactions and events.

(VI) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Jihua Group to express an opinion on the financial statements. We are responsible for directing, supervising and performing the group audit, and assume full responsibility for the audit opinion. We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including significant deficiencies in internal control identified during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements relating to independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, as well as relevant safeguards (where applicable).

Among the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the current period financial statements and therefore constitute key audit matters. We describe these matters in the audit report unless laws or regulations prohibit public disclosure of such matters, or in extremely rare circumstances, we determine that a matter should not be communicated in the audit report where the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits.

Pan-China Certified Public Accountants LLP

Chinese Certified Public Accountant: Wu Yixin
(Engagement Partner)

Hangzhou, China

Chinese Certified Public Accountant: Chen Linfeng

27 April 2026

II. Financial Statements

Consolidated Statement of Assets and Liabilities
31 December 2025

Prepared by: Zhejiang Jihua Group Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	31 December 2025	31 December 2024
Current assets:			
Bank and cash balances		1,117,188,963.58	982,389,135.27
Settlement reserve fund			
Lendings to banks and other financial institutions			
Financial assets at fair value through profit or loss ("FVTPL")		611,754,472.98	633,617,352.50
Derivatives		1,592,960.25	7,092,554.77
Bills receivables (應收票據)			108,118.62
Trade receivables		231,557,446.27	220,173,458.46
Bills receivables (應收款項融資)		486,731,175.61	439,543,265.38
Prepayments		8,865,152.62	9,997,853.98
Premiums receivable			
Reinsurance trade receivables			
Reinsurance contract reserves receivable			
Other receivables		16,891,634.85	29,272,877.20
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under resale agreements			
Inventories		426,258,210.82	527,627,382.74
Including: Data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		322,514,308.74	307,898,637.89
Total current assets		3,223,354,325.72	3,157,720,636.81
Non-current assets:			
Loans and advances granted			
Debt investments			
Other debt investments			
Long-term receivable			
Long-term investments		126,568,421.88	120,666,285.85
Investments in other equity instruments			

Item	Note	31 December 2025	31 December 2024
Other non-current financial assets		99,387,559.78	107,750,612.32
Investment properties		250,697,097.33	262,766,994.42
Property, plant and equipment		654,773,000.43	789,366,235.83
Construction in progress		12,713,883.95	8,923,509.04
Productive biological assets			
Oil and gas assets			
Right-of-use assets		10,685,247.21	2,350,111.04
Intangible assets		82,435,958.19	114,747,662.89
Including: Data resources			
Development expenses			
Including: Data resources			
Goodwill		7,500,892.68	7,500,892.68
Long-term prepaid expenses		1,274,452.00	1,535,676.21
Deferred tax assets		12,009,187.91	10,737,519.42
Other non-current assets		44,882,765.37	63,724,717.62
Total non-current assets		1,302,928,466.73	1,490,070,217.32
Total assets		4,526,282,792.45	4,647,790,854.13
Current liabilities:			
Short-term borrowings		70,114,740.00	120,018,486.11
Borrowings from central bank			
Loans from banks and other financial institutions			
Transactional financial liabilities			
Derivative financial liabilities			
Bills payable			
Trade payables		285,262,245.00	343,754,461.93
Advances from customers		370,921.04	1,368,694.20
Contract liabilities		26,727,013.30	56,118,627.24
Financial assets sold under repurchase agreements			
Deposits from customers and interbank deposits			
Amount paid for agency securities trading			
Amount paid for agency securities underwriting			
Employee benefits payables		41,702,713.51	41,944,619.81
Current tax liabilities		23,724,789.08	23,608,901.32
Other payables		23,113,955.56	18,937,218.57
Including: Interests payable			
Dividends payable			
Fees and commissions payable			
Reinsurance trade payables			
Liabilities held for sale			
Non-current liabilities due within one year		3,347,555.96	1,915,115.44
Other current liabilities		3,289,959.64	6,496,530.65

Item	Note	31 December 2025	31 December 2024
Total current liabilities		477,653,893.09	614,162,655.27
Non-current liabilities:			
Insurance contract reserves			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		6,541,647.58	602,520.46
Long-term payables			
Long-term employee benefits payables			
Provisions		1,122,954.06	497,666.79
Deferred revenue		43,823,549.03	37,561,286.14
Deferred tax liabilities		56,354,277.56	58,540,107.12
Other non-current liabilities		6,000,000.00	6,000,000.00
Total non-current liabilities		113,842,428.23	103,201,580.51
Total liabilities		591,496,321.32	717,364,235.78
Equity			
Share capital		676,833,360.00	676,833,360.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,082,122,502.16	1,082,122,502.16
Less: Treasury shares			
Other comprehensive income			
Special reserve		1,259,833.67	2,036,200.10
Statutory surplus reserve		358,421,889.12	358,421,889.12
General risk reserves			
Retained earnings		1,803,860,096.24	1,796,942,236.67
Total equity attributable to owners of the Company		3,922,497,681.19	3,916,356,188.05
Non-controlling interests		12,288,789.94	14,070,430.30
Total equity		3,934,786,471.13	3,930,426,618.35
Total liabilities and equity		4,526,282,792.45	4,647,790,854.13

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting department: Shen Haiyan

Statement of Assets and Liabilities of Parent Company
31 December 2025

Prepared by: Zhejiang Jihua Group Co., Ltd.

Unit: Yuan Currency: RMB

Item	Note	31 December 2025	31 December 2024
Current assets:			
Bank and cash balances		409,836,553.56	312,878,527.29
Financial assets at fair value through profit or loss ("FVTPL")		372,546,666.20	486,948,405.65
Derivatives			
Bills receivables (應收票據)			
Trade receivables		625,749,878.52	412,312,002.37
Bills receivables (應收款項融資)		285,693,706.82	343,042,869.12
Prepayments		337,282,856.69	350,259,436.86
Other receivables		260,675,010.64	512,732,740.62
Including: Interests receivable			
Dividends receivable			
Inventories			398,244.00
Including: Data resources			
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		165,729,180.54	153,448,998.96
Total current assets		2,457,513,852.97	2,572,021,224.87
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivable			
Long-term investments		836,384,742.12	1,035,949,322.18
Investments in other equity instruments			
Other non-current financial assets		86,972,609.78	95,335,662.32
Investment properties			
Property, plant and equipment		4,519,928.33	5,627,165.35
Construction in progress			
Productive biological assets			
Oil and gas assets			
Right-of-use assets		1,906,565.21	298,575.78
Intangible assets		198,337.53	149,284.51
Including: Data resources			
Development expenses			

Item	Note	31 December 2025	31 December 2024
Including: Data resources			
Goodwill			
Long-term prepaid expenses			
Deferred tax assets		2,567,833.29	1,962,297.16
Other non-current assets		42,853,025.34	61,155,443.26
Total non-current assets		975,403,041.60	1,200,477,750.56
Total assets		3,432,916,894.57	3,772,498,975.43
Current liabilities:			
Short-term borrowings			50,000,000.00
Transactional financial liabilities			
Derivative financial liabilities			
Bills payable		50,000,000.00	50,000,000.00
Trade payables		35,871,526.88	34,643,588.66
Advances from customers			
Contract liabilities		21,010,987.43	42,773,385.49
Employee benefits payables		8,379,533.96	8,879,928.94
Current tax liabilities		484,797.55	1,086,246.92
Other payables		16,299,101.98	11,302,682.71
Including: Interests payable			
Dividends payable			
Liabilities held for sale			
Non-current liabilities due within one year		864,356.52	149,203.69
Other current liabilities		2,731,428.37	5,560,540.11
Total current liabilities		135,641,732.69	204,395,576.52
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		745,585.51	155,470.25
Long-term payables			
Long-term employee benefits payables			
Provisions		122,954.06	497,666.79
Deferred revenue		440,691.36	526,913.58
Deferred tax liabilities		3,998,226.44	2,514,851.40
Other non-current liabilities			
Total non-current liabilities		5,307,457.37	3,694,902.02
Total liabilities		140,949,190.06	208,090,478.54

Item	Note	31 December 2025	31 December 2024
Equity:			
Share capital		676,833,360.00	676,833,360.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve		1,185,427,089.11	1,285,427,089.11
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Statutory surplus reserve		359,595,485.74	359,595,485.74
Retained earnings		1,070,111,769.66	1,242,552,562.04
Total equity		3,291,967,704.51	3,564,408,496.89
Total liabilities and equity		3,432,916,894.57	3,772,498,975.43

Person in charge of the Company: Shao Hui

Person in charge of accounting supervision: Zhang Yinghui

Person in charge of accounting department: Shen Haiyan

Consolidated Statement of Profit
January to December 2025

Unit: Yuan Currency: RMB

Item	Note	2025	2024
I. Total operating income		1,523,874,999.05	1,638,374,034.96
Including: Revenue		1,523,874,999.05	1,638,374,034.96
Interest income			
Premium earned			
Fees and commissions income			
II. Total operating costs		1,516,378,559.00	1,615,313,226.76
Including: Cost of goods sold		1,334,491,765.48	1,442,510,693.20
Interest expense			
Fees and commissions expenses			
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance liability reserves			
Policy dividend expenses			
Reinsurance expenses			
Sales related tax and auxilliary charges		23,807,343.99	17,420,227.28
Selling expenses		21,185,004.95	19,456,707.50
Administrative expenses		89,020,882.66	104,985,434.67
Research and development expenses		62,334,392.30	63,655,785.35
Finance costs		-14,460,830.38	-32,715,621.24
Including: Interest expenses		812,535.69	1,252,258.17
Interest income		20,492,176.51	29,610,862.90
Add: Other income		21,697,293.56	19,539,750.58
Investment income		31,283,933.55	34,321,420.64
Including: Investment income in associates and joint ventures		9,165,185.91	13,752,616.52
Gains from derecognition of financial assets measured at amortised cost			
Gains from foreign exchange ("-" for losses			
Gains from net exposure hedging ("-" for losses)			
Gains from changes in fair value		21,646,701.32	17,999,498.26
Credit impairment losses		-11,482,322.48	-1,064,814.73
Asset impairment losses		-13,452,903.19	-23,353,197.94
Gain on disposal of assets		8,932,545.06	162,805,353.16

Item	Note	2025	2024
III. Operating profits ("-" for losses)		66,121,687.87	233,308,818.17
Add: non-operating income		1,246,133.82	1,059,803.25
Less: non-operating expenses		2,033,342.20	5,059,665.85
IV. Total profits ("-" for totallosses)		65,334,479.49	229,308,955.57
Less: income tax expenses		13,924,120.98	59,640,202.65
V. Net profit		51,410,358.51	169,668,752.92
(I) Classified by operating continuity			
1. Net profit from continued operation ("-" for net loss)		51,410,358.51	169,668,752.92
2. Net profit from discontinued operation ("-" for net loss)			
(II) Classified by the ownership			
1. Owners of the Company		54,296,194.77	170,316,109.91
2. Non-controlling interests		-2,885,836.26	-647,356.99
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income, net of tax, attributable to owners of the parent company			
1. Other comprehensive income that cannot be reclassified into profit or loss			
(1) Changes in re-measurement of the defined benefit plan			
(2) Other comprehensive income that cannot be transferred to profit or loss under the equity method			
(3) Changes in fair value of other equity instruments investments			
(4) Changes in fair value of the Company's own credit risk			
2. Other comprehensive income that will be reclassified into profit or loss			
(1) Other comprehensive income that can be transferred into profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Amount of financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedging reserves			

Item	Note	2025	2024
(6) Exchange differences from translation of financial statements denominated in foreign currencies			
(7) Others			
(II) Other comprehensive income, net of tax, attributable to non-controlling interests			
VII. Total comprehensive income		51,410,358.51	169,668,752.92
(I) Owners of the Company		54,296,194.77	170,316,109.91
(II) Non-controlling interests		-2,885,836.26	-647,356.99
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.01	0.25
(II) Diluted earnings per share (RMB/share)		0.01	0.25

Where business combinations under common control took place in the current period, the net realised by the combined party before combination: RMB 0, the net profit realised by the combined party in the prior period: RMB 0.

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting department: Shen Haiyan

Statement of Profit of Parent Company
January to December 2025

Unit: Yuan Currency: RMB

Item		Note	2025	2024
I.	Revenue		1,300,790,954.92	1,370,414,763.76
	Less: Cost of goods sold		1,307,147,874.73	1,372,041,626.76
	Sales related tax and auxiliary charges		967,194.18	1,196,137.91
	Selling expenses		10,977,878.38	9,488,471.95
	Administrative expenses		21,668,799.97	22,267,125.52
	Research and development expenses			
	Finance costs		-8,288,590.81	-17,961,741.27
	Including: Interest expenses		217,233.32	250,004.71
	Interest income		8,647,530.86	18,308,968.26
	Add: Other income		506,205.62	589,437.73
	Investment income		20,398,689.30	29,531,244.39
	Including: Investment income in associates and joint ventures		9,165,185.91	13,753,289.75
	Gains from derecognition of financial assets measured at amortised cost			
	Gains from net exposure hedging ("-" for losses)			
	Gain from changes in fair value		14,414,783.34	15,203,119.12
	Credit impairment losses		-13,315,197.21	426,572.04
	Asset impairment losses		-112,739,006.16	-21,766,217.30
	Gain on disposal of assets		89,911.43	
II.	Operating profits ("-" for losses)		-122,326,815.21	7,367,298.87
	Add: non-operating income		11,512.28	88.00
	Less: non-operating expenses		1,097,046.07	2,756,091.30
III.	Total profits ("-" for total losses)		-123,412,349.00	4,611,295.57
	Less: income tax expenses		1,650,108.18	3,893,373.54
IV.	Net profit ("-" for net loss)		-125,062,457.18	717,922.03
	(I) Net profit from continued operation ("-" for net loss)			
	(II) Net profit from discontinued operation ("-" for net loss)			

Item	Note	2025	2024
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instruments investments			
4. Changes in fair value of the Company's own credit risk			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be transferred into profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserves			
6. Exchange differences from translation of financial statements denominated in foreign currencies			
7. Others			
VI. Total comprehensive income		-125,062,457.18	717,922.03
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Consolidated Statement of Cash Flows
January to December 2025

Unit: Yuan Currency: RMB

Item		Note	2025	2024
I.	Cash flows from operating activities			
	Cash received from sale of goods and rendering of services		511,175,331.32	634,259,012.62
	Net increase in deposits from customers and interbank deposits			
	Net increase in borrowings from central bank			
	Net increase in loans from other financial institutions			
	Cash received from premiums of original insurance contracts			
	Net cash received from reinsurance business			
	Net increase in deposits and investments from policy holders			
	Cash received from interests, fees and commissions			
	Net increase in loans from banks and other financial institutions			
	Net increase in capital from repurchase business			
	Net cash received from agency securities trading			
	Tax refund received		3,929,528.46	18,316,358.69
	Cash received relating to other operating activities		124,256,166.72	76,637,607.40
	Subtotal of cash inflows from operating activities		639,361,026.50	729,212,978.71
	Cash paid for goods purchased and services received		220,616,509.63	214,024,664.09
	Net increase in customers' loans and advances			
	Net increase in deposits with central bank and interbank			
	Cash paid for original insurance contract compensation			
	Net increase in lendings to banks and other financial institutions			
	Cash paid for interests, fees and commissions			
	Cash paid for policy dividends			
	Cash paid to and for employees		184,795,259.84	176,662,161.77

Item		Note	2025	2024
	Taxes paid		101,938,307.33	77,162,335.02
	Cash paid relating to other operating activities		82,812,450.85	75,057,680.80
	Subtotal of cash outflows from operating activities		590,162,527.65	542,906,841.68
	Net cash flow from operating activities		49,198,498.85	186,306,137.03
II.	Cash flows from investing activities:			
	Cash received from disposal of investments		1,312,049,906.93	1,166,118,924.53
	Cash received from investment income		37,884,645.96	40,309,870.19
	Net cash received from disposal of property, plant and equipment, intangible assets and other long-term assets		85,891,377.50	209,082,040.50
	Net cash received from disposal of subsidiaries and other business units			
	Cash received relating to other investing activities		298,851,090.32	
	Subtotal of cash inflows from investing activities		1,734,677,020.71	1,415,510,835.22
	Cash paid for purchase and construction of property, plant and equipment, intangible assets and other long-term assets		13,418,171.62	28,944,194.50
	Cash paid for investments		1,272,604,924.02	1,295,570,625.72
	Net increase in pledge loans			
	Net cash paid to acquire subsidiaries and other business units			
	Cash paid relating to other investing activities		295,926,879.30	298,851,090.32
	Subtotal of cash outflows from investing activities		1,581,949,974.94	1,623,365,910.54
	Net cash flows from investing activities		152,727,045.77	-207,855,075.32
III.	Cash flows from financing activities:			
	Cash received from investment		3,500,000.00	
	Including: Cash received by subsidiaries from minority shareholders' investment		3,500,000.00	
	Cash received from borrowings		140,100,000.00	90,000,000.00
	Cash received relating to other financing activities		198,977,725.23	149,184,444.45
	Subtotal of cash inflows from financing activities		342,577,725.23	239,184,444.45
	Cash paid for repayment of debts		340,000,000.00	180,000,000.00
	Cash paid for dividends, profit distribution or interest payment		50,445,869.64	50,698,764.97
	Including: Dividends and profits paid by the subsidiaries to minority shareholders		2,395,800.00	2,395,800.00
	Cash paid relating to other financing activities		2,964,438.02	91,439,923.93

Item	Note	2025	2024
Subtotal of cash outflows from financing activities		393,410,307.66	322,138,688.90
Net cash flow from financing activities		-50,832,582.43	-82,954,244.45
IV. Effect of change in exchange rate on cash and cash equivalents		-3,270,624.03	6,002,259.14
V. Net increase in cash and cash equivalents		147,822,338.16	-98,500,923.60
Add: Opening balance of cash and cash equivalents		663,190,498.33	761,691,421.93
VI. Closing balance of cash and cash equivalents		811,012,836.49	663,190,498.33

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Statement of Cash Flows of Parent Company
January to December 2025

Unit: Yuan Currency: RMB

Item		Note	2025	2024
I.	Cash flows from operating activities:			
	Cash received from sale of goods and rendering of services		236,051,983.94	251,678,396.62
	Tax refund received			
	Cash received relating to other operating activities		219,253,804.46	39,293,508.92
	Subtotal of cash inflows from operating activities		455,305,788.40	290,971,905.54
	Cash paid for goods purchased and services received		450,524,311.00	234,142,138.56
	Cash paid to and for employees		18,297,457.90	15,268,809.24
	Taxes paid		2,692,834.31	6,719,167.29
	Cash paid relating to other operating activities		65,889,462.24	202,346,766.72
	Subtotal of cash outflows from operating activities		537,404,065.47	458,476,881.81
	Net cash flow from operating activities		-82,098,277.07	-167,504,976.27
II.	Cash flows from investing activities:			
	Cash received from disposal of investments		1,100,258,159.98	856,254,243.34
	Cash received from investment income		23,274,459.61	27,729,218.05
	Net cash received from disposal of property, plant and equipment, intangible assets and other long-term assets		283,000.00	
	Net cash received from disposal of subsidiaries and other business units			
	Cash received relating to other investing activities		108,049,186.66	121,596,538.75
	Subtotal of cash inflows from investing activities		1,231,864,806.25	1,005,580,000.14
	Cash paid for purchase and construction of property, plant and equipment, intangible assets and other long-term assets		157,209.99	163,762.00
	Cash paid for investments		973,330,963.66	964,100,000.00
	Net cash paid to acquire subsidiaries and other business units			
	Cash paid relating to other investing activities		35,574,567.79	44,162,176.53
	Subtotal of cash outflows from investing activities		1,009,062,731.43	1,008,425,938.53
	Net cash flow from investing activities		222,802,074.82	-2,845,938.39

Item		Note	2025	2024
III.	Cash flows from financing activities			
	Cash received from investment			
	Cash received from borrowings		120,000,000.00	70,000,000.00
	Cash received relating to other financing activities		5,000,000.00	49,772,500.00
	Subtotal of cash inflows from financing activities		125,000,000.00	119,772,500.00
	Cash paid for repayment of debts		120,000,000.00	70,000,000.00
	Cash paid for dividends, profit distribution or interest payment		47,551,668.53	47,731,756.64
	Cash paid relating to other financing activities		976,234.35	87,165,993.93
	Subtotal of cash outflows from financing activities		168,527,902.88	204,897,750.57
	Net cash flow from financing activities		-43,527,902.88	-85,125,250.57
IV.	Effect of change in exchange rate on cash and cash equivalents			
V.	Net increase in cash and cash equivalents		97,175,894.87	-255,476,165.23
	Add: Opening balance of cash and cash equivalents		302,649,658.69	558,125,823.92
VI.	Closing balance of cash and cash equivalents		399,825,553.56	302,649,658.69

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Consolidated Statement of Changes in Equity
January to December 2025

Unit: Yuan Currency: RMB

	2025														
	Equity attributable to owners of the company														
		Other equity instruments													
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	General risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total equity
I. Closing balance of prior year	676,833,360.00				1,082,122,502.16			2,036,200.10	358,421,889.12		1,796,942,236.67		3,916,356,188.05	14,070,430.30	3,930,426,618.35
Add: Changes in accounting policies															
Correction of errors in prior periods															
Others															
II. Beginning balance of current year	676,833,360.00				1,082,122,502.16			2,036,200.10	358,421,889.12		1,796,942,236.67		3,916,356,188.05	14,070,430.30	3,930,426,618.35
III. Increase/decrease amount in the current period (“-” for decrease)								-776,366.43			6,917,859.57		6,141,493.14	-1,781,640.36	4,359,852.78
(I) Total comprehensive income											54,296,194.77		54,296,194.77	-2,885,836.26	51,410,358.51
(II) Capital contributed and reduced by owners														3,499,995.90	3,499,995.90
1. Common stock contributed by owners														3,500,000.00	3,500,000.00
2. Capital contributed by the holders of other equity instruments															
3. Amounts of share-based payments recognised in equity															
4. Others														-4.10	-4.10
(III) Profit distribution											-47,378,335.20		-47,378,335.20	-2,395,800.00	-49,774,135.20
1. Withdrawal of statutory surplus reserve															
2. Withdrawal of general risk reserves															
3.Distributions to owners (or shareholders)											-47,378,335.20		-47,378,335.20	-2,395,800.00	-49,774,135.20
4.Others															
(IV) Internal carry-forward of owners’ equity															

2025

Item	Equity attributable to owners of the company														
	Other equity instruments														
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	General risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total equity
1.Conversion of capital reserve into share capital															
2.Conversion of statutory surplus reserves into share capital															
3.Statutory surplus reserve offsetting losses															
4.Carry-forward of changes in the defined benefit plans for retained earnings															
5.Carry-forward of other comprehensive income for retained earnings															
6.Others															
(V) Special reserve								-776,366.43					-776,366.43		-776,366.43
1.withdrawal in the current period								8,149,689.72					8,149,689.72		8,149,689.72
2.Usage in the current period								-8,926,056.15					-8,926,056.15		-8,926,056.15
(VI) Others															
IV. Closing balance of current period	676,833,360.00				1,082,122,502.16			1,259,833.67	358,421,889.12		1,803,860,096.24		3,922,497,681.19	12,288,789.94	3,934,786,471.13

2024

Item	Equity attributable to owners of the company														
	Other equity instruments														
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	General risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total equity
I. Closing balance of prior year	700,000,000.00				1,152,556,162.08			2,022,006.85	358,421,889.12		1,674,126,688.96		3,887,126,747.01	13,397,281.30	3,900,524,028.31
Add: Changes in accounting policies															
Correction of errors in prior periods															
Others															
II. Beginning balance of current year	700,000,000.00				1,152,556,162.08			2,022,006.85	358,421,889.12		1,674,126,688.96		3,887,126,747.01	13,397,281.30	3,900,524,028.31

2024

Item	Equity attributable to owners of the company													
	Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	General risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total equity
III. Increase/decrease amount in the current period ("-" for decrease)	-23,166,640.00				-70,433,659.92			14,193.25			122,815,547.71		29,229,441.04	673,149.00	29,902,590.04
(i) Total comprehensive income											170,316,109.91		170,316,109.91	-647,356.99	169,668,752.92
(II) Capital contributed and reduced by owners	-23,166,640.00				-70,433,659.91			-93,600,299.92						3,716,305.99	-89,883,993.93
1. Common stock contributed by owners	-23,166,640.00				-63,837,353.93								-87,003,993.93		-87,003,993.93
2. Capital contributed by the holders of other equity instruments															—
3. Amounts of share-based payments recognised in equity															
4. Others					-6,596,305.99								-6,596,305.99	3,716,305.99	-2,880,000.00
(III) Profit distribution											-47,500,562.20		-47,500,562.20	-2,395,800.00	-49,896,362.20
1.Withdrawal of statutory surplus reserves															
2.Withdrawal of general risk reserves															
3.Distributions to owners (or shareholders)											-47,500,562.20		-47,500,562.20	-2,395,800.00	-49,896,362.20
4.Others															
(IV) Internal carry-forward of owners' equity															
1.Conversion of capital reserve into share capital															
2.Conversion of statutory surplus reserve into paid-in capital (or share capital)															
3.Statutory surplus reserve offsetting losses															
4.Carry-forward of changes in the defined benefit plans for retained earnings															
5.Carry-forward of other comprehensive income for retained earnings															
6.Others															
(V) Special reserve								14,193.25					14,193.25		14,193.25
1.Withdrawal in the current period								8,284,751.31					8,284,751.31		8,284,751.31

2024

Item	Equity attributable to owners of the company													
	Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	General risk reserves	Retained earnings	Others	Subtotal	Non-controlling interests	Total equity
2.Usage in the current period								-8,270,558.06					-8,270,558.06		-8,270,558.06
(VI) Others															
IV. Closing balance of current period	676,833,360.00				1,082,122,502.16			2,036,200.10	358,421,889.12		1,796,942,236.67		3,916,356,188.05	14,070,430.30	3,930,426,618.35

Person in charge of the Company: Shao Hui

Person in charge of accounting work: Zhang Yinghui

Person in charge of accounting institution: Shen Haiyan

Statement of Changes in Equity of Parent Company
January to December 2025

Unit: Yuan Currency: RMB

	2025										
		Other equity instruments									
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	Retained earnings	Total equity
I. Closing balance of prior year	676,833,360.00				1,285,427,089.11				359,595,485.74	1,242,552,562.04	3,564,408,496.89
Add: Changes in accounting policies											
Correction of errors in prior periods											
Others											
II. Beginning balance of current year	676,833,360.00				1,285,427,089.11				359,595,485.74	1,242,552,562.04	3,564,408,496.89
III. Increase/decrease amount in the current period (“-” for decrease)					-100,000,000.00					-172,440,792.38	-272,440,792.38
(i) Total comprehensive income										-125,062,457.18	-125,062,457.18
(II) Capital contributed and reduced by owners											
1. Common stock contributed by owners											
2. Capital contributed by the holders of other equity instruments											
3. Amounts of share-based payments recognised in equity											
4. Others											
(III) Profit distribution										-47,378,335.20	-47,378,335.20
1.Withdrawal of statutory surplus reserves											
2.Distributions to owners (or shareholders)										-47,378,335.20	-47,378,335.20
3.Others											
(IV) Internal carry-forward of owners’ equity											
1.Conversion of capital reserve into share capital											
2.Conversion of statutory surplus reserve into share capital											
3.Statutory surplus reserve offsetting losses											

2025

Item	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	Retained earnings	Total equity
4.Carry-forward of changes in the defined benefit plans for retained earnings											
5.Carry-forward of other comprehensive income for retained earnings											
6.Others											
(V) Special reserve											
1.Withdrawal in the current period											
2.Usage in the current period											
(VI) Others					-100,000,000.00						-100,000,000.00
IV. Closing balance of current period	676,833,360.00				1,185,427,089.11				359,595,485.74	1,070,111,769.66	3,291,967,704.51

2024

Item	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	Retained earnings	Total equity
I.Closing balance of prior year	700,000,000.00				1,349,264,443.04				359,595,485.74	1,289,335,202.21	3,698,195,130.99
Add: Changes in accounting policies											
Correction of errors in prior periods											
Others											
II. Beginning balance of current year	700,000,000.00				1,349,264,443.04				359,595,485.74	1,289,335,202.21	3,698,195,130.99
III. Increase/decrease amount in the current period (“-” for decrease)	-23,166,640.00				-63,837,353.93					-46,782,640.17	-133,786,634.10
(i) Total comprehensive income										717,922.03	717,922.03
(II) Capital contributed and reduced by owners	-23,166,640.00				-63,837,353.93						-87,003,993.93
1. Common stock contributed by owners	-23,166,640.00				-63,837,353.93						-87,003,993.93
2. Capital contributed by the holders of other equity instruments											
3. Amounts of share-based payments recognised in equity											

2024

Item	Share capital	Other equity instruments: Preference shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Statutory surplus reserve	Retained earnings	Total equity
4. Others											
(III) Profit distribution										-47,500,562.20	-47,500,562.20
1.Withdrawal of statutory surplus reserve											
2.Distributions to owners (or shareholders)										-47,500,562.20	-47,500,562.20
3.Others											
(IV) Internal carry-forward of owners' equity											
1.Conversion of capital reserve into share capital											
2.Conversion of statutory surplus reserve into share capital											
3.Statutory surplus reserve offsetting losses											
4.Carry-forward of changes in the defined benefit plans for retained earnings											
5.Carry-forward of other comprehensive income for retained earnings											
6.Others											
(V) Special reserve											
1.Withdrawal in the current period											
2.Usage in the current period											
(VI) Others											
IV. Closing balance of current period	676,833,360.00				1,285,427,089.11				359,595,485.74	1,242,552,562.04	3,564,408,496.89

Person Responsible for the Company: Shao Hui

Person Responsible for Accounting Work: Zhang Yinghui

Person Responsible for the Accounting Department: Shen Haiyan

III. Basic Information of the Company

1. Company Overview

√ Applicable □ Not applicable

Zhejiang Jihua Group Co., Ltd. (hereinafter referred to as the Company) is a joint stock company established through the overall restructuring of Zhejiang Jihua Group Co., Ltd. It was registered with the Zhejiang Administration for Industry and Commerce on 15 August 2003, with its headquarters located in Hangzhou City, Zhejiang Province. The Company currently holds a business licence with the unified social credit code of 913300007530435745. Its registered capital is RMB 676.8334 million, and the total number of shares is 676.8334 million shares (with a par value of RMB 1 per share), all of which are unrestricted tradable shares. The Company's shares were listed and traded on the Shanghai Stock Exchange on 15 June 2017.

The Company is engaged in the manufacturing of chemical raw materials and chemical products. Its main business activities are the research and development, production and sales of dyes, dye intermediates and other chemical products.

These financial statements have been approved for issuance by the 13th meeting of the 5th Board of Directors of the Company on 27 April 2026.

IV. Basis of Preparation of Financial Statements

1. Basis of Preparation

The financial statements of the Company are prepared on a going-concern basis.

2. Going Concern

√ Applicable □ Not applicable

There are no events or circumstances that may cast significant doubt on the Company's ability to continue as a going concern within 12 months from the end of the reporting period.

V. Significant Accounting Policies and Accounting Estimates

Notes on Specific Accounting Policies and Accounting Estimates:

√ Applicable □ Not applicable

The Company has formulated specific accounting policies and accounting estimates for transactions and matters such as impairment of financial instruments, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets and revenue recognition in accordance with the actual characteristics of production and operation.

1. Statement of Compliance with Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the Accounting Standards for Business Enterprises, and truly and completely reflect the Company's financial position, operating results, changes in shareholders' equity, cash flows and other relevant information.

2. Accounting Period

The Company's fiscal year commences on 1 January and ends on 31 December of the Gregorian calendar.

3. Operating Cycle

√ Applicable □ Not applicable

The operating cycle of the Company's business is relatively short, and 12 months is adopted as the criterion for classifying the liquidity of assets and liabilities.

4. Functional Currency

The functional currency of the Company is Renminbi.

5. Determination Method and Selection Basis of Materiality Standard

√ Applicable □ Not applicable

Item	Materiality criteria
Material trade receivables with provision for bad debts on an individual basis	Individual amount exceeding 0.3% of total assets
Material written-off of trade receivables	Individual amount exceeding 0.3% of total assets
Material prepayments aged over 1 year	Individual amount exceeding 0.3% of total assets
Material construction projects in progress	The total investment of individual project exceeding 0.3% of total assets
Material trade payables aged over 1 year	Individual amount exceeding 0.3% of total assets
Material other payables aged over 1 year	Individual amount exceeding 0.3% of total assets
Material contract liabilities aged over 1 year	Individual amount exceeding 0.3% of total assets
Material provisions	Individual amount exceeding 0.3% of total assets
Material cash flows from investing activities	Individual amount exceeding 5% of total assets
Material capitalised R&D projects and outsourced R&D projects	Individual amount exceeding 0.3% of total assets

Item	Materiality criteria
Material subsidiaries and non-wholly-owned subsidiaries	Subsidiaries whose total assets exceed 5% of the Group's total assets and public interest entities such as NEEQ-listed companies
Material joint ventures and associates	Joint ventures, associates and joint operations whose total assets exceed 5% of the Group's total assets
Material contingencies	Individual amount exceeding 0.3% of total assets

6. Accounting Treatment Methods for Business Combinations under Common Control and Not under Common Control

√ Applicable □ Not applicable

1. Accounting Treatment Method for Business Combinations under Common Control

The assets and liabilities acquired by the Company in a business combination are measured at the carrying amounts of the combined party in the consolidated financial statements of the ultimate controlling party as of the combination date. The difference between the carrying amount share of the combined party's owners' equity in the consolidated financial statements of the ultimate controlling party and the carrying amount of the consideration transferred or the total par value of shares issued by the Company is adjusted against capital reserve. Where the capital reserve is insufficient to offset the difference, retained earnings shall be adjusted.

2. Accounting Treatment Method for Business Combinations not under Common Control

As of the acquisition date, the excess of the combination cost over the share of the fair value of the acquiree's identifiable net assets acquired in the combination is recognised as goodwill. If the combination cost is lower than the share of the fair value of the acquiree's identifiable net assets acquired in the combination, the measurement of the fair value of all identifiable assets, liabilities and contingent liabilities of the acquiree obtained as well as the combination cost shall be reviewed first. If the combination cost is still lower than the share of the fair value of the acquiree's identifiable net assets acquired in the combination after review, the difference shall be recognised in profit or loss for the current period.

7. Judgement Criteria for Control and Preparation Method of Consolidated Financial Statements

√ Applicable □ Not applicable

1. Judgement of Control

An investor shall be deemed to have control over an investee if it has power over the investee, obtains variable returns by participating in relevant activities of the investee, and is capable of exercising its power over the investee to affect the amount of such variable returns.

2. Preparation Method of Consolidated Financial Statements

The parent company shall include all subsidiaries under its control into the scope of consolidated financial statements. Based on the financial statements of the parent company and its subsidiaries as well as other relevant information, the parent company shall prepare the consolidated financial statements in accordance with Accounting Standard for Business Enterprises No. 33 — Consolidated Financial Statements.

8. Classification of Joint Arrangements and Accounting Treatment for Joint Operations

√ Applicable □ Not applicable

1. Joint arrangements are classified into joint operations and joint ventures.

2. Where the Company acts as a party to a joint operation, it shall recognise the following items relating to its share of interests in the joint operation:

(1) Recognise assets held solely and jointly held assets based on shareholdings;

(2) Recognise liabilities borne solely and jointly borne liabilities based on shareholdings;

(3) Recognise revenue arising from the sale of the Company's share of outputs from the joint operation;

(4) Recognise revenue generated from asset sales by the joint operation based on the Company's shareholdings;

(5) Recognise expenses incurred solely and expenses incurred by the joint operation based on the Company's shareholdings.

9. Criteria for Determining Cash and Cash Equivalents

Cash equivalents refer to investments held by an enterprise that have a short maturity (generally maturing within three months from the purchase date), high liquidity, can be readily converted into a known amount of cash, and carry negligible risk of value fluctuation.

10. Foreign Currency Business and Foreign Currency Statement Translation

√ Applicable □ Not applicable

Foreign currency transactions shall be translated into Renminbi amounts using the approximate exchange rate on the transaction date upon initial recognition. At the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate prevailing on the balance sheet date. Exchange differences arising from varying exchange rates shall be recognised in profit or loss for the current period, save for exchange differences on the principal and interest of foreign currency specific borrowings relating to the acquisition or construction of qualifying assets. Foreign currency non-monetary items measured at historical cost shall continue to be translated at the spot exchange

rate on the transaction date, with their Renminbi amounts unchanged. Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when fair value is determined, and the resulting differences shall be recognised in profit or loss for the current period or other comprehensive income.

11. Financial Instruments

√ Applicable □ Not applicable

1. Classification of Financial Assets and Financial Liabilities

Financial assets are classified into the following three categories upon initial recognition:

(1) Financial assets at amortised cost;

(2) Financial assets at fair value through other comprehensive income;

(3) Financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories upon initial recognition:

(1) Financial liabilities at fair value through profit or loss;

(2) Financial liabilities arising from transfers of financial assets that fail to meet derecognition conditions or continuing involvement in the transferred financial assets;

(3) Financial guarantee contracts other than those set out in (1) or (2) above, and loan commitments other than those set out in (1) above which provide loans at interest rates lower than market rates;

(4) Financial liabilities at amortised cost.

2. Recognition Criteria, Measurement Methods and Derecognition Conditions of Financial Assets and Financial Liabilities

(1) Recognition Criteria and Initial Measurement Methods of Financial Assets and Financial Liabilities

The Company recognises a financial asset or a financial liability when it becomes a party to a financial instrument contract. Financial assets or financial liabilities are measured at fair value upon initial recognition. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are recognised directly in profit or loss for the current period. For other categories of financial assets or financial liabilities, relevant transaction costs are included in the initial recognised amount. However, if trade receivables initially recognised by the Company do not contain a

significant financing component, or the Company disregards the financing component in contracts with a term not exceeding one year, such trade receivables are initially measured at the transaction price as defined under Accounting Standard for Business Enterprises No. 14 — Revenue.

(2) Subsequent Measurement Methods of Financial Assets

1) Financial assets at amortised cost

Subsequent measurement is carried out at amortised cost using the effective interest method. Gains or losses arising from financial assets at amortised cost that are not part of any hedging relationship are recognised in profit or loss for the current period upon derecognition, reclassification, amortisation under the effective interest method or recognition of impairment.

2) Debt instrument investments measured at fair value through other comprehensive income

Subsequent measurement is conducted at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains and losses are recognised in profit or loss for the current period, and other gains or losses are recognised in other comprehensive income. Upon derecognition, the cumulative gains or losses previously recognised in other comprehensive income shall be reclassified from other comprehensive income to profit or loss for the current period.

3) Equity instrument investments measured at fair value through other comprehensive income

Subsequent measurement is conducted at fair value. Dividends received (excluding those representing recovery of investment cost) are recognised in profit or loss for the current period, and other gains or losses are recognised in other comprehensive income. Upon derecognition, the cumulative gains or losses previously recognised in other comprehensive income shall be reclassified from other comprehensive income to retained earnings.

4) Financial assets at fair value through profit or loss

Subsequent measurement is conducted at fair value, and the resulting gains or losses (including interest and dividend income) are recognised in profit or loss for the current period, unless such financial assets form part of a hedging relationship.

(3) Subsequent Measurement Methods of Financial Liabilities

1) Financial liabilities at fair value through profit or loss

Such financial liabilities include trading financial liabilities (including derivatives classified as financial liabilities) and financial liabilities designated as measured at fair value through profit or loss. Such financial liabilities are subsequently measured at fair value. Changes in fair value of financial liabilities designated as measured at fair value through profit or loss arising from changes in the Company's own credit risk are recognised in other comprehensive income, unless such treatment will cause or expand accounting mismatch in profit or loss. Other gains or losses arising from such financial liabilities, including interest expenses and fair value changes excluding those arising from changes in the Company's own credit risk, are recognised in profit or loss for the current period, unless such financial liabilities form part of a hedging relationship. Upon derecognition, the cumulative gains or losses previously recognised in other comprehensive income shall be transferred out of other comprehensive income and recognised in retained earnings.

2) Financial liabilities arising from transfers of financial assets that fail to meet derecognition conditions or continuing involvement in the transferred financial assets shall be measured in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 23 — Transfers of Financial Assets.

3) Financial guarantee contracts other than those specified in 1) or 2) above, and loan commitments other than those specified in 1) above which grant loans at interest rates lower than market rates shall be subsequently measured at the higher of the following two amounts after initial recognition: (i) the amount of loss provision determined in accordance with the impairment provisions for financial instruments; (ii) the balance of the initial recognised amount less the cumulative amortisation amount determined in accordance with the relevant provisions of Accounting Standard for Business Enterprises No. 14 — Revenue.

4) Financial liabilities at amortised cost

They are measured at amortised cost using the effective interest method. Gains or losses arising from financial liabilities at amortised cost that are not part of any hedging relationship are recognised in profit or loss for the current period upon derecognition and amortisation under the effective interest method.

(4) Derecognition of Financial Assets and Financial Liabilities

1) A financial asset shall be derecognised when either of the following conditions is met:

(i) The contractual right to receive cash flows from the financial asset has expired;

(ii) The financial asset has been transferred, and such transfer complies with the provisions on derecognition of financial assets set forth in Accounting Standard for Business Enterprises No. 23 — Transfers of Financial Assets.

2) A financial liability (or part thereof) shall be derecognised accordingly when the present obligation under such financial liability (or part thereof) is discharged.

3. Recognition Criteria and Measurement Methods for Transfers of Financial Assets

Where the Company transfers substantially all the risks and rewards of ownership of a financial asset, it shall derecognise such financial asset, and separately recognise the rights and obligations arising from or retained in the transfer as assets or liabilities. Where the Company retains substantially all the risks and rewards of ownership of a financial asset, it shall continue to recognise the transferred financial asset. Where the Company neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it shall handle the matters in accordance with the following circumstances:

(1) Where control over the financial asset is not retained, derecognise such financial asset, and separately recognise the rights and obligations arising from or retained in the transfer as assets or liabilities;

(2) Where control over the financial asset is retained, recognise the relevant financial assets to the extent of continuing involvement in the transferred financial asset, and recognise the corresponding liabilities accordingly.

Where the entire transfer of a financial asset satisfies the derecognition conditions, the difference between the following two amounts shall be recognised in profit or loss for the current period:

(1) The carrying amount of the transferred financial asset at the derecognition date;

(2) The sum of the consideration received for the transfer of the financial asset and the portion of cumulative fair value changes previously recognised directly in other comprehensive income that corresponds to the derecognised part (applicable where the transferred financial asset is a debt instrument investment measured at fair value through other comprehensive income).

Where part of a financial asset is transferred and such transferred part in its entirety satisfies the derecognition conditions, the total carrying amount of the financial asset prior to the transfer shall be allocated between the derecognised part and the part that continues to be recognised based on their respective relative fair values as at the transfer date. The difference between the following two amounts shall be recognised in profit or loss for the current period:

(1) The carrying amount of the derecognised part;

(2) The sum of the consideration for the derecognised part and the portion of cumulative fair value changes previously recognised directly in other comprehensive income that corresponds to the derecognised part (applicable where the transferred financial asset is a debt instrument investment measured at fair value through other comprehensive income).

4. Methods for Determining Fair Value of Financial Assets and Financial Liabilities

The Company adopts valuation techniques applicable to the current circumstances and supported by sufficient available data and other information to determine the fair value of relevant financial assets and financial liabilities. The Company classifies the inputs used in valuation techniques into the following levels and applies them in sequence:

(1) Level 1 inputs are unadjusted quoted prices for identical assets or liabilities available at the measurement date in active markets;

(2) Level 2 inputs are observable inputs for the relevant assets or liabilities, either directly or indirectly, other than Level 1 inputs, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, other observable inputs apart from quoted prices such as observable interest rates and yield curves during normal quotation intervals, and market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the relevant assets or liabilities, including interest rates and equity volatility that cannot be directly observed or verified by observable market data, future cash flows arising from decommissioning obligations assumed in business combinations, and financial forecasts prepared based on the Company's own data.

5. Impairment of Financial Instruments

The Company recognises impairment and loss provisions on the basis of expected credit losses in respect of financial assets at amortised cost, debt instrument investments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments other than financial liabilities classified as measured at fair value through profit or loss, and financial guarantee contracts other than financial liabilities measured at fair value through profit or loss or financial liabilities arising from transfers of financial assets failing to meet derecognition conditions or continuing involvement in transferred financial assets.

Expected credit loss means the weighted average of credit losses on financial instruments weighted by the risk of default. Credit loss refers to the present value of all cash shortfalls, being the difference between all contractual cash flows receivable under contracts and all cash flows expected to be collected, discounted at the original effective interest rate of the Company. For financial assets purchased or originated that have incurred credit impairment, the discounting shall be performed at the credit-adjusted effective interest rate of such financial assets.

For financial assets purchased or originated that have incurred credit impairment, the Company only recognises the cumulative changes in expected credit losses over the entire lifetime since initial recognition as loss provisions at the statement of assets and liabilities date.

In respect of lease receivables, receivables and contract assets arising from transactions governed by Accounting Standard for Business Enterprises No. 14 — Revenue, the Company applies a simplified measurement approach and measures loss provisions at an amount equal to the expected credit losses over the entire lifetime.

For financial assets other than those measured under the aforesaid approach, the Company assesses at each statement of assets and liabilities date whether their credit risk has increased significantly since initial recognition. Where the credit risk has increased significantly since initial recognition, the Company measures loss provisions at the amount of expected credit losses over the entire lifetime. Where the credit risk has not increased significantly, the Company measures loss provisions at the amount of expected credit losses on the financial instrument within the next twelve months.

The Company determines whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of default at the statement of assets and liabilities date with that at the initial recognition date, using reasonable and supportable information available including forward-looking information.

At the statement of assets and liabilities date, if the Company assesses that a financial instrument has low credit risk only, it shall assume that the credit risk of such financial instrument has not increased significantly since initial recognition.

The Company assesses expected credit risk and measures expected credit losses on an individual financial instrument basis or a portfolio basis. When adopting a portfolio basis, the Company classifies financial instruments into different portfolios based on common risk characteristics.

The Company remeasures expected credit losses at each statement of assets and liabilities date. The increase or reversal of loss provisions arising therefrom is recognised in profit or loss for the current period as impairment losses or gains. For financial assets at amortised cost, loss provisions reduce the carrying amount of such financial assets presented in the statement of assets and liabilities. For debt investments measured at fair value through other comprehensive income, the Company recognises relevant loss provisions in other comprehensive income without reducing the carrying amount of such financial assets.

6. Offset of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are presented separately in the statement of assets and liabilities and shall not be offset against each other. Provided that all the following conditions are satisfied simultaneously, the Company presents the net amount after offset in the statement of assets and liabilities:

(1) The Company has a legally enforceable right to offset the recognised amounts, and such legal right is currently exercisable;

(2) The Company intends to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

For transfers of financial assets that do not meet the derecognition conditions, the Company shall not offset the transferred financial assets and the relevant liabilities.

12. Bills Receivables (應收票據)

☐ Applicable √ Not applicable

13. Trade receivables

√ Applicable □ Not applicable

Categories and determination basis of portfolios for provision for bad debts accrued based on credit risk characteristics of portfolios

√ Applicable □ Not applicable

Group categories	Grouping basis	Expected credit loss measurement approach
Trade receivables — group of related parties within the scope of combination	Related parties within the scope of corporation combination	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate.
Trade receivables — ageing groups	Ageing	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the comparison table prepared for trade receivables ageing and expected credit loss rate.

Calculation method of ageing for portfolios determined based on ageing analysis of credit risk characteristics

√ Applicable □ Not applicable

Ageing	Expected credit loss rate of trade receivables (%)
Within 1 year (inclusive, same below)	5.00
1 to 2 years	10.00
2 to 3 years	50.00
Over 3 years	100.00

The ageing of trade receivables is calculated on a first-in, first-out basis starting from the month when the relevant amounts actually arise.

Criteria for determining individual provision for bad debts

√ Applicable □ Not applicable

The Company recognises expected credit losses on an individual basis for receivables and contract assets whose credit risk differs significantly from the portfolio credit risk.

14. Bills receivables (應收款項融資)

√ Applicable □ Not applicable

Categories and determination basis of portfolios for provision for bad debts accrued based on credit risk characteristics of portfolios

√ Applicable □ Not applicable

Group categories	Grouping basis	Expected credit loss measurement approach
Bank acceptance bills receivables (應收票據)	Bill type	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate.
Commercial acceptance bills receivables (應收票據)		
Financial company acceptance bills receivables (應收票據)		

Calculation method of ageing for portfolios determined based on ageing analysis of credit risk characteristics

□ Applicable √ Not applicable

Criteria for determining individual provision for bad debts

□ Applicable √ Not applicable

15. Other Receivables

√ Applicable □ Not applicable

Categories and determination basis of portfolios for provision for bad debts accrued based on credit risk characteristics of portfolios

√ Applicable □ Not applicable

Group categories	Grouping basis	Expected credit loss measurement approach
Other receivables — group of related parties within the scope of combination	Related parties within the scope of corporation combination	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the default risk exposure and lifetime expected credit loss rate.
Other receivables —ageing groups	Ageing	The expected credit loss is calculated, with reference to historical credit loss experience, in consideration of current conditions and prediction of future economic conditions, and based on the comparison table prepared for other receivables ageing and expected credit loss rate.

Calculation method of ageing for portfolios determined based on ageing analysis of credit risk characteristics

√ Applicable □ Not applicable

Ageing	Expected credit loss rate of other receivables (%)
Within 1 year (inclusive, same below)	5.00
1 to 2 years	10.00
2 to 3 years	50.00
Over 3 years	100.00

The ageing of other receivables is calculated on a first-in, first-out basis starting from the month when the relevant amounts actually arise.

Judgment criteria for accruing provision for bad debts on an individual basis

√ Applicable □ Not applicable

The Company recognises expected credit losses individually for receivables and contract assets with credit risk significantly different from portfolio credit risk.

16. Inventories

√ Applicable □ Not applicable

Categories of inventories, valuation methods for issued inventories, inventory system, amortisation methods for low-value consumables and packaging materials

√ Applicable □ Not applicable

1. Classification of Inventories

Inventories include finished goods or commodities held for sale in daily activities, work-in-progress under production, and materials and supplies consumed in the course of production or provision of services.

2. Valuation Method for Issued Inventories

The month-end weighted average method is adopted for issued inventories.

3. Inventory System

The perpetual inventory system is applied to inventories.

4. Amortisation Methods for Low-value Consumables and Packaging Materials

(1) Low-value Consumables

Amortised by the one-off write-off method.

(2) Packaging Materials

Amortised by the one-off write-off method.

Recognition criteria and provision method for inventory impairment

√ Applicable □ Not applicable

At the statement of assets and liabilities date, inventories are measured at the lower of cost and net realisable value, and inventory impairment is provided for the excess of cost over net realisable value. For inventories held for direct sale, their net realisable value is determined as the estimated selling price less estimated selling expenses and relevant taxes and fees in the ordinary course of business. For inventories requiring further processing, their net realisable value is determined as the estimated selling price of the finished products derived therefrom less estimated costs to completion, estimated selling expenses and relevant taxes and fees in the ordinary course of business. Where part

of a single item of inventory is covered by a contractual price and the remaining part is not at the statement of assets and liabilities date, the net realisable value shall be determined separately for each part and compared with the corresponding cost, so as to calculate the amount of inventory impairment to be recognised or reversed respectively.

Categories and determination basis of portfolios for accruing inventory impairment on a portfolio basis, and determination basis of net realisable value for different categories of inventories

☐ Applicable √ Not applicable

Calculation method and determination basis of net realisable value for each portfolio classified by inventory age where net realisable value is determined based on inventory age

☐ Applicable √ Not applicable

17. Contract Assets

☐ Applicable √ Not applicable

18. Non-current Assets or Disposal Groups Held for Sale

☐ Applicable √ Not applicable

Recognition criteria and accounting treatment methods for non-current assets or disposal groups classified as held for sale

☐ Applicable √ Not applicable

Identification criteria and presentation methods for discontinued operations

☐ Applicable √ Not applicable

19. Long-term Investments

√ Applicable ☐ Not applicable

1. Judgement of Joint Control and Significant Influence

Joint control is recognised where parties collectively control an arrangement in accordance with relevant agreements, and decisions on relevant activities of the arrangement require the unanimous consent of all parties sharing control. Significant influence is recognised where an investor has the power to participate in the financial and operating policy decisions of the investee, but does not have control or joint control over the formulation of such policies together with other parties.

2. Determination of Investment Cost

(1) For long-term investments arising from business combinations under common control, where the combining party settles the consideration by paying cash, transferring non-cash assets, assuming liabilities or issuing equity securities, the initial investment cost shall be measured as the share of the carrying amount of the equity of the combined party in the consolidated financial statements of the ultimate controlling party as at the combination date. The difference between the initial investment cost of long-term investments and the carrying amount of the consideration transferred or the total par value of shares issued shall be adjusted against capital reserve; if the capital reserve is insufficient to offset the difference, retained earnings shall be adjusted.

Where the Company achieves a business combination under common control through multiple transactions in stages to form long-term investments, it shall determine whether such transactions constitute a "package deal". If they constitute a "package deal", all transactions shall be accounted for as a single transaction to obtain control. If they do not constitute a "package deal", the initial investment cost as at the combination date shall be determined based on the share of the carrying amount of the net assets of the combined party held by the Company after combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost of long-term investments as at the combination date and the sum of the carrying amount of long-term investments held prior to the combination and the carrying amount of the additional consideration paid for newly acquired shares on the combination date shall be adjusted against capital reserve; if the capital reserve is insufficient to offset the difference, retained earnings shall be adjusted.

(2) For long-term investments arising from business combinations not under common control, the initial investment cost shall be measured at the fair value of the consideration transferred as at the acquisition date.

Where the Company achieves a business combination not under common control through multiple transactions in stages to form long-term investments, relevant accounting treatments shall be conducted separately in the separate financial statements and consolidated financial statements:

1) In the separate financial statements, the sum of the carrying amount of the originally held equity investment and the cost of the additional investment shall be taken as the initial investment cost accounted for under the cost method.

2) In the consolidated financial statements, it shall be determined whether such transactions constitute a "package deal". If they constitute a "package deal", all transactions shall be accounted for as a single transaction to obtain control. If they do not constitute a "package deal", the equity interests in the acquiree held prior to the acquisition date shall be remeasured at their fair value as at the acquisition date, and the difference between fair value and carrying amount shall be recognised in current investment income. Where the equity interests in the

acquiree held prior to the acquisition date involve other comprehensive income recognised under the equity method, the related other comprehensive income shall be reclassified to profit or loss for the current period ending on the acquisition date, except for other comprehensive income arising from changes in the remeasurement of the net liability or net asset of the defined benefit plan of the investee.

(3) Other than those arising from business combinations: Where acquired by paying cash, the initial investment cost shall be the actual purchase price paid. Where acquired by issuing equity securities, the initial investment cost shall be the fair value of the issued equity securities. Where acquired through debt restructuring, the initial investment cost shall be determined in accordance with Accounting Standard for Business Enterprises No. 12 — Debt Restructuring. Where acquired through non-monetary asset exchange, the initial investment cost shall be determined in accordance with Accounting Standard for Business Enterprises No. 7 — Exchange of Non-monetary Assets.

3. Subsequent Measurement and Profit or Loss Recognition Methods

Long-term investments over which the investee is controlled are accounted for using the cost method. Long-term investments in associates and joint ventures are accounted for using the equity method.

4. Accounting Treatment for Disposal of Investment in a Subsidiary in Stages until Loss of Control

(1) Principles for Judging whether Transactions Constitute a "Package Deal"

Where the Company disposes of equity investment in a subsidiary in multiple transactions until losing control, it shall judge whether such staged transactions constitute a "package deal" by reference to the terms of transaction agreements, disposal consideration received respectively, transferees of equity interests, disposal methods and transaction timing of each step. Transactions are generally regarded as a "package deal" if their terms, conditions and economic effects meet one or more of the following circumstances:

1) The transactions are entered into concurrently or with mutual consideration of their impacts;

2) The transactions can only achieve a complete commercial result as a whole;

3) The occurrence of one transaction is conditional upon the completion of at least one other transaction;

4) A single transaction is not economically viable on a standalone basis, but becomes viable when combined with other transactions.

(2) Accounting Treatment for Transactions Not Constituting a "Package Deal"

1) Financial Statements

The difference between the carrying amount of the disposed equity interests and the actual consideration received shall be recognised in current profit or loss. For the remaining equity interests, if the Company still has significant influence or joint control over the investee together with other parties, such interests shall be reclassified to be accounted for under the equity method. If the Company no longer has control, joint control or significant influence over the investee, such interests shall be accounted for in accordance with the provisions of Accounting Standard for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments.

2) Consolidated Financial Statements

Prior to the loss of control, the difference between the disposal consideration and the share of the net assets of the subsidiary continuously calculated from the acquisition date or combination date corresponding to the disposed long-term equity investment shall be adjusted against capital reserve (capital premium). If the capital premium is insufficient for offset, retained earnings shall be reduced accordingly. Upon loss of control over the former subsidiary, the remaining equity interests shall be remeasured at their fair value as at the date of loss of control.

The difference between the sum of the consideration from disposal of equity interests and the fair value of remaining equity interests, and the share of the net assets of the former subsidiary continuously calculated from the acquisition date or combination date based on the original shareholding ratio shall be recognised as investment income for the period when control is lost, and goodwill shall be written down simultaneously. Other comprehensive income and other items related to the equity investment in the former subsidiary shall be reclassified to current investment income upon loss of control.

(3) Accounting Treatment for Transactions Constituting a "Package Deal"

1) Separate Financial Statements

All transactions shall be accounted for as a single transaction to dispose of the subsidiary and lose control. Prior to the loss of control, the difference between the disposal consideration for each transaction and the carrying amount of the corresponding disposed long-term equity investment shall be recognised as other comprehensive income in the separate financial statements, and reclassified in full to profit or loss for the period when control is lost.

2) Consolidated Financial Statements

All transactions shall be accounted for as a single transaction to dispose of the subsidiary and lose control. Prior to the loss of control, the difference between the disposal consideration for each transaction and the corresponding share of the subsidiary's net assets attributable to the disposed investment shall be recognised as other comprehensive income in the consolidated financial statements, and reclassified in full to profit or loss for the period when control is lost.

20. Investment Properties

(1) Where the cost measurement model is adopted:

Depreciation and Amortisation Methods

1. Investment properties include land use rights leased out, land use rights held for capital appreciation and subsequent transfer, and buildings leased out.

2. Investment properties are initially measured at cost and subsequently measured under the cost model. Depreciation and amortisation are recognised using the same methods as for property, plant and equipment and intangible assets.

21. Property, plant and equipment

(1) Recognition Criteria

√ Applicable □ Not applicable

Property, plant and equipment refer to tangible assets held for the production of goods, provision of services, leasing or administrative purposes with a useful life exceeding one accounting year. Property, plant and equipment shall be recognised when it is probable that economic benefits will flow and their cost can be measured reliably.

(2) Depreciation Methods

√ Applicable □ Not applicable

Category	Depreciation method	Depreciation term (years)	Residual value rate	Annual depreciation rate
Plants and buildings	Straight-line method	10-30	5.00	3.17-9.50
General equipment	Straight-line method	3-5	5.00	19.00-31.67
Special equipment	Straight-line method	10	5.00	9.50
Transportation tools	Straight-line method	4-5	5.00	19.00-23.75

22. Construction in Progress

√ Applicable □ Not applicable

1. Construction in progress is recognised when it is probable that economic benefits will flow and its cost can be measured reliably. Construction in progress is measured at the actual costs incurred before the relevant assets are ready for their intended use.

2. When construction in progress is ready for its intended use, it is transferred to property, plant and equipment at the actual project cost. Where construction in progress is ready for its intended use but the final settlement formalities have not been completed, it shall first be transferred to property, plant and equipment at estimated value. After the completion of final settlement, the original estimated value shall be adjusted based on the actual cost, while the depreciation already accrued shall not be readjusted.

Category	Standards and timing for transferring construction in progress to property, plant and equipment
Machinery and equipment	Meet the design requirements or standards under the contract after installation and commissioning
Investment property	Meet the design requirements or standards under the contract after acceptance

23. Borrowing Costs

√ Applicable □ Not applicable

1. Recognition Principles for Capitalisation of Borrowing Costs

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of qualifying assets shall be capitalised and included in the cost of relevant assets. All other borrowing costs shall be recognised as expenses in profit or loss for the current period when incurred.

2. Capitalisation Period of Borrowing Costs

(1) Capitalisation shall commence when all the following conditions for borrowing costs are satisfied:

1) Expenditures have been incurred;

2) Borrowing costs have been incurred;

3) Necessary acquisition, construction or production activities to bring the assets to their intended use or saleable condition have commenced.

(2) If the construction or production of a qualifying asset is interrupted abnormally for a continuous period of more than three months, the capitalisation of borrowing costs shall be suspended. Borrowing costs incurred during the interruption shall be recognised as expenses for the current period until the acquisition, construction or production activities of the asset resume.

(3) The capitalisation of borrowing costs shall cease when the qualifying asset under acquisition, construction or production is ready for its intended use or sale.

3. Capitalisation Rate and Capitalised Amount of Borrowing Costs

Where specific borrowings are obtained for the acquisition, construction or production of qualifying assets, the amount of interest to be capitalised shall be determined as the actual interest expenses incurred on such specific borrowings during the current period (including amortisation of discounts or premiums determined by the effective interest method), less interest income from bank deposits or investment income from temporary investment of unutilised borrowing funds. Where general borrowings are utilised for the acquisition, construction or production of qualifying assets, the amount of interest on general borrowings to be capitalised shall be calculated by multiplying the weighted average of accumulated asset expenditures in excess of specific borrowings by the capitalisation rate of the utilised general borrowings.

24. Biological Assets

☐ Applicable √ Not applicable

25. Oil and Gas Assets

☐ Applicable √ Not applicable

26. Intangible Assets

(1) Useful lives and their determination basis, estimation, amortisation methods or review procedures

√ Applicable ☐ Not applicable

1. The assets include land use rights, patents, non-patented technologies and software, which are initially measured at cost.

2. Intangible assets with finite useful lives are amortised systematically and reasonably over their useful lives in accordance with the expected pattern of consumption of economic benefits associated therewith. Where the expected pattern cannot be reliably determined, the straight-line method is adopted for amortisation. Details are set out as follows:

Item	Useful lives and its basis of Determination	Amortization method
Land use rights	20 to 50 years, the time when the lands are available for use	Straight-line method
Patent rights	10 to 20 years, useful lives	Straight-line method
Non-patented technology	10 years, useful lives	Straight-line method
Software	5 years, useful lives	Straight-line method

(2) Scope of accumulation and relevant accounting treatment of research and development expenditures

√ Applicable □ Not applicable

1. Scope of Accumulation of Expenditures

(1) Personnel Labour Costs

Personnel labour costs include salaries, basic pension insurance premiums, basic medical insurance premiums, unemployment insurance premiums, work injury insurance premiums, maternity insurance premiums and housing provident funds for research and development staff of the Company, as well as service fees for externally engaged research and development personnel.

Where research and development staff serve multiple research and development projects concurrently, labour costs shall be allocated proportionally among different research and development projects based on the working hour records of such staff for respective projects provided by the management department of the Company.

Where personnel directly engaged in research and development activities and externally engaged research and development personnel also conduct non-research and development activities, the Company shall allocate the actually incurred personnel labour costs between research and development expenses and operating expenses by reasonable means such as the proportion of actual working hours, in accordance with the working hour records of such personnel at different posts.

(2) Direct Input Costs

Direct input costs refer to relevant expenditures actually incurred by the Company for carrying out research and development activities, including:

1) Costs of consumed materials, fuels and power;

2) Expenses for the development and manufacture of moulds and process equipment used for intermediate tests and product trial production, purchase costs of samples, prototypes and general testing appliances that do not constitute property, plant and equipment, and inspection fees for trial-produced products;

3) Expenses for operation, maintenance, adjustment, inspection, testing and repair of instruments and equipment used for research and development activities.

(3) Depreciation Expenses and Long-term prepaid Expenses

Depreciation expenses refer to depreciation charges of instruments, equipment and buildings in use applied to research and development activities.

Where instruments, equipment and buildings in use for research and development activities are also used for non-research and development activities, necessary records on their usage shall be maintained. The actually incurred depreciation charges shall be allocated between research and development expenses and operating expenses by reasonable methods with reference to factors such as actual working hours and occupied areas.

Long-term prepaid expenses refer to expenses arising from reconstruction, modification, decoration and repair of research and development facilities. Such expenses are accumulated based on actual disbursements and amortised equally by instalments within the prescribed period.

(4) Amortisation Expenses of Intangible Assets

Amortisation expenses of intangible assets refer to the amortisation charges of software, intellectual property rights and non-patented technologies (including proprietary technologies, licences, designs and calculation methods) used for research and development activities.

(5) Equipment Commissioning Expenses and Testing Expenses

Equipment commissioning expenses refer to expenses incurred on research and development activities during tooling preparation, including expenses arising from developing special and dedicated production machinery, modifying production and quality control procedures, or formulating new methods and standards.

Expenses incurred on routine tooling preparation and industrial engineering for large-scale mass production and commercial production shall not be included in the scope of accumulation. Testing expenses include clinical trial fees for new drug development, on-site test fees for exploration and development technologies, field test fees and others.

(6) Outsourced Research and Development Expenses

Outsourced research and development expenses refer to expenses incurred by the Company when entrusting other institutions or individuals inside and outside the PRC to conduct research and development activities, where the outcomes of such activities are owned by the Company and closely related to its principal business operations.

(7) Other Expenses

Other expenses refer to other expenses directly related to research and development activities apart from the aforesaid items, including fees for technical books and materials, document translation fees, expert consultation fees, high-tech research and development insurance premiums, fees for retrieval, demonstration, review, appraisal and acceptance of research and development achievements, application fees, registration fees and agency fees for intellectual property rights, conference fees, travel expenses and communication fees.

2. Expenditures incurred in the research phase of research and development projects shall be recognised in profit or loss for the current period when incurred. Expenditures incurred in the development phase of internal research and development projects shall be recognised as intangible assets if all the following conditions are satisfied:

1) The technical feasibility of completing the intangible asset for use or sale is established;

2) There is an intention to complete the intangible asset and put it into use or sell it;

3) The manner in which the intangible asset will generate economic benefits is confirmed, including evidence that a market exists for products manufactured using the intangible asset or for the intangible asset itself. Where the intangible asset is to be used internally, its utility can be demonstrated;

4) Sufficient technical, financial and other resources are available to complete the development of the intangible asset, and the entity has the ability to use or sell the intangible asset;

5) Expenditures attributable to the development phase of the intangible asset can be measured reliably.

3. Specific criteria for distinguishing expenditures between the research phase and development phase of internal research and development projects:

Expenditures incurred in the development phase of externally purchased or outsourced research and development projects, as well as the purchase price and subsequent clinical trial fees of production technologies or formulas that have undergone clinical trials, shall be recognised as development expenditures and transferred to intangible assets upon obtaining the production approval documents.

27. Impairment of Long-term Assets

√ Applicable □ Not applicable

For long-term assets including long-term investments, investment properties measured under the cost model, property, plant and equipment, construction in progress, right-of-use assets and intangible assets with finite useful lives, the recoverable amount shall be estimated at the statement of assets and liabilities date if there is any indication of impairment. Goodwill arising from business combinations and intangible assets with indefinite useful lives shall be tested for impairment annually regardless of whether impairment indicators exist. Goodwill is tested for impairment together with the related asset groups or combination of asset groups.

If the recoverable amount of the aforesaid long-term assets is lower than their carrying amount, an impairment provision shall be recognised for the difference and charged to profit or loss for the current period.

28. Long-term Prepaid Expenses

√ Applicable □ Not applicable

Long-term prepaid expenses account for various expenses already incurred with an amortisation period exceeding one year (excluding one year). Long-term prepaid expenses are recorded at the actual amount incurred and amortised equally by instalments over the benefit period or the prescribed period. If an item of long-term prepaid expenses no longer generates benefits for subsequent accounting periods, the unamortised carrying amount of such item shall be fully recognised in profit or loss for the current period.

29. Contract Liabilities

√ Applicable □ Not applicable

The Company presents contract assets or contract liabilities in the statement of assets and liabilities based on the relationship between the performance of performance obligations and payments received from customers. The Company offsets contract assets and contract liabilities arising from the same contract and presents the net amount.

The Company presents unconditional rights to consideration from customers (i.e. rights dependent solely on the passage of time) as trade receivables. Rights to consideration for goods transferred to customers, which are subject to factors other than the passage of time, are presented as contract assets.

Obligations to transfer goods to customers for consideration received or receivable from customers are presented as contract liabilities.

30. Remuneration of Employees

(1). Accounting treatment methods of short-term remuneration

√ Applicable □ Not applicable

During the accounting period when employees render services to the Company, the actually incurred short-term remuneration shall be recognised as liabilities and charged to current profit or loss or the cost of relevant assets.

(2). Accounting treatment methods of post-employment benefits

√ Applicable □ Not applicable

Post-employment benefits are divided into defined contribution plans and defined benefit plans.

(1) During the accounting period when employees render services to the Company, the payable contribution amount calculated in accordance with defined contribution plans shall be recognised as liabilities and charged to current profit or loss or the cost of relevant assets.

(2) The accounting treatment for defined benefit plans generally includes the following steps:

1) Estimate relevant demographic variables and financial variables based on the projected unit credit method with unbiased and consistent actuarial assumptions, measure the obligations arising from defined benefit plans and determine the period to which the relevant obligations belong. Meanwhile, discount the obligations arising from defined benefit plans to determine the present value of obligations under defined benefit plans and the current service cost;

2) Where assets exist under defined benefit plans, the deficit or surplus derived from deducting the fair value of assets under defined benefit plans from the present value of obligations under defined benefit plans shall be recognised as net liabilities or net assets under defined benefit plans. Where a surplus exists under defined benefit plans, the net assets under defined benefit plans shall be measured at the lower of the surplus under defined benefit plans and the asset ceiling;

3) At the end of each period, the remuneration costs arising from defined benefit plans shall be classified into three components, namely service cost, net interest on net liabilities or net assets under defined benefit plans, and remeasurement gains and losses on net liabilities or net assets under defined benefit plans.

Among them, service cost and net interest on net liabilities or net assets under defined benefit plans shall be charged to current profit or loss or the cost of relevant assets. Remeasurement gains and losses on net liabilities or net assets under defined benefit plans shall be recognised in other comprehensive income and shall not be reclassified to profit or loss in subsequent accounting periods, while the amounts recognised in other comprehensive income may be transferred within equity.

(3). Accounting treatment methods of termination benefits

√ Applicable □ Not applicable

The remuneration liabilities arising from termination benefits provided to employees shall be recognised and charged to current profit or loss at the earlier of the following two dates:

(1) When the Company can no longer unilaterally withdraw the termination benefits offered under the labour relationship termination plan or redundancy proposal;

(2) When the Company recognises the costs or expenses related to the restructuring involving the payment of termination benefits.

(4). Accounting treatment methods of other long-term employee benefits

√ Applicable □ Not applicable

Other long-term benefits provided to employees that meet the criteria of defined contribution plans shall be accounted for in accordance with the relevant provisions on defined contribution plans. Other long-term benefits that do not fall into the above category shall be accounted for in accordance with the relevant provisions on defined benefit plans. To simplify the relevant accounting treatment, the total net amount consisting of service cost, net interest on net liabilities or net assets arising from other long-term employee benefits, and changes arising from the remeasurement of net liabilities or net assets arising from other long-term employee benefits shall be credited to profit or loss or the cost of relevant assets.

31. Provisions

□ Applicable √ Not applicable

32. Share-based payment

√ Applicable □ Not applicable

1. Types of share-based payment

Including equity-settled share-based payment and cash-settled share-based payment.

2. Relevant accounting treatments for the implementation, amendment and termination of share-based payment plans

(1) Equity-settled share-based payment

For equity-settled share-based payment for employee services that vest immediately after grant, the fair value of equity instruments shall be recognised in relevant costs or expenses at the grant date, with a corresponding adjustment to capital reserve. For equity-settled share-based payment for employee services that vest only after completion of services within the vesting period or satisfaction of specified performance conditions, at each balance sheet date during the vesting period, based on the best estimate of the number of vested equity instruments and the fair value of equity instruments at the grant date, the services obtained in the current period shall be recognised in relevant costs or expenses, with a corresponding adjustment to capital reserve.

For equity-settled share-based payment for services from other parties, if the fair value of services from other parties can be measured reliably, such services shall be measured at their fair value at the acquisition date. If the fair value of services from other parties cannot be measured reliably but the fair value of equity instruments can be measured reliably, such services shall be measured at the fair value of equity instruments at the service acquisition date, recognised in relevant costs or expenses, with a corresponding increase in owners' equity.

(2) Cash-settled share-based payment

For cash-settled share-based payment for employee services that vest immediately after grant, the fair value of liabilities assumed by the Company shall be recognised in relevant costs or expenses at the grant date, with a corresponding increase in liabilities. For cash-settled share-based payment for employee services that vest only after completion of services within the vesting period or satisfaction of specified performance conditions, at each balance sheet date during the vesting period, based on the best estimate of vesting status and the fair value of liabilities assumed by the Company, the services obtained in the current period shall be recognised in relevant costs or expenses and corresponding liabilities.

(3) Amendment and termination of share-based payment plans

If an amendment increases the fair value of granted equity instruments, the Company shall recognise the increase of obtained services corresponding to the increase in fair value of equity instruments. If an amendment increases the number of granted equity instruments, the Company shall recognise the fair value of additional equity instruments as the increase of obtained services accordingly. If the Company amends vesting conditions in a manner favourable to employees, the amended vesting conditions shall be taken into account when dealing with vesting conditions.

If an amendment reduces the fair value of granted equity instruments, the Company shall continue to recognise the amount of obtained services based on the fair value of equity instruments at the grant date, without regard to the reduction in fair value of equity instruments. If an amendment reduces the number of granted equity instruments, the reduced portion shall be treated as cancellation of granted equity instruments. If vesting conditions are amended in a manner unfavourable to employees, the amended vesting conditions shall not be taken into account when dealing with vesting conditions.

If the Company cancels or settles the granted equity instruments during the vesting period (excluding cancellation due to failure to satisfy vesting conditions), such cancellation or settlement shall be treated as accelerated vesting, and the amounts originally to be recognised during the remaining vesting period shall be recognised immediately.

33. Other financial instruments such as preference shares and perpetual bonds

□ Applicable √ Not applicable

34. Revenue

(1). Disclosure of accounting policies adopted for revenue recognition and measurement by business type

√ Applicable □ Not applicable

1. Revenue Recognition Principles

At the commencement date of a contract, the Company assesses the contract, identifies each separate performance obligation contained therein, and determines whether each separate performance obligation is satisfied over time or at a point in time.

A performance obligation is satisfied over time if any one of the following criteria is met; otherwise, it is satisfied at a point in time:

(1) The customer obtains and consumes the economic benefits arising from the Company's performance simultaneously as the Company performs;

(2) The customer controls the goods being constructed by the Company in the course of performance;

(3) The goods produced by the Company in the course of performance have no alternative use, and the Company is entitled to receive payment for the portion of performance completed to date throughout the contract term.

For performance obligations satisfied over time, the Company recognises revenue over the period based on the progress towards complete satisfaction of the performance obligation. When the progress of performance cannot be reasonably determined and the

incurred costs are expected to be recoverable, revenue is recognised at the amount of costs incurred until the progress of performance can be reasonably determined. For performance obligations satisfied at a point in time, revenue is recognised when the customer obtains control of the relevant goods or services. In determining whether the customer has obtained control of the goods, the Company considers the following indicators:

(1) The Company has a present right to receive payment for the goods, namely the customer has a present obligation to pay for the goods;

(2) The Company has transferred the legal title of the goods to the customer, namely the customer has acquired the legal title of the goods;

(3) The Company has transferred physical possession of the goods to the customer, namely the customer has taken physical possession of the goods;

(4) The Company has transferred the principal risks and rewards of ownership of the goods to the customer, namely the customer has acquired the principal risks and rewards of ownership of the goods;

(5) The customer has accepted the goods;

(6) Other indicators indicating that the customer has obtained control of the goods.

2. Revenue Measurement Principles

(1) The Company measures revenue at the transaction price allocated to each separate performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to customers.

(2) Where a contract contains variable consideration, the Company determines the best estimate of variable consideration using either the expected value method or the most likely amount method. The transaction price including variable consideration shall not exceed the amount for which a significant reversal of cumulative recognised revenue is highly improbable when the relevant uncertainty is resolved.

(3) Where a contract contains a significant financing component, the Company determines the transaction price based on the amount that the customer would pay in cash upon obtaining control of the goods or services. The difference between such transaction price and the contractual consideration is amortised using the effective interest method over the contract term. At the commencement date of a contract, if the interval between the customer obtaining control of the goods or services and making payment is expected to be no more than one year, the significant financing component in the contract shall not be taken into account.

(4) Where a contract includes two or more performance obligations, the Company allocates the transaction price to each separate performance obligation at the commencement date of the contract in proportion to the relative standalone selling prices of the promised goods pertaining to each separate performance obligation.

3. Specific Methods for Revenue Recognition

The sales business of dyes and intermediates of the Company is a performance obligation satisfied at a point in time. Revenue from domestic sales is recognised when the customer confirms acceptance, the consideration is received or the right to receive payment is obtained, and the relevant economic benefits are highly likely to flow in; revenue from export sales is recognised when the Company completes customs clearance and obtains the bill of lading in accordance with contractual agreements, the consideration is received or the right to receive payment is obtained, and the relevant economic benefits are highly likely to flow in.

(2). Different revenue recognition methods and measurement methods involved in different business models for similar businesses

□ Applicable √ Not applicable

35. Contract Costs

√ Applicable □ Not applicable

Incremental costs incurred by the Company to obtain a contract shall be recognised as an asset as contract acquisition costs if they are expected to be recoverable.

Costs incurred by the Company to fulfil a contract that are not within the scope of relevant standards such as inventories, property, plant and equipment or intangible assets and meet all the following conditions shall be recognised as an asset as contract fulfilment costs:

1. Such costs are directly related to a current or expected contract, including direct labour, direct materials, manufacturing overheads (or similar expenses), costs explicitly borne by customers and other costs incurred solely for the contract;

2. Such costs enhance the resources of the Company to satisfy performance obligations in the future;

3. Such costs are expected to be recoverable.

Assets related to contract costs are amortised on the same basis as the recognition of revenue from the relevant goods or services, and charged to profit or loss for the current period.

If the carrying amount of an asset related to contract costs exceeds the remaining consideration expected to be obtained from transferring the relevant goods or services less the estimated costs to be incurred, the Company shall provide for impairment on the excess portion and recognise it as an

impairment loss on assets. If factors leading to impairment in prior periods change, resulting in the remaining consideration expected to be obtained from transferring the relevant goods or services less the estimated costs to be incurred being higher than the carrying amount of the asset, the previously recognised impairment loss shall be reversed and credited to profit or loss for the current period. The carrying amount of the asset after reversal shall not exceed its carrying amount at the reversal date assuming no impairment had been recognised.

36. Government Grants

√ Applicable □ Not applicable

1. Government grants are recognised when all of the following conditions are satisfied simultaneously:

   (1) The Company is able to comply with the conditions attached to the government grants;

   (2) The Company is able to receive the government grants. Government grants in the form of monetary assets are measured at the amount received or receivable. Government grants in the form of non-monetary assets are measured at fair value; if the fair value cannot be reliably determined, they are measured at a nominal amount.

2. Judgement criteria and accounting treatment methods for asset-related government grants

Government grants specified in official documents to be used for the acquisition, construction or other formation of long-term assets are classified as asset-related government grants. Where no clear stipulation is set out in official documents, judgement shall be made based on the basic requirements for obtaining the grants. Grants whose basic requirement is to acquire, construct or otherwise form long-term assets shall be regarded as asset-related government grants. Asset-related government grants are used to offset the carrying amount of relevant assets or recognised as deferred revenue. Where asset-related government grants are recognised as deferred revenue, they are recognised in profit or loss on a systematic and rational basis over the useful life of the relevant assets by instalments. Government grants measured at a nominal amount are directly recognised in profit or loss for the current period. If the relevant assets are sold, transferred, scrapped or impaired prior to the end of their useful lives, the unallocated balance of the corresponding deferred revenue shall be transferred to profit or loss for the period when the assets are disposed of.

3. Judgement criteria and accounting treatment methods for income-related government grants

All government grants other than asset-related government grants are classified as income-related government grants. For government grants containing both asset-related and income-related components, if it is difficult to distinguish between them, the entire grant shall be classified as income-related government grants. Where an income-related government grant is used to compensate relevant costs, expenses or losses of future periods, it shall be recognised

as deferred revenue and included in profit or loss for the current period or offset against relevant costs in the period when the relevant costs, expenses or losses are recognised. Where it is used to compensate relevant costs, expenses or losses that have already occurred, it shall be directly included in profit or loss for the current period or offset against relevant costs.

4. Government grants related to the Company's daily business activities shall be recognised as other income or offset against relevant costs and expenses based on the substance of economic transactions. Government grants unrelated to the Company's daily activities shall be included in non-operating income and expenses.

37. Deferred Tax Assets / Deferred Tax Liabilities

√ Applicable □ Not applicable

1. Deferred tax assets or deferred tax liabilities are recognised based on the differences between the carrying amounts and tax bases of assets and liabilities. For items not recognised as assets or liabilities whose tax bases can be determined in accordance with tax laws, deferred tax assets or deferred tax liabilities are calculated and recognised based on the differences between such tax bases and their book amounts using the applicable tax rates expected to apply in the period when the asset is recovered or the liability is settled.

2. Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. At the balance sheet date, if there is convincing evidence that sufficient taxable profit will probably be available in future periods to offset deductible temporary differences, deferred tax assets not recognised in prior accounting periods shall be recognised.

3. The carrying amounts of deferred tax assets are reviewed at each balance sheet date. If it is probable that insufficient taxable profit will be available in future periods to realise the benefits of deferred tax assets, their carrying amounts shall be reduced. Such reductions shall be reversed when sufficient taxable profit is expected to be available.

4. Current tax and deferred tax of the Company are recognised in profit or loss as income tax expense or income, excluding income tax arising from the following circumstances: (1) Business combinations; (2) Transactions or items recognised directly in equity.

5. The Company presents deferred tax assets and deferred tax liabilities on a net basis when all of the following conditions are met: (1) The Company has a legally enforceable right to set off current tax assets against current tax liabilities; (2) The deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities

which intend to settle current tax assets and current tax liabilities on a net basis, or realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets and deferred tax liabilities reverse.

38. Leases

√ Applicable □ Not applicable

Judgement criteria and accounting treatment for the simplified accounting applied by the lessee to short-term leases and low-value asset leases

√ Applicable □ Not applicable

At the commencement date of a lease, the Company classifies a lease as a short-term lease if its lease term is no more than 12 months and it contains no purchase option; a lease is classified as a low-value asset lease if the individual leased asset is of low value when new.

For all short-term leases and low-value asset leases, the Company recognises lease payments in the cost of relevant assets or profit or loss for the current period on a straight-line basis throughout each period of the lease term.

Except for the aforesaid short-term leases and low-value asset leases accounted for under simplified treatment, the Company recognises right-of-use assets and lease liabilities for leases at the commencement date of a lease.

(1) Right-of-use assets

Right-of-use assets are initially measured at cost, which includes:

1) The initial measurement amount of lease liabilities;

2) Lease payments made on or before the commencement date of the lease, net of the amount of lease incentives received where applicable;

3) Initial direct costs incurred by the lessee;

4) Estimated costs to be incurred by the lessee for dismantling and removing the leased asset, restoring the site of the leased asset or reinstating the leased asset to the condition stipulated under the lease terms.

The Company depreciates right-of-use assets on a straight-line basis. If it is reasonably certain that ownership of the leased asset will be obtained upon the expiry of the lease term, depreciation is charged over the remaining useful life of the leased asset. If it cannot be reasonably determined that ownership of the leased asset will be obtained upon the expiry of the lease term, depreciation is charged over the shorter of the lease term and the remaining useful life of the leased asset.

(2) Lease liabilities

At the commencement date of a lease, the Company recognises the present value of unpaid lease payments as lease liabilities. The interest rate implicit in the lease is used as the discount rate when calculating the present value of lease payments. If the interest rate implicit in the lease cannot be determined, the Company's incremental borrowing rate shall be adopted as the discount rate. The difference between lease payments and their present value is recognised as unrecognised finance costs. Interest expenses are recognised in each period of the lease term using the discount rate applied for determining the present value of lease payments and credited to profit or loss for the current period. Variable lease payments not included in the measurement of lease liabilities are recognised in profit or loss for the current period when incurred.

After the commencement date of a lease, if there are changes to in-substance fixed payments, estimated payable amounts of guaranteed residual value, indices or rates used to determine lease payments, or changes to the assessment results or actual exercise of purchase options, renewal options or termination options, the Company remeasures lease liabilities based on the present value of the revised lease payments and adjusts the carrying amount of right-of-use assets accordingly. If the carrying amount of right-of-use assets has been reduced to zero while further reduction of lease liabilities is required, the remaining amount shall be recognised in profit or loss for the current period.

Lease classification criteria and accounting treatment methods as a lessor

√ Applicable □ Not applicable

At the commencement date of a lease, the Company classifies a lease as a finance lease if it substantially transfers almost all the risks and rewards incidental to ownership of the leased asset, and all other leases are classified as operating leases.

The Company recognises lease receipts as rental income on a straight-line basis over each period of the lease term. Initial direct costs incurred are capitalised and amortised on the same basis as the recognition of rental income to profit or loss for the current period by instalments. Variable lease payments received by the Company in connection with operating leases and not included in lease receipts are recognised in profit or loss for the current period when incurred.

Variable lease payments received by the Company and not included in the measurement of net investment in the lease are recognised in profit or loss for the current period when incurred.

39. Other Significant Accounting Policies and Accounting Estimates

□ Applicable √ Not applicable

40. Changes in Significant Accounting Policies and Accounting Estimates

Please refer to the "Analysis and Explanation on the Reasons and Impacts of Changes in Accounting Policies, Changes in Accounting Estimates or Correction of Material Accounting Errors of the Company" under "Material Matters".

41. First-time adoption of new accounting standards or interpretations thereof commencing from 2025 involving adjustments to the financial statements at the beginning of the year of initial adoption

□ Applicable √ Not applicable

42. Others

√ Applicable □ Not applicable

(I) Safety Production Expenses

The Company accrues safety production expenses in accordance with the provisions of the Measures for the Administration of the Withdrawal and Use of Enterprise Safety Production Expenses (Cai Zi [2022] No. 136) issued by the Ministry of Finance and the Ministry of Emergency Management. Such expenses are included in the cost of relevant products or profit or loss for the current period, and recorded in the special reserve account simultaneously. When the accrued safety production expenses are utilised, expenditure of a revenue nature shall be directly offset against the special reserve. Where property, plant and equipment are formed, relevant expenditures incurred shall be accumulated under the construction in progress account. Upon completion of safety projects and attainment of the intended use status, the items shall be recognised as property, plant and equipment. Meanwhile, the special reserve shall be reduced by the cost of the formed property, plant and equipment, and accumulated depreciation of the same amount shall be recognised. No further depreciation shall be charged on such property, plant and equipment in subsequent periods.

(II) Segment Reporting

The Company determines its operating segments based on internal organisational structure, management requirements and internal reporting system. An operating segment of the Company refers to a component that satisfies all of the following criteria:

1. The component is able to generate revenue and incur expenses in the ordinary course of business;

2. The management regularly reviews the operating results of the component for the purpose of resource allocation and performance evaluation;

3. Relevant accounting information including financial position, operating results and cash flows of the component is available for analysis.

VI. Taxation

1. Major Taxes and Tax Rates

Major Taxes and Tax Rates

√ Applicable □ Not applicable

Tax type	Tax basis	Tax rate
Value-added Tax	The output tax is calculated on the basis of the income from the sale of goods and taxable services calculated in accordance with the provisions of the tax law, and the difference is the value-added tax payable after deducting the input tax allowed to be deducted in the current period	13%、9%
Property tax	If levied at value, 1.2% of the original value of the property less 30% of the remaining value at one time; if levied at rent, 12% of the rental income	1.2%、12%
City maintenance and construction tax	Actual amount of transfer tax paid	7%
Education surcharge	Actual amount of transfer tax paid	3%
Local education surcharge	Actual amount of transfer tax paid	2%
Corporate income tax	Taxable profits	25%、15%、20%

Explanation on disclosure of taxable entities subject to different enterprise income tax rates

√ Applicable □ Not applicable

Name of Taxable Entity	Income tax rate (%)
Jihua Jiangdong, Jihua Material	15%
Kangbeide, Jihua Jizhi, Hengshui Chuangsheng, Jiangsu Jizhao	20%
Other taxable entities other than the above-mentioned	25%

2. Tax Incentives

√ Applicable □ Not applicable

1. Jihua Jiangdong Company, a subsidiary, was recognised as a High and New Technology Enterprise (valid for 3 years) by the Department of Science and Technology of Zhejiang Province, the Department of Finance of Zhejiang Province, the State Taxation Bureau of Zhejiang Province and the Local Taxation Bureau of Zhejiang Province in October 2011. It passed the re-recognition on 8 December 2023 (valid for 3 years) and obtained the High and New Technology Enterprise Certificate with the certificate number GR202333008116. It is entitled to the preferential policy of paying enterprise income tax at a reduced tax rate of 15% for three years commencing from the year of recognition. Jihua Jiangdong Company paid enterprise income tax at the tax rate of 15% for the year 2025.

2. Jihua Materials Company, a subsidiary, was recognised as a High and New Technology Enterprise (valid for 3 years) by the Department of Science and Technology of Zhejiang Province, the Department of Finance of Zhejiang Province, the State Taxation Bureau of Zhejiang Province and the Local Taxation Bureau of Zhejiang Province in September 2010. It passed the re-recognition on 19 December 2025 (valid for 3 years) and obtained the High and New Technology Enterprise Certificate with the certificate number GR202533007008. It is entitled to the preferential policy of paying enterprise income tax at a reduced tax rate of 15% for three years commencing from the year of recognition. Jihua Materials Company paid enterprise income tax at the tax rate of 15% for the year 2025.

3. In accordance with the Announcement on Relevant Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement No. 12 of 2023 issued by the Ministry of Finance and the State Taxation Administration), subsidiaries namely Kangbeide Company, Jizhi Dyeing and Chemical Company, Hengshui Chuangsheng Company and Jiangsu Jizhao Company qualify as small low-profit enterprises. For the portion of annual taxable income not exceeding RMB 3 million, 25% of such amount shall be included in taxable income and enterprise income tax shall be levied at the tax rate of 20%. The policy shall remain in force until 31 December 2027. Resource tax (excluding water resource tax), urban maintenance and construction tax, real estate tax, urban land use tax, stamp duty (excluding stamp duty on securities transactions), farmland occupation tax, education surcharge and local education surcharge shall be halved for small low-profit enterprises, with the implementation period ending on 31 December 2027.

4. Pursuant to Announcement No. 43 of 2023 issued by the Ministry of Finance and the State Taxation Administration, advanced manufacturing enterprises are allowed to deduct an additional 5% of the current deductible input tax against the payable value-added tax from 1 January 2023 to 31 December 2027. Qualified subsidiaries are eligible for the aforesaid preferential policy for the current period.

5. In respect of value-added tax, in accordance with the Circular on Policies concerning Urban Land Use Tax for Entities Employing Disabled Persons and Other Matters (Cai Shui [2016] No. 52), Hangzhou Chuangli Polyurethane Co., Ltd. (hereinafter referred to as Chuangli Polyurethane Company), a subsidiary, enjoys the value-added tax refund policy implemented by the tax authority based on the number of disabled persons employed by the taxpayer.

3. Others

√ Applicable □ Not applicable

The Company is entitled to the exemption, credit and refund tax policy for exported goods, with a tax refund rate of 13%.

VII. Notes to Consolidated Financial Statement Items

1. Bank and cash balances

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Cash on hand	60,422.58	149,001.56
Bank deposits	1,100,579,272.44	700,137,302.44
Other currency funds	16,549,268.56	282,102,831.27
Deposit in financial company		
Total	1,117,188,963.58	982,389,135.27
Including: Total amount deposited abroad		

Other notes:

None

2. Trading Financial Assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance	Reasons and basis for designation
Financial assets at fair value through profit or loss for the period			/
Including:			
Wealth management products	317,136,277.50	105,000,000.00	/
Funds	294,618,195.48	528,617,352.50	/
Financial assets designated at fair value through profit or loss for the period			
Including:			
Total	611,754,472.98	633,617,352.50	/

Other notes:

□ Applicable √ Not applicable

3. Derivatives

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Foreign exchange derivatives	1,592,960.25	7,092,554.77
Total	1,592,960.25	7,092,554.77

Other notes:

None

4. Bills Receivables (應收票據)

(1). Classification presentation of bills receivables (應收票據)

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance bills		
Commercial acceptance bills		108,118.62
Total		108,118.62

(2). Bills receivables (應收票據) pledged by the Company at the end of the period

□ Applicable √ Not applicable

(3). Bills receivables (應收票據) endorsed or discounted by the Company at the end of the period and not yet mature as at the balance sheet date

□ Applicable √ Not applicable

(4). Disclosure classified by provision method for bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carrying amount	Book balance		Provision for bad debts		Carrying amount
Category	Amount	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts on an individual basis										
Including:										
Provision for bad debts on a portfolio basis										
Including:										
Commercial acceptance bills						113,809.07	100.00	5,690.45	5.00	108,118.62
Total		/		/		113,809.07	/.	5,690.45	/.	108,118.62

Provision for bad debts made on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts made on a portfolio basis:

☐ Applicable √ Not applicable

Provision for bad debts made in accordance with the general model for expected credit losses:

☐ Applicable √ Not applicable

Basis for stage classification and provision ratio for bad debts:

Not applicable

Explanation on significant changes in the carrying amount of bills receivables (應收票據) with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of provision for bad debts

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

		Amount of change for the period				
Category	**Opening balance**	**Provision**	**Recovered or reversed**	**Written back or written-off**	**Other changes**	**Closing balance**
Provision for bad debts on a portfolio basis	5,690.45	-5,690.45				
Total	5,690.45	-5,690.45				

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

None

(6). Actual write-off of bills receivables (應收票據) in the current period

☐ Applicable √ Not applicable

Among which, material write-off of bills receivables (應收票據):

☐ Applicable √ Not applicable

Note on write-off of bills receivables (應收票據):

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

5. Trade Receivables

(1). Disclosure by ageing

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Ageing	Closing book balance	Opening book balance
Within one year (including one year)	224,159,570.53	217,631,189.72
Within one year	224,159,570.53	217,631,189.72
One to two years	17,673,879.11	15,176,377.39
Two to three years	7,939,388.93	3,469,041.85
More than three years	958,836.56	355,204.00
Three to four years		
Four to five years		
More than five years		
Total	250,731,675.13	236,631,812.96

(2). Disclosure classified by bad debt provision method

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Carrying amount	Book balance		Provision for bad debts		Carrying amount
Category	Amount	Percentage (%)	Amount	Percentage of provision (%)		Amount	Percentage (%)	Amount	Percentage of provision (%)	
Provision for bad debts on an individual basis	2,228,333.05	0.89	2,228,333.05	100.00		2,330,397.90	0.98	2,330,397.90	100.00	
Including:										
Provision for bad debts on an individual basis	2,228,333.05	0.89	2,228,333.05	100.00		2,330,397.90	0.98	2,330,397.90	100.00	
Provision for bad debts on a portfolio basis	248,503,342.08	99.11	16,945,895.81	6.82	231,557,446.27	234,301,415.06	99.02	14,127,956.60	6.03	220,173,458.46
Including:										
Provision for bad debts on a portfolio basis	248,503,342.08	99.11	16,945,895.81	6.82	231,557,446.27	234,301,415.06	99.02	14,127,956.60	6.03	220,173,458.46
Total	250,731,675.13	/	19,174,228.86	/	231,557,446.27	236,631,812.96	/	16,458,354.50	/	220,173,458.46

Provision for bad debts made on individual basis:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance			
Name	**Book balance**	**Provision for bad debts**	**Percentage of provision (%)**	**Reason for provision**
Provision for bad debts on an individual basis	2,228,333.05	2,228,333.05	100.00	
Total	2,228,333.05	2,228,333.05	100.00	/

Note to provision for bad debts made on individual basis:

□ Applicable √ Not applicable

Provision for bad debts made on portfolio basis:

√ Applicable □ Not applicable

Portfolio provision item: Provision for bad debts made on portfolio basis

Unit: Yuan Currency: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Percentage of provision (%)
Provision for bad debts on a portfolio basis	248,503,342.08	16,945,895.81	6.82
Total	248,503,342.08	16,945,895.81	6.82

Note to provision for bad debts made on portfolio basis:

□ Applicable √ Not applicable

Provision for bad debts made under the general expected credit loss model

□ Applicable √ Not applicable

Basis for division of each stage and provision ratio for bad debts

Not applicable

Note to significant changes in the carrying amount of trade receivables arising from movements in loss provisions during the current period:

□ Applicable √ Not applicable

(3). Status of provision for bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Category	Opening balance	Amount of change for the period				Closing balance
		Provision	Recovered or reversed	Written back or written-off	Other changes	
Provision for bad debts on an individual basis	2,330,397.90	559,933.05		661,997.90		2,228,333.05
Provision for bad debts on a portfolio basis	14,127,956.60	2,817,939.21				16,945,895.8
Total	16,458,354.50	3,377,872.26		661,997.90		19,174,228.86

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

□ Applicable √ Not applicable

Other notes:

None

(4). Actual write-off of trade receivables during the current period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount of write-off
Trade receivables actually written-off	661,997.90

Among which, the material write-off of trade receivables

□ Applicable √ Not applicable

Note to write-off of trade receivables:

□ Applicable √ Not applicable

(5). The status of the top five balances of accounts receivable and contract assets aggregated by debtors at the end of the period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of entity	Closing balance of trade receivables	Closing balance of contract assets	Closing balance of trade receivables and contract assets	Percentage of the total closing balance of trade receivables and contract assets (%)	Closing balance of provision for bad debts
First	20,404,073.78		20,404,073.78	8.14	1,020,203.68
Second	10,698,064.90		10,698,064.90	4.27	767,425.86
Third	10,241,133.25		10,241,133.25	4.08	512,056.66
Fourth	8,049,973.92		8,049,973.92	3.21	402,498.70
Fifth	6,923,599.87		6,923,599.87	2.76	500,322.49
Total	56,316,845.72		56,316,845.72	22.46	3,202,507.39

Other notes:

None

Other notes:

□ Applicable √ Not applicable

6. Contract Assets

(1). Status of contract assets

□ Applicable √ Not applicable

(2). Amounts and reasons for material changes in carrying amounts during the reporting period

□ Applicable √ Not applicable

(3). Disclosure classified by bad debt provision methods

□ Applicable √ Not applicable

Provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio for bad debts

Not applicable

Note to significant changes in the carrying balance of contract assets arising from movements in loss provisions during the current period:

☐ Applicable √ Not applicable

(4). Provision for bad debts on contract assets for the current period

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

None

(5). Actual write-off of contract assets during the current period

☐ Applicable √ Not applicable

Among which, material write-off of contract assets

☐ Applicable √ Not applicable

Note to write-off of contract assets:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

7. Financing of Receivables

(1) Classification Presentation of Financing of Receivables

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	486,730,851.53	439,037,571.36
Finance company acceptance bills	324.08	505,694.02
Total	486,731,175.61	439,543,265.38

(2). Financing of receivables pledged by the Company at the end of the period

□ Applicable √ Not applicable

(3). Financing of receivables endorsed or discounted by the Company at the end of the period and not yet mature as at the statement of assets and liabilities date

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	366,751,907.41	
Total	366,751,907.41	

(4). Disclosure classified by bad debt provision method

□ Applicable √ Not applicable

Provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

□ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio for bad debts

Not applicable

Note to significant changes in the carrying balance of financing of receivables arising from movements in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of bad debt provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

None

(6). Actual write-off of financing of receivables for the current period

☐ Applicable √ Not applicable

Among which, material write-off of financing of receivables

☐ Applicable √ Not applicable

Note to write-off:

☐ Applicable √ Not applicable

(7). Changes in volume and fair value of financing of receivables during the current period:

☐ Applicable √ Not applicable

(8). Other notes

√ Applicable □ Not applicable

The acceptor of bank acceptance bills is commercial banks with high credit standing. Such bills accepted by them have a low risk of non-payment upon maturity, hence the Company derecognises the endorsed or discounted bank acceptance bills. Nevertheless, should these bills fail to be paid at maturity, the Company shall still bear joint and several liability to the bill holders in accordance with the provisions of the Negotiable Instruments Law.

8. Prepayments

(1) Prepayments presented by ageing

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Ageing	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within one year	8,458,766.65	95.42	9,927,746.13	99.30
One to two years	406,385.97	4.58	70,107.85	0.70
Two to three years				
More than three years				
Total	8,865,152.62	100.00	9,997,853.98	100.00

Note to the reasons why prepayments aged over one year with material amounts are not settled in a timely manner:

None

(2) Status of prepayment of the top five closing balances at the end of period by prepayment parties

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of entity	Closing balance	Percentage of the total closing balance of prepayments (%)
First	5,755,995.62	64.93
Second	696,430.57	7.86
Third	679,335.11	7.66
Fourth	426,604.87	4.81
Fifth	349,671.00	3.94
Total	7,908,037.17	89.20

Other notes:

None

Other notes:

□ Applicable √ Not applicable

9. Other receivables

Presentation of items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interest receivables		
Dividend receivables		
Other receivables	16,891,634.85	29,272,877.20
Total	16,891,634.85	29,272,877.20

Other notes:

□ Applicable √ Not applicable

Interest receivable

(1). Classification of interest receivable

☐ Applicable √ Not applicable

(2). Material overdue interest

☐ Applicable √ Not applicable

(3). Disclosure classified by provision for bad debts method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(4). Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio for bad debts:

Not applicable

Note to significant changes in the carrying amount of interest receivable with movements of loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of provisions for bad debts

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

None

(6). Actual write-off of interest receivable during the current period

☐ Applicable √ Not applicable

Including material write-off of interest receivable

☐ Applicable √ Not applicable

Write-off notes:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Dividends Receivable

(1). Dividends Receivable

☐ Applicable √ Not applicable

(2). Material dividends receivable with ageing over one year

☐ Applicable √ Not applicable

(3). Disclosure by bad debt provision method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Note to provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(4). Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for division of each stage and provision ratio for bad debts:

Not applicable

Note to significant changes in the carrying amount of dividends receivable with movements of loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of provisions for bad debts

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

None

(6). Actual write-off of dividends receivable during the current period

☐ Applicable √ Not applicable

Material write-off of dividends receivable

☐ Applicable √ Not applicable

Write-off notes:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Other Receivables

(1). Disclosure by ageing

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Ageing	Closing book balance	Opening book balance
Within one year (including one year)	1,041,417.00	1,035,003.91
Within one year	1,041,417.00	1,035,003.91
One to two years	224,765.23	31,400,000.00
Two to three years	31,400,000.00	59,247.00
More than three years	6,778,255.00	11,221,288.00
Three to four years		
Four to five years		
More than five years		
Total	39,444,437.23	43,715,538.91

(2). Classification by nature of amount

√ Applicable □ Not Applicable

Unit: Yuan Currency: RMB

Nature of amount	Closing book balance	Opening book balance
Placements	5,000,000.00	5,000,000.00
Pledge and security deposit	33,308,971.00	37,651,335.00
Export tax rebate	9,661.73	15,094.25
Others	1,125,804.50	1,049,109.66
Total	39,444,437.23	43,715,538.91

(3). Provision for bad debts

√Applicable □ Not Applicable

Unit: Yuan Currency: RMB

Provision for bad debts	Stage 1 Expected credit loss over the next 12 months	Stage 2 Lifetime expected credit loss—not credit impaired	Stage 3 Lifetime expected credit loss—credit impaired	Total
Balance as at 1 January 2025	51,750.21	3,140,000.00	11,250,911.50	14,442,661.71
Balance as at 1 January 2025 for the current period				
— Transfer to Stage 2	-11,238.26	11,238.26		
— Transfer to Stage 3		-3,140,000.00	3,140,000.00	
— Transfer back to Stage 2				
— Transfer back to Stage 1				
Provision for the current period	11,558.91	11,238.26	8,087,343.50	8,110,140.67
Reversal for the current period				
Written back for the current period				
Write-off for the current period				
Other changes				
Balance as at 31 December 2025	52,070.86	22,476.52	22,478,255.00	22,552,802.38

Basis for division of each stage and provision ratio for bad debts

Basis for division of each stage: The first stage includes security deposit portfolio and ageing portfolio within one year; the second stage refers to ageing portfolio of 1 to 2 years; the third stage covers ageing portfolio over two years.

Provision ratio for bad debts of each stage: 5.00% for the first stage, 10% for the second stage and 58.88% for the third stage.

Note to significant changes in the carrying amount of other receivables with movements of loss provisions during the current period:

☐ Applicable √ Not applicable

Amount of bad debt provisions recognised during the current period and basis adopted for assessing whether the credit risk of financial instruments has increased significantly:

☐ Applicable √ Not applicable

(4). Status of provisions for bad debts

☐ Applicable √ Not applicable

among which, the amount of reversed or recovered bad debt provisions in the current period is material:

☐ Applicable √ Not applicable

Other notes:

None

(5). Actual write-off of other receivables during the current period

☐ Applicable √ Not applicable

Including material write-off of other receivables:

☐ Applicable √ Not applicable

Note to write-off of other receivables:

☐ Applicable √ Not applicable

(6). Status of other receivables with the top five balances by debtor as at the end of the period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of entity	Closing balance	Proportion in the total closing balance of other receivables (%)	Nature of the payment	Ages	Closing balance of provision for bad debt
Gansu Zhipeng Technology Co., Ltd.	30,000,000.00	76.06	Pledge and security deposit	2-3 years	15,000,000.00
Binhai Linhai Asset Management Co., Ltd.	5,000,000.00	12.68	Placements	Over 3 years	5,000,000.00
Jiangsu Binhai Economic Development Zone Coastal Industrial Park Management Committee	1,577,720.00	4.00	Pledge and security deposit	Over 3 years	1,577,720.00
Intelligent Manufacturing Industry Development Management Office, Jiangbei New Area, Nanjing	1,400,000.00	3.55	Pledge and security deposit	2-3 years	700,000.00
Hangzhou Yunshang New Materials Co., Ltd.	325,176.57	0.82	Others	Within 1 year, 1-2 years	24,659.63
Total	38,302,896.57	97.11	/	/	22,302,379.63

(7). Presented under other receivables due to centralized fund management

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

10. Inventories

(1). Classification of inventories

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment of inventories/provision for impairment of contract performance costs	Carrying amount	Book balance	Provision for impairment of inventories/provision for impairment of contract performance costs	Carrying amount
Raw materials	113,294,259.02	6,862,709.07	106,431,549.95	142,364,714.11	7,246,244.99	135,118,469.12
Work in progress	56,412,608.78	8,476,193.90	47,936,414.88	64,291,988.66	10,199,758.44	54,092,230.22
Finished goods in stock	278,019,690.81	9,405,027.88	268,614,662.93	337,790,241.44	11,488,409.09	326,301,832.35
Reusable materials						
Consumable biological assets						
Contract performance costs				4,135,684.02		4,135,684.02
materials consigned for processing	23,163.51		23,163.51	23,546.32		23,546.32
Goods in transit	3,748,669.04	496,249.49	3,252,419.55	7,955,620.71		7,955,620.71
Total	451,498,391.16	25,240,180.34	426,258,210.82	556,561,795.26	28,934,412.52	527,627,382.74

(2). Data resources recognised as inventories

□ Applicable √ Not applicable

(3). Provision for inventory write-downs and impairment provision for contract fulfilment costs

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Amount increased in the current period		Amount decreased in the current period		Closing balance
		Provision	Others	Reversal or written back	Others	
Raw material	7,246,244.99	212,796.37		596,332.29		6,862,709.07
Work in progress	10,199,758.44	310,683.10		2,034,247.64		8,476,193.90
Finished goods in stock	11,488,409.09	4,621,349.83		6,704,731.04		9,405,027.88
Reusable materials						
Consumable biological assets						
Contract performance costs						
Goods in transit		496,249.49				496,249.49
Total	28,934,412.52	5,641,078.79		9,335,310.97		25,240,180.34

Reasons for reversal or write-off of provision for inventory write-downs in the current period

√ Applicable □ Not applicable

Item	Specific basis for determination of the net realizable value	Reason for reversal of provision for inventory obsolescence	Reason for written back of provision for inventory obsolescence
Raw materials / Work in progress / Finished goods in stock/ Goods in transit	The net realizable value is determined as the estimated selling price of relevant finished products less the estimated costs to completion, estimated selling expenses and relevant taxes and fees	The net realizable value of inventories for which inventory impairment provisions were recognised in prior periods increases	Inventories for which inventory impairment provisions have been recognised are consumed or sold during the current period

Provision for inventory write-downs assessed on a portfolio basis

□ Applicable √ Not applicable

Criteria for assessing provision for inventory write-downs on a portfolio basis

☐ Applicable √ Not applicable

(4). Capitalised borrowing costs included in the closing balance of inventories together with their calculation criteria and basis

☐ Applicable √ Not applicable

(5). Note to the amortisation amount of contract fulfilment costs for the current period

√ Applicable ☐ Not applicable

Item	Balance at the beginning of the period	Increase during the current period	Amortisation for the current period	Impairment provision for the current period	Balance at the end of the period
Tulobuterol entrusted research and development project	4,135,684.02		4,135,684.02		
Subtotal	4,135,684.02		4,135,684.02		

Other notes:

☐ Applicable √ Not applicable

11. Assets held for sale

☐ Applicable √ Not applicable

12. Non-current assets due within one year

☐ Applicable √ Not applicable

Debt investments due within one year

☐ Applicable √ Not applicable

Other debt investments due within one year

☐ Applicable √ Not applicable

Other notes to non-current assets due within one year:

None

13. Other current assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Contract acquisition cost		
Cost of return receivable		
Wealth management products	320,729,180.54	303,224,580.03
VAT to be deducted	1,752,945.55	4,540,259.95
Prepaid enterprise income tax	32,182.65	133,797.91
Total	322,514,308.74	307,898,637.89

Other notes:

None

14. Debt investments

(1). Status of debt investments

□ Applicable √ Not applicable

Changes in impairment provisions for debt investments during the current period

□ Applicable √ Not applicable

(2). Material debt investments at the end of the period

□ Applicable √ Not applicable

(3). Recognition of impairment provisions

□ Applicable √ Not applicable

Basis for stage classification and provision ratio for impairment provisions:

Not applicable

Note on material changes in the carrying amount of debt investments with changes in loss provisions during the current period:

□ Applicable √ Not applicable

Amount of impairment provisions recognised during the current period and basis adopted for assessing whether the credit risk of financial instruments has increased significantly

☐ Applicable √ Not applicable

(4). Actual write-off of debt investments during the current period

☐ Applicable √ Not applicable

Among which, write-off of material debt investments

☐ Applicable √ Not applicable

Notes on write-off of debt investments:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

15. Other debt investments

(1). Status of other debt investments

☐ Applicable √ Not applicable

Changes in impairment provisions for other debt investments during the current period

☐ Applicable √ Not applicable

(2). Material other debt investments at the end of the period

☐ Applicable √ Not applicable

(3). Recognition of impairment provisions

☐ Applicable √ Not applicable

Basis for stage classification and provision ratio for impairment provisions:

Not applicable

Note on material changes in the carrying amount of other debt investments with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

Amount of impairment provisions recognised during the current period and basis adopted for assessing whether the credit risk of financial instruments has increased significantly

☐ Applicable √ Not applicable

(4). Actual write-off of other debt investments during the current period

☐ Applicable √ Not applicable

Among which, write-off of material other debt investments

☐ Applicable √ Not applicable

Notes on write-off of other debt investments:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

16. Long-term receivables

(1). Status of long-term receivables

☐ Applicable √ Not applicable

(2). Disclosure by bad debt provision method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Notes on provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(3). Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for stage classification and bad debt provision ratio:

Not applicable

Note on material changes in the carrying amount of long-term receivables with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

Amount of bad debt provisions recognised during the current period and basis adopted for assessing whether the credit risk of financial instruments has increased significantly

☐ Applicable √ Not applicable

(4). Status of bad debt provisions

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes:

Not applicable

(5). Actual write-off of long-term receivables during the current period

☐ Applicable √ Not applicable

Among which, write-off of material long-term receivables

☐ Applicable √ Not applicable

Notes on write-off of long-term receivables:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

17. Long-term investments

(1). Status of long-term investments

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening balance (carrying amount) Additional investment	Decrease in investment	Investment gain or loss recognized under equity method	Other comprehensive income adjustment	Changes in other equity	Declaration of cash dividend or profit	Provision for impairment	Increases/decreases during the period Others	Closing balance (carrying amount)	Closing balance of provision for impairment
I. Joint ventures										
II. Associates										
Linjiang Environmental Protection	116,252,207.54			8,975,551.61		3,263,049.88			121,964,709.27	
Ranhuatong	2,921,701.17			189,634.30					3,111,335.47	
Tuoleshu Pharmaceuticals	1,492,377.14								1,492,377.14	
Subtotal	120,666,285.85			9,165,185.91		3,263,049.88			126,568,421.88	
Total	120,666,285.85			9,165,185.91		3,263,049.88			126,568,421.88	

(2). Impairment test of long-term investments

□ Applicable √ Not applicable

Other notes:

The Company accounts for its investment in Binhai Hongbo Environmental Technology Service Co., Ltd. using the equity method. Due to the excess losses incurred by Binhai Hongbo Environmental Technology Service Co., Ltd., the carrying amount of the long-term equity investment is RMB0.

18. Other equity instrument investments

(1). Status of other equity instrument investments

☐ Applicable √ Not applicable

(2). Notes on derecognition occurred during the current period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

19. Other non-current financial assets

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Classified as financial assets at fair value through profit or loss for the period	99,387,559.78	107,750,612.32
Including: investments in equity instruments	99,387,559.78	107,750,612.32
Total	99,387,559.78	107,750,612.32

Other notes:

☐ Applicable √ Not applicable

20. Investment Properties

Measurement Model of Investment Properties

(1). Investment properties measured under the cost model

Unit: Yuan Currency: RMB

Item		Buildings	Land use rights	Construction in progress	Total
I.	Original carrying amount				
	1. Opening balance	287,609,492.39	4,662,955.30		292,272,447.69
	2. Amount increased in the current period	2,370,182.66			2,370,182.66
	(1) External purchases	2,370,182.66			2,370,182.66
	(2)Transfer from inventory/ property, plant and equipment/ construction in Progress				
	(3)Increase in business combinations				
	3. Amount decreased in the current period				
	(1) Disposal				
	(2) Other transfer-out				
	4. Closing balance	289,979,675.05	4,662,955.30		294,642,630.35
II.	Accumulated depreciation and accumulated amortisation				
	1. Opening balance	27,820,630.31	1,684,822.96		29,505,453.27
	2. Amount increased in the current period	13,973,784.22	466,295.53		14,440,079.75
	(1) Provision or amortisation	13,973,784.22	466,295.53		14,440,079.75
	3. Amount decreased in the current period				
	(1)Disposal				
	(2)Other transfer-out				
	4. Closing balance	41,794,414.53	2,151,118.49		43,945,533.02
III.	Provision for impairment				
	1. Opening balance				
	2. Amount increased in the current period				
	(1) Provision				
	3. Amount decreased in the current period				
	(1) Disposal				
	(2) Other transfer-out				
	4. Closing balance				
IV.	Carrying amount				
	1. Carrying amount at the end of the period	248,185,260.52	2,511,836.81		250,697,097.33
	2. Carrying amount at the beginning of the period	259,788,862.08	2,978,132.34		262,766,994.42

(2). Status of investment properties with uncompleted property title deeds

☐ Applicable √ Not applicable

(3). Impairment test of investment properties measured under the cost model

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

21. Property, plant and equipment

Presentation of items

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Property, plant and equipment	654,773,000.43	789,366,235.83
Disposal of property, plant and equipment		
Total	654,773,000.43	789,366,235.83

Other notes:

☐ Applicable √ Not applicable

Property, plant and equipment

(1). Status of property, plant and equipment

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item		Buildings	General equipment	Transport facilities	Specialised equipment	Total
I.	Original carrying amount:					
	1. Opening balance	643,079,349.64	21,366,348.29	23,190,377.57	1,853,201,918.81	2,540,837,994.31
	2. Amount increased in the current period	103,211.01	196,920.34	21,681.42	17,433,909.77	17,755,722.54
	(1) Purchase	103,211.01	196,920.34	21,681.42	10,011,283.60	10,333,096.37
	(2) Transfer to construction in progress				7,422,626.17	7,422,626.17
	(3) Increase in business combinations					
	3. Amount decreased in the current period	64,082,011.42	1,302,151.33	1,730,598.29	23,426,875.78	90,541,636.82
	(1) Disposal or retirement	64,082,011.42	1,302,151.33	1,730,598.29	23,426,875.78	90,541,636.82
	4. Closing balance	579,100,549.23	20,261,117.30	21,481,460.70	1,847,208,952.80	2,468,052,080.03
II.	Accumulated depreciation					
	1. Opening balance	309,081,755.55	17,393,954.83	18,783,495.04	1,227,308,256.76	1,572,567,462.18
	2. Amount increased in the current period	25,515,660.15	715,930.84	1,188,236.09	82,185,415.32	109,605,242.40
	(1) Provision	25,515,660.15	715,930.84	1,188,236.09	82,185,415.32	109,605,242.40
	3. Amount decreased in the current period	23,073,717.00	1,239,155.69	1,582,303.42	18,501,019.30	44,396,195.41
	(1) Disposal or retirement	23,073,717.00	1,239,155.69	1,582,303.42	18,501,019.30	44,396,195.41
	4. Closing balance	311,523,698.70	16,870,729.98	18,389,427.71	1,290,992,652.78	1,637,776,509.17
III.	Provision for impairment					
	1. Opening balance	13,418,552.94	43,400.28		165,442,343.08	178,904,296.30
	2. Amount increased in the current period					
	(1) Provision					
	3. Amount decreased in the current period	321,589.24			3,080,136.63	3,401,725.87
	(1) Disposal or retirement	321,589.24			3,080,136.63	3,401,725.87
	4. Closing balance	13,096,963.70	43,400.28		162,362,206.45	175,502,570.43
IV.	Carrying amount					
	1. Carrying amount at the end of the period	254,479,886.83	3,346,987.04	3,092,032.99	393,854,093.57	654,773,000.43
	2. Carrying amount at the beginning of the period	320,579,041.15	3,928,993.18	4,406,882.53	460,451,318.97	789,366,235.83

(2). Status of temporarily idle property, plant and equipment

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount	Note
Buildings	196,536,778.82	110,238,360.28	13,037,071.48	73,261,347.06	
Specialised equipment	1,101,395,621.70	825,057,576.37	161,347,958.99	114,990,086.34	

(3). Property, plant and equipment leased out under operating leases

□ Applicable √ Not applicable

(4). Status of property, plant and equipment with uncompleted property title deeds

□ Applicable √ Not applicable

(5). Impairment test of property, plant and equipment

√ Applicable □ Not applicable

The recoverable amount is determined based on the fair value less costs of disposal

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Carrying amount	Recoverable amount	Amount of impairment	Determination of fair value and disposal costs	Key parameter	Basis for determining key parameters
Relevant assets of Jiangsu Jihua	215,635,866.11	353,605,224.20				
Total	215,635,866.11	353,605,224.20	/	/	/	

The recoverable amount is determined based on the present value of estimated future cash flows

□ Applicable √ Not applicable

Reasons for material discrepancies between the aforesaid information and information used for impairment tests in previous years or external information

□ Applicable √ Not applicable

Reasons for material discrepancies between information adopted for impairment tests in previous years and actual conditions of the current year

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Disposal of property, plant and equipment

☐ Applicable √ Not applicable

22. Construction in progress

Presentation of items

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Construction in progress	12,713,883.95	8,923,509.04
Engineering materials		
Total	12,713,883.95	8,923,509.04

Other notes:

☐ Applicable √ Not applicable

Construction in progress

(1). Status of construction in progress

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

	Closing balance			Opening balance		
Item	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Intermediate projects	6,741,239.69	1,223,299.45	5,517,940.24	6,741,239.69	1,223,299.45	5,517,940.24
Miscellaneous works	7,148,773.90		7,148,773.90	3,358,398.99		3,358,398.99
Others	47,169.81		47,169.81	47,169.81		47,169.81
Total	13,937,183.40	1,223,299.45	12,713,883.95	10,146,808.49	1,223,299.45	8,923,509.04

(2). Changes in major construction-in-progress projects during the current period

☐ Applicable √ Not applicable

(3). Provision for impairment of construction in progress recognised during the current period

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason for the provision
Intermediate projects	1,223,299.45		1,223,299.45		
Total	1,223,299.45		1,223,299.45		/

(4). Impairment test of construction in progress

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Construction materials

(1). Status of construction materials

☐ Applicable √ Not applicable

23. Productive biological assets

(1). Productive biological assets measured under the cost model

☐ Applicable √ Not applicable

(2). Impairment test of productive biological assets measured under the cost model

☐ Applicable √ Not applicable

(3). Productive biological assets measured under the fair value model

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

24. Oil and gas assets

(1). Status of oil and gas assets

☐ Applicable √ Not applicable

(2). Impairment test of oil and gas assets

☐ Applicable √ Not applicable

Other notes: None

25. Right-of-use assets

(1). Status of right-of-use assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Buildings	Transport facilities	Total
I. Original carrying amount			
1. Opening balance	5,202,310.17	1,933,591.93	7,135,902.10
2. Amount increased in the current period	10,324,164.19	322,461.69	10,646,625.88
Lease	10,324,164.19	322,461.69	10,646,625.88
3. Amount decreased in the current period		247,114.72	247,114.72
Disposal		247,114.72	247,114.72
4. Closing balance	15,526,474.36	2,008,938.90	17,535,413.26
II. Accumulated depreciation			
1. Opening balance	4,075,142.99	710,648.07	4,785,791.06
2. Amount increased in the current period	1,540,611.18	733,157.59	2,273,768.77
(1) Provision	1,540,611.18	733,157.59	2,273,768.77
3. Amount decreased in the current period		209,393.78	209,393.78
(1) Provision		209,393.78	209,393.78
4. Closing balance	5,615,754.17	1,234,411.88	6,850,166.05
III. Provision for impairment			
1. Opening balance			
2. Amount increased in the current period			
(1) Provision			
3. Amount decreased in the current period			
(1) Disposal			
4. Closing balance			
IV. Carrying amount			
1. Carrying amount at the end of the period	9,910,720.19	774,527.02	10,685,247.21
2. Carrying amount at the beginning of the period	1,127,167.18	1,222,943.86	2,350,111.04

2). Impairment test of right-of-use assets

□ Applicable √ Not applicable

Other notes: None

26. Intangible assets

(1). Status of intangible assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item		Land use rights	Patent rights	Unpatented technology	Software	Total
I.	Original carrying amount					
	1. Opening balance	124,835,120.43	45,560,377.55	40,494,339.63	2,353,658.01	213,243,495.62
	2. Amount increased in the current period	5,706,200.00	679,611.65		146,017.69	6,531,829.34
	(1) Purchase	5,706,200.00	679,611.65		146,017.69	6,531,829.34
	(2) Internal R&D					
	(3) Increase in business combinations					
	3. Amount decreased in the current period	37,910,970.68		4,500,000.00	235,849.05	42,646,819.73
	(1) Disposal	37,910,970.68		4,500,000.00	235,849.05	42,646,819.73
	4. Closing balance	92,630,349.75	46,239,989.20	35,994,339.63	2,263,826.65	177,128,505.23
II.	Accumulated amortisation					
	1. Opening balance	43,217,340.78	45,143,544.81	8,035,114.47	2,099,832.67	98,495,832.73
	2. Amount increased in the current period	3,197,002.99	716,047.21	4,056,778.68	127,562.03	8,097,390.91
	(1) Provision	3,197,002.99	716,047.21	4,056,778.68	127,562.03	8,097,390.91
	3. Amount decreased in the current period	7,164,827.55		4,500,000.00	235,849.05	11,900,676.60
	(1) Disposal	7,164,827.55		4,500,000.00	235,849.05	11,900,676.60
	4. Closing balance	39,249,516.22	45,859,592.02	7,591,893.15	1,991,545.65	94,692,547.04
III.	Provision for impairment					
	1. Opening balance					
	2. Amount increased in the current period					
	(1) Provision					
	3. Amount decreased in the current period					
	(1) Disposal					
	4. Closing balance					
IV.	Carrying amount					
	1. Carrying amount at the end of the period	53,380,833.53	380,397.18	28,402,446.48	272,281.00	82,435,958.19
	2. Carrying amount at the beginning of the period	81,617,779.65	416,832.74	32,459,225.16	253,825.34	114,747,662.89

The proportion of intangible assets developed internally by the Company to the total balance of intangible assets at the end of the current period is 20.32%.

(2). Data resources recognised as intangible assets

□ Applicable √ Not applicable

(3). Status of land use rights with uncompleted property title deeds

☐ Applicable √ Not applicable

(4). Impairment test of intangible assets

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

27. Goodwill

(1). Original carrying amount of goodwill

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of investee or transaction giving rise to goodwill	Opening balance	Increase during the period: Resulting from the business combination	Decrease during the period: Disposal	Closing balance
Kangbeide Company	12,697,900.19			12,697,900.19
Yancheng Youhua Company	2,544,395.49		2,544,395.49	
Total	15,242,295.68		2,544,395.49	12,697,900.19

(2). Provision for impairment of goodwill

√Applicable ☐ Not Applicable

Unit: Yuan Currency: RMB

Name of investee or transaction giving rise to goodwill	Opening balance	Increase during the period: Provision	Decrease during the period: Disposal	Closing balance
Kangbeide Company	5,197,007.51			5,197,007.51
Yancheng Youhua Company	2,544,395.49		2,544,395.49	
Total	7,741,403.00		2,544,395.49	5,197,007.51

(3). Relevant information of the asset groups or combinations of asset groups to which goodwill is allocated

√ Applicable □ Not applicable

Name	Composition and basis of the asset group or combination to which it belongs	Operating segment to which it belongs and basis	Consistency with previous years
Kangbeide Company asset group	Assets related to the operations of Kangbeide Company	Assets and liabilities of Kangbeide Company	No

Changes in asset groups or combinations of asset groups

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

(4). Specific methods for determining the recoverable amount

The recoverable amount is determined as the fair value less costs of disposal

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Carrying amount	Recoverable amount	Amount of impairment	Determination of fair value and disposal costs	Key parameter	Basis for determining key parameters
Kangbeide Company asset group	45,786,746.19	46,566,500.00		The valuation was conducted by Kunyuan Asset Appraisal Co., Ltd. For this exercise, based on the characteristics of the relevant assets and the best information reasonably available under current circumstances, the fair value is determined by adjusting and revising the market prices of the assets. The amount of disposal costs is determined separately in accordance with the actual conditions of the assets under appraisal.		Fair Value: Market Price × Adjustment Coefficient Where: The adjustment coefficient covers adjustment factors including transaction factors, usage conditions, degree of wear and tear, external environment and other factors; Disposal Costs: Including legal expenses related to asset disposal, relevant taxes and fees, and direct expenses incurred to bring the assets into saleable condition
Total	45,786,746.19	46,566,500.00	/	/	/	/

The recoverable amount is determined based on the present value of estimated future cash flows

☐ Applicable √ Not applicable

Reasons for material discrepancies between the aforesaid information and the information adopted for impairment tests in previous years or external information

☐ Applicable √ Not applicable

Reasons for material discrepancies between the information used for impairment tests in previous years and the actual conditions of the relevant years

☐ Applicable √ Not applicable

(5). Performance commitments and corresponding goodwill impairment

Performance commitments existed when goodwill was recognised and the reporting period or the immediately preceding period fell within the performance commitment period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

28. Long-term prepaid expenses

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Amount increased in the current period	Amortisation for the period	Other decrease amount	Closing balance
Decoration expenses	1,245,051.21		185,661.71		1,059,389.50
River channel lease fees	290,625.00		75,562.50		215,062.50
Total	1,535,676.21		261,224.21		1,274,452.00

Other notes: None

29. Deferred tax assets / Deferred tax liabilities

(1). Deferred tax assets without offsetting

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred revenue tax assets	Deductible temporary difference	Deferred revenue tax assets
Provision for impairment of assets	29,323,160.75	5,505,740.98	28,475,978.82	5,359,139.05
Unrealized profits from internal transactions				
Deductible loss				
Deferred revenue	43,243,849.03	6,530,646.49	35,545,986.14	5,384,589.28
Lease liabilities	9,889,203.54	2,418,439.92	2,517,635.90	557,512.97
Total	82,456,213.32	14,454,827.39	66,539,600.86	11,301,241.30

(2). Deferred tax liabilities without offsetting

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred revenue tax liabilities	Taxable temporary differences	Deferred revenue tax liabilities
Asset valuation appreciation due to business combination not involving enterprises under common control	8,706,552.38	2,176,638.10	9,127,443.36	2,281,860.84
Changes in fair value of other debt investments				
Changes in fair value of investments in other equity instruments				
Depreciation difference of property, plant and equipment	60,522,340.16	9,078,351.02	76,114,563.92	11,417,184.60
Differences in right-of-use assets	10,685,247.21	2,619,047.23	2,350,111.04	517,173.49
Financial assets held for trading	17,289,242.86	4,322,310.71	17,136,160.38	4,284,040.09
Gain on the disposal of assets	162,414,279.92	40,603,569.98	162,414,279.92	40,603,569.98
Total	259,617,662.53	58,799,917.04	267,142,558.62	59,103,829.00

(3). Deferred tax assets or liabilities presented at net amount after offsetting

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance		Opening balance	
	Deferred revenue tax assets and liabilities offset amount	Deferred revenue tax assets or liabilities balance after offset	Deferred revenue tax assets and liabilities offset amount	Deferred revenue tax assets or liabilities balance after offset
Deferred revenue tax assets	2,445,639.48	12,009,187.91	563,721.88	10,737,519.42
Deferred revenue tax liabilities	2,445,639.48	56,354,277.56	563,721.88	58,540,107.12

(4). Details of unrecognised deferred tax assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	318,546,866.13	286,177,949.60
Deductible loss	756,895,862.03	907,226,158.66
Total	1,075,442,728.16	1,193,404,108.26

(5). Deductible losses for unrecognised deferred tax assets will expire in the following years

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Year	Closing balance	Opening balance	Note
2025		7,870,533.08	
2026	143,771,680.35	18,643,718.22	
2027	141,691,028.37	41,855,164.25	
2028	222,481,909.20	18,739,937.00	
2029	82,561,288.17	108,256,188.00	
2030	87,514,827.95	140,155,298.42	
2031	22,303,166.28	150,078,568.15	
2032	18,067,378.03	131,045,051.32	
2033	18,805,709.91	219,826,330.93	
2034	11,181,121.51	70,755,369.29	
2035	8,517,752.26		
Total	756,895,862.03	907,226,158.66	/

Other notes:

☐ Applicable √ Not applicable

30. Other non-current assets

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Contract acquisition costs						
Contract performance costs						
Cost of return receivable						
Contract assets						
Prepayments for the acquisition of long-term assets	25,292,070.00	25,292,070.00		25,292,070.00	25,292,070.00	
Trust products	108,277,957.36	63,395,191.99	44,882,765.37	129,308,085.21	65,583,367.59	63,724,717.62
Total	133,570,027.36	88,687,261.99	44,882,765.37	154,600,155.21	90,875,437.59	63,724,717.62

Other notes: None

31. Assets with restricted ownership or right of use

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing				Opening			
	Book balance	Carrying amount	Restriction type	Restriction	Book balance	Carrying amount	Restriction type	Restriction
Bank and cash balances	305,946,879.30	305,946,879.30	Frozen	Guarantee deposits and time deposits	318,980,768.34	318,980,768.34	Frozen	Guarantee deposits
Bills receivables (應收票據)								
Inventory								
Including: data resources								
Property, plant and equipment								
Intangible assets								
Including: data resources								
Bank and cash balances	228,770.20	228,770.20	Frozen	Litigation	217,868.60	217,868.60	Frozen	Litigation
Bank and cash balances	477.59	477.59	Frozen	Not used for a long time				
Total	306,175,649.50	306,175,649.50	/	/	319,198,636.94	319,198,636.94	/	/

Other notes: None

32. Short-term borrowings

(1). Classification of short-term borrowings

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Pledge borrowings		
Mortgage borrowings		
Guaranteed borrowings		
Credit borrowings	20,114,740.00	20,018,486.11
Bills discounted borrowings not yet derecognised	50,000,000.00	100,000,000.00
Total	70,114,740.00	120,018,486.11

Notes on classification of short-term borrowings: None

(2). Status of overdue and unpaid short-term borrowings

□ Applicable √ Not applicable

The details of material overdue and unpaid short-term borrowings are as follows:

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

33. Trading financial liabilities

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

34. Derivative financial liabilities

□ Applicable √ Not applicable

35. Notes payable

(1). Presentation of notes payable

☐ Applicable √ Not applicable

36. Trade payables

(1). Presentation of trade payables

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Operating trade payables	269,130,562.53	306,366,210.72
Construction trade payables	16,131,682.47	37,388,251.21
Total	285,262,245.00	343,754,461.93

(2). Material trade payables with ageing over one year or overdue

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

37. Advance receipts

(1). Presentation of advance receipts

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Rental fee	370,921.04	1,368,694.20
Total	370,921.04	1,368,694.20

(2). Material advance receipts with ageing over one year

☐ Applicable √ Not applicable

(3). Amounts and reasons for significant changes in carrying amounts during the reporting period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

38. Contract liabilities

(1). Status of contract liabilities

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Loans	26,727,013.30	56,118,627.24
Total	26,727,013.30	56,118,627.24

(2). Material contract liabilities with ageing over one year

☐ Applicable √ Not applicable

(3). Amounts and reasons for significant changes in carrying amounts during the reporting period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

39. Employee benefits payables

(1). Presentation of employee benefits payables

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term remuneration	41,289,754.73	172,465,603.08	172,871,281.08	40,884,076.73
II. Post-employment benefits — defined contribution plan	654,865.08	12,080,874.22	11,917,102.52	818,636.78
III. Termination benefits		38,434.00	38,434.00	
IV. Other benefits due within one year				
Total	41,944,619.81	184,584,911.30	184,826,817.60	41,702,713.51

(2). Presentation of short-term remuneration

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Salary, bonus, allowance and subsidy	40,570,445.74	155,617,627.04	156,098,840.17	40,089,232.61
II. Staff welfare		2,525,670.83	2,525,670.83	
III. Social insurance	456,786.99	7,724,968.13	7,648,835.00	532,920.12
Including: Medical insurance	401,859.31	6,869,685.19	6,800,208.14	471,336.36
Work injury insurance	54,927.68	822,741.22	816,085.14	61,583.76
Maternity insurance		32,541.72	32,541.72	
IV. Housing provident fund	262,522.00	4,297,003.00	4,297,601.00	261,924.00
V. Trade union fund and staff education fund		2,300,334.08	2,300,334.08	
VI. Short-term absence with payment				
VII. Short-term profit sharing plan				
Total	41,289,754.73	172,465,603.08	172,871,281.08	40,884,076.73

(3). Presentation of defined contribution plans

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Basic pension insurance	633,740.40	11,712,971.09	11,552,881.88	793,829.61
2. Unemployment insurance premium	21,124.68	367,903.13	364,220.64	24,807.17
3. Enterprise annuity payment				
Total	654,865.08	12,080,874.22	11,917,102.52	818,636.78

Other notes:

□ Applicable √ Not applicable

40. Taxes payable

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Value added tax	2,185,790.79	3,509,727.14
Consumption tax		
Business tax		
Enterprise income tax	12,891,472.54	11,785,782.42
Personal income tax	382,744.23	431,491.47
Urban maintenance and construction tax	101,197.99	211,942.53
Property tax	5,448,362.25	4,856,251.72
Land use tax	2,097,305.64	2,247,320.94
Education surcharge	43,455.61	91,277.54
Local education surcharge	28,970.40	60,851.69
Stamp duty	545,489.63	414,255.87
Total	23,724,789.08	23,608,901.32

Other notes: None

41. Other payables

(1). Presentation of items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Interests payable		
Dividends payable		
Other payables	23,113,955.56	18,937,218.57
Total	23,113,955.56	18,937,218.57

Other notes:

□ Applicable √ Not applicable

(2). Classification presentation of interest payable

☐ Applicable √ Not applicable

Material overdue interest payable:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

(3). Classification presentation of dividends payable

☐ Applicable √ Not applicable

(4). Other payables

Presentation of other payables by nature

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Pledge and security deposit	17,289,605.05	13,397,559.20
Placements	4,952,998.91	4,948,579.64
Fees	723,377.49	449,515.52
Prepayments for equity incentives		
Others	147,974.11	141,564.21
Total	23,113,955.56	18,937,218.57

Material other payables with ageing over one year or overdue

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

42. Liabilities held for sale

☐ Applicable √ Not applicable

43. Non-current liabilities due within one year

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Long-term borrowings due within one year		
Bonds payable due within one year		
Long-term payables due within one year		
Lease liabilities due within one year	3,347,555.96	1,915,115.44
Total	3,347,555.96	1,915,115.44

Other notes:

None

44. Other current liabilities

Other current liabilities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
Short-term bonds payable		
Returns payable		
Input tax to be carried forward	3,289,959.64	6,496,530.65
Total	3,289,959.64	6,496,530.65

Changes in short-term bonds payable:

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

45. Long-term borrowings

(1). Classification of long-term borrowings

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

46. Bonds payable

(1). Bonds payable

☐ Applicable √ Not applicable

(2). Details of bonds payable: (excluding other financial instruments such as preferred shares and perpetual bonds classified as financial liabilities)

☐ Applicable √ Not applicable

(3). Note to convertible corporate bonds

☐ Applicable √ Not applicable

Accounting treatment and judgment basis of conversion rights

☐ Applicable √ Not applicable

(4). Note to other financial instruments classified as financial liabilities

Basic information of outstanding other financial instruments such as preferred shares and perpetual bonds at the end of the period

☐ Applicable √ Not applicable

Schedule of changes in financial instruments such as outstanding preferred shares and perpetual bonds at the end of the period

☐ Applicable √ Not applicable

Note to the basis for classifying other financial instruments as financial liabilities

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

47. Lease liabilities

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Closing Balance	Opening Balance
Lease liabilities	7,043,522.95	628,000.00
Less: Unrecognised finance costs	501,875.37	25,479.54
Total	6,541,647.58	602,520.46

Other notes: None

48. Presentation of long-term payables items

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Long-term payables

(1). Presentation of long-term payables by nature

☐ Applicable √ Not applicable

Special payables

(1). Presentation of special payables by nature

☐ Applicable √ Not applicable

49. Long-term remuneration payable to employees

☐ Applicable √ Not applicable

50. Provisions

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance	Formation reasons
External guarantees provided			
Pending litigations	1,122,954.06	497,666.79	Pending litigations
Product quality guarantee			
Restructuring obligations			
Pending loss contracts			
Returns payable			
Others			
Total	1,122,954.06	497,666.79	/

Other notes, including material assumptions and estimates relating to material provisions:

None

51. Deferred revenue

Status of deferred revenue

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance	Formation reasons
Government grants	37,561,286.14	17,185,000.00	10,922,737.11	43,823,549.03	
Total	37,561,286.14	17,185,000.00	10,922,737.11	43,823,549.03	/

Other notes:

□ Applicable √ Not applicable

52. Other non-current liabilities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Project cooperation funds	6,000,000.00	6,000,000.00
Total	6,000,000.00	6,000,000.00

Other notes:

None

53. Share capital

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Opening balance	Increase or decrease for the current period (+、-)					Closing balance
		Issuance of new shares	Bonus shares	Conversion of capital reserve into shares	Other	Subtotal	
Total number of shares	676,833,360						676,833,360

Other notes:

None

54. Other equity instruments

(1). Basic information of outstanding other financial instruments such as preferred shares and perpetual bonds at the end of the period

□ Applicable √ Not applicable

(2). Schedule of changes in financial instruments such as outstanding preferred shares and perpetual bonds at the end of the period

□ Applicable √ Not applicable

Details of changes in other equity instruments during the current period, explanations for changes and basis for relevant accounting treatments:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

55. Capital reserve

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Capital premium (share capital premium)	1,079,875,886.43			1,079,875,886.43
Other capital reserve	2,246,615.73			2,246,615.73
Total	1,082,122,502.16			1,082,122,502.16

Other notes, including details of changes during the current period and explanations for changes:

None

56. Treasury shares

☐ Applicable √ Not applicable

57. Other comprehensive income

☐ Applicable √ Not applicable

58. Special reserve

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Safety Production expenses	2,036,200.10	8,149,689.72	8,926,056.15	1,259,833.67
Total	2,036,200.10	8,149,689.72	8,926,056.15	1,259,833.67

Other notes, including details of changes during the current period and explanations for changes:

The Company accrued work safety expenses of RMB 8,149,689.72 during the current period, and utilised RMB 8,926,056.15 in accordance with regulations, all of which were expense disbursements.

59. Surplus reserve

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Opening balance	Increase during the current period	Decrease during the current period	Closing balance
Statutory surplus reserve	358,421,889.12			358,421,889.12
Discretionary surplus reserve				
Reserve funds				
Enterprise development fund				
Others				
Total	358,421,889.12			358,421,889.12

Note to surplus reserve, including increase and decrease changes during the current period and explanations for changes:

None

60. Undistributed profit

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Current period	Previous period
Undistributed profit at the end of the previous period before adjustment	1,796,942,236.67	1,674,126,688.96
Total undistributed profit at the beginning of the period after adjustment (increase +, decrease -)		
Undistributed profit at the beginning of the period after adjustment	1,796,942,236.67	1,674,126,688.96
Add: Net profit attributable to the owners of the parent company for the period	54,296,194.77	170,316,109.91
Less: Appropriation of statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividends payable on ordinary shares	47,378,335.20	47,500,562.20
Dividends on ordinary shares transferred to share capital		
Undistributed profit at the end of the period	1,803,860,096.24	1,796,942,236.67

Details of adjustments to opening undistributed profit:

1. Retrospective adjustments pursuant to the Accounting Standards for Business Enterprises and relevant new provisions, impacting opening undistributed profit by RMB 0.

2. Changes in accounting policies, impacting opening undistributed profit by RMB 0.

3. Corrections of material accounting errors, impacting opening undistributed profit by RMB 0.

4. Changes in consolidation scope arising from common control, impacting opening undistributed profit by RMB 0.

5. Total of other adjustments, impacting opening undistributed profit by RMB 0.

61. Revenue and cost of goods sold

(1). Status of Revenue and cost of goods sold

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Principal operating businesses	1,495,928,961.36	1,309,443,129.60	1,584,733,978.75	1,403,656,792.59
Other businesses	27,946,037.69	25,048,635.88	53,640,056.21	38,853,900.61
Total	1,523,874,999.05	1,334,491,765.48	1,638,374,034.96	1,442,510,693.20

(2). Breakdown information of Revenue and cost of goods sold

□ Applicable √ Not applicable

Other notes:

√ Applicable □ Not applicable

Revenue arising from contracts with customers broken down by type of goods or services

Items	Amount for the current period		Amount for the same period of previous year	
	Income	Cost	Income	Cost
Dyes and intermediates	1,312,194,963.06	1,157,130,699.21	1,386,255,510.06	1,244,248,686.74
polymer coating	99,925,231.68	80,466,918.10	133,274,167.09	104,691,418.51
Polyurethane foam	80,279,518.15	67,501,482.23	69,845,589.10	57,968,198.80
Others	17,176,094.54	14,772,293.76	27,025,505.41	19,314,059.60
Subtotal	1,509,575,807.43	1,319,871,393.30	1,616,400,771.66	1,426,222,363.65

Revenue arising from contracts with customers broken down by operating regions

Items	Amount for the current period		Amount for the same period of previous year	
	Income	Cost	Income	Cost
Domestic	1,264,464,334.38	1,116,839,429.85	1,351,220,035.65	1,196,406,505.91
Overseas	245,111,473.05	203,031,963.45	265,180,736.01	229,815,857.74
Subtotal	1,509,575,807.43	1,319,871,393.30	1,616,400,771.66	1,426,222,363.65

Revenue arising from contracts with customers broken down by timing of transfer of goods or services

Item	Amount for the current period	Amount for the same period of previous year
Recognised as revenue at a point in time	1,509,575,807.43	1,616,400,771.66
Subtotal	1,509,575,807.43	1,616,400,771.66

The revenue recognised in the current period included in the opening carrying amount of contract liabilities is RMB 45,096,049.56.

(3). Note to performance obligations

☐ Applicable √ Not applicable

(4). Note to allocated remaining performance obligations

☐ Applicable √ Not applicable

(5). Material contract changes or material adjustments to transaction prices

☐ Applicable √ Not applicable

Other notes:

None

62. Sales related tax and auxiliary charges

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Land appreciation tax	4,927,399.15	
Water resource tax	68,000.40	
Urban maintenance and construction tax	4,093,770.24	3,176,776.49
Education surcharge	1,790,122.64	1,362,505.15
Resource tax		
Property tax	6,822,223.60	6,604,892.91
Land use tax	2,927,467.33	3,223,785.36
Vehicle and vessel use tax	23,800.80	26,080.80
Stamp duty	1,931,227.37	2,073,220.32
Local education surcharge	1,193,415.15	908,336.76
Environment protection tax	29,917.31	44,629.49
Total	23,807,343.99	17,420,227.28

Other notes:

None

63. Selling expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Staff remuneration	17,391,933.17	15,969,555.36
Business entertainment expenses	447,395.26	584,137.72
Insurance expenses	120,444.40	142,221.00
Travelling expenses	721,321.26	808,806.99
Others	2,503,910.86	1,951,986.43
Total	21,185,004.95	19,456,707.50

Other notes:

None

64. Administrative expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Loss from shutdown	751,563.66	1,872,969.95
Staff remuneration	37,158,792.41	38,070,744.61
Depreciation expenses	23,047,376.13	33,915,793.55
Amortization of intangible assets	7,610,988.03	6,936,162.09
Intermediary service expenses	5,198,326.81	4,964,818.90
Insurance expenses	1,780,564.36	1,717,846.34
Business entertainment expenses	3,305,068.66	4,447,487.66
Repair and maintenance expenses	2,237,385.65	2,033,238.42
Vehicle usage expenses	432,890.05	351,605.34
Other expenses	7,497,926.90	10,674,767.81
Total	89,020,882.66	104,985,434.67

Other notes:

None

65. Research and development expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Staff remuneration	22,245,188.92	22,991,329.16
Consumption of materials	27,877,051.17	27,799,802.00
Depreciation and amortization	4,126,298.26	4,286,107.11
Equipment commissioning expenses	7,039,282.79	7,989,315.31
Other expenses	1,046,571.16	589,231.77
Total	62,334,392.30	63,655,785.35

Other notes:

None

66. Finance expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Interest expenses	812,535.69	1,252,258.17
Less: Interest income	20,492,176.51	29,610,862.90
Handling fees	1,127,841.43	1,178,155.68
Exchange gains or losses	4,090,969.01	-5,535,172.19
Total	-14,460,830.38	-32,715,621.24

Other notes:

None

67. Other income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Classification by nature	Amount for the current period	Amount for the previous period
Government grants relating to assets	10,922,737.11	8,285,349.22
Government grants relating to gains	4,479,996.89	3,868,664.51
Refund of charges for individual income tax	176,114.43	142,251.93
VAT additional deduction	6,118,445.13	7,243,484.92
Total	21,697,293.56	19,539,750.58

Other notes:

None

68. Investment income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Long-term equity investment income accounted for under the equity method	9,165,185.91	13,752,616.52
Investment income on disposal of long-term equity investment		
Investment income of held-for-trading financial assets during the period of holding	278,058.44	
Dividend income from investment in other equity instruments during the period of holding	833,989.60	407,634.49
Interest income from debt investment in the period of holding		
Interest income from other debt investments in the period of holding		
Investment income on disposal of held-for-trading financial assets	14,389,985.02	3,743,381.37
Investment income on disposal of investment in other equity instruments		
Investment income on disposal of debt investments		
Investment income on disposal of other debt investments		
Gain on debt restructuring		
Returns from wealth management	7,666,790.69	17,233,503.31
Loss on discount of financing receivables	-1,050,076.11	-815,715.05
Total	31,283,933.55	34,321,420.64

Other notes:

None

69. Net gain from hedging exposure

□ Applicable √ Not applicable

70. Gains from changes in fair value

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Sources of gains from fair value changes	Amount for the current period	Amount for the previous period
Financial assets held for trading	21,646,701.32	17,999,498.26
Including: Gains from change in fair value of derivative financial instruments	21,646,701.32	17,999,498.26
Financial liabilities held for trading		
Investment real estate measured at fair value		
Total	21,646,701.32	17,999,498.26

Other notes:

None

71. Credit impairment losses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Loss on bad debts of bills receivables (應收票據)	5,690.45	6,809.55
Loss on bad debts of trade receivables	-3,377,872.26	387,477.44
Loss on bad debts of other receivables	-8,110,140.67	-1,459,101.72
Impairment losses on debt investments		
Impairment losses on other debt investments		
Bad debt loss on long-term receivables		
Impairment losses related to financial guarantees		
Total	-11,482,322.48	-1,064,814.73

Other notes:

None

72. Impairment loss on assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
I. Impairment losses on contract assets		
II Inventory depreciation loss and impairment loss on contract performance cost	-5,641,078.79	-1,173,986.12
III. Impairment loss on long-term equity investment		
IV. Impairment losses on investment properties		
V. Impairment loss on property, plant and equipment		
VI. Impairment loss on construction material		
VII. Impairment loss on construction in progress		
VIII. Impairment loss on bearer biological assets		
IX. Impairment loss on oil and gas assets		
X. Impairment loss on intangible assets		
XI. Impairment loss on goodwill		
XII. Others	-7,811,824.40	-22,179,211.82
Total	-13,452,903.19	-23,353,197.94

Other notes:

None

73. Gain on disposal of assets

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Gain on disposal of intangible assets	3,183,239.17	162,481,872.99
Gain on disposal of property, plant and equipment	5,742,748.24	323,480.17
Gain on disposal of right-of-use assets	6,557.65	
Total	8,932,545.06	162,805,353.16

Other notes:

None

74. Non-operating income

Status of non-operating income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring gain or loss
Total gains on disposal of non-current assets	330,619.06	784,830.87	330,619.06
Including: Gain on disposal of property, plant and equipment	330,619.06	784,830.87	330,619.06
Gain on disposal of intangible assets			
Gains on exchange of non-monetary assets			
Donations received			
Government grants			
Forfeiture and penalty income	96,175.50	108,017.00	96,175.50
Others	55,080.92	166,867.38	55,080.92
Payables that will not need to be paid	764,258.34	88.00	764,258.34
Total	1,246,133.82	1,059,803.25	1,246,133.82

Other notes:

□ Applicable √Not applicable

75. Non-operating expenses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period	Amount included in the current non-recurring gain or loss
Total losses on disposal of non-current assets	488,211.15	2,551,257.16	488,211.15
Including: Losses on disposal of property, plant and equipment	488,211.15	2,551,257.16	488,211.15
Losses on disposal of intangible assets			
Losses on exchange of non-monetary assets			
External donation	710,000.00	609,615.43	710,000.00
Fines and late payment penalties	535,564.02	1,341,486.20	535,564.02
Others	299,567.03	557,307.06	299,567.03
Total	2,033,342.20	5,059,665.85	2,033,342.20

Other notes:

None

76. Income tax expenses

(1). Statement of income tax expenses

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Current income tax expenses	16,036,475.12	16,420,421.27
Deferred revenue tax expenses	-2,112,354.14	43,219,781.38
Total	13,924,120.98	59,640,202.65

(2). Adjustment process of accounting profit and income tax expense

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period
Total profit	65,334,479.49
Income tax expense calculated at statutory/applicable tax rate	16,333,619.86
Effect of different tax rates applicable to subsidiaries	-12,732,937.35
Effect of adjusting income taxes for the prior period	732,177.59
Impact on non-taxable income	-2,499,793.89
Effect of non-deductible costs, expenses and losses	752,942.01
Effect of using deductible losses of deferred revenue tax assets not recognized in the prior period	-380,498.47
Effect of deductible temporary differences or deductible losses of deferred revenue tax assets not recognized in the current period	21,596,942.85
Additional deduction of research and development expenses	-9,315,786.90
Additional deduction of wages for disabled employees	-562,544.72
Income tax expenses	13,924,120.98

Other notes:

□ Applicable √ Not applicable

77. Other comprehensive income

□ Applicable √ Not applicable

78. Items in the cash flow statement

(1). Cash related to operating activities

Other cash received from operating activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Recovery of bill deposit and time deposits	60,327,546.62	22,670,496.00
Government grants	20,176,792.65	6,700,112.33
Interest income	20,492,176.51	29,610,862.90
Rental collection	14,027,396.41	17,275,471.59
Receipt of security deposit	8,271,625.85	
Others	960,628.68	380,664.58
Total	124,256,166.72	76,637,607.40

Note to other cash received from operating activities:

None

Other cash paid for operating activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Cash payments	29,441,154.08	36,330,972.73
Payments of bank charges	1,127,841.43	1,178,155.68
Other non-operating expenses	938,074.42	2,029,734.02
Payments of bills deposit and pledged time deposits	50,000,000.00	30,320,174.02
Payments of pledge and security deposit		48,698.73
Others	1,305,380.92	5,149,945.62
Total	82,812,450.85	75,057,680.80

Note to other cash paid for operating activities:

None

(2). Cash related to investing activities

Material cash received from investing activities

□ Applicable √ Not applicable

Material cash paid for investing activities

□ Applicable √ Not applicable

Other cash received from investing activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Recovery of foreign currency derivative instrument security deposit	298,851,090.32	
Total	298,851,090.32	

Note to other cash received from investing activities:

None

Other cash paid for investing activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Payment of foreign currency derivative instrument security deposit	295,926,879.30	298,851,090.32
Total	295,926,879.30	298,851,090.32

Note to other cash paid for investing activities:

None

(3). Cash related to financing activities

Other cash received from financing activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period
Proceeds from discounted bills	198,977,725.23	149,184,444.45
Total	198,977,725.23	149,184,444.45

Note to other cash received from financing activities:

None

Other cash paid for financing activities

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Cash payment for the lease	2,964,438.02	2,011,174.00
Repurchase of shares		87,003,993.93
Refund of advance payments for equity incentives		2,424,756.00
Total	2,964,438.02	91,439,923.93

Note to other cash paid for financing activities:

None

Status of changes in various liabilities arising from financing activities

☐ Applicable √ Not applicable

(4). Note to cash flows presented on a net basis

☐ Applicable √ Not applicable

(5). Material activities that do not involve current cash receipts and payments but affect the enterprise's financial position or may affect the enterprise's cash flows in the future and their financial impacts

☐ Applicable √ Not applicable

79. Supplementary information to the cash flow statement

(1). Supplementary information to the cash flow statement

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	51,410,358.51	169,668,752.92
Add: Asset impairment provision	13,452,903.19	23,353,197.94
Credit impairment loss	11,482,322.48	1,064,814.73
Depreciation of property, plant and equipment, depreciation of oil and gas assets and depreciation of productive biological assets	127,849,044.02	149,142,711.85
Amortization of right-of-use assets	-1,529,953.11	1,712,352.97
Amortization of intangible assets	8,097,390.91	7,361,752.18
Amortization of long-term prepaid expenses	261,224.21	202,153.14
Losses from disposal of property, plant and equipment, intangible assets and other long-term assets (gains shall be presented with a "-" sign)	-8,932,545.06	-162,805,353.16
Losses from scrapping of property, plant and equipment (gains shall be presented with a "-" sign)	157,592.09	1,766,426.29

Supplementary information		Amount for the current period	Amount for the previous period
	Losses from fair value changes (gains shall be presented with a "-" sign)	-21,646,701.32	-17,999,498.26
	Finance costs (gains shall be presented with a "-" sign)	4,903,504.70	-4,282,914.02
	Investment losses (gains shall be presented with a "-" sign)	-31,283,933.55	-34,321,420.64
	Decrease in deferred tax assets (increases shall be presented with a "-" sign)	-1,271,668.49	1,433,414.40
	Increase in deferred tax liabilities (decreases shall be presented with a "-" sign)	-2,185,829.56	41,786,366.98
	Decrease in inventories (increases shall be presented with a "-" sign)	95,728,093.13	10,072,674.78
	Decrease in operating receivables (increases shall be presented with a "-" sign)	-124,957,924.07	51,184,232.55
	Increase in operating payables (decreases shall be presented with a "-" sign)	-71,559,012.80	-53,047,720.87
	Others	-776,366.43	14,193.25
	Net cash flows generated from operating activities	49,198,498.85	186,306,137.03
2.	Significant investing and financing activities not involving cash receipts or payments:		
	Conversion of debts into capital		
	Convertible corporate bonds maturing within one year		
	Addition of right-of-use assets	10,646,625.88	1,735,239.35
3.	Net changes in cash and cash equivalents:		
	Closing balance of cash	811,012,836.49	663,190,498.33
	Less: Opening balance of cash	663,190,498.33	761,691,421.93
	Add: Closing balance of cash equivalents		
	Less: Opening balance of cash equivalents		
	Net increase in cash and cash equivalents	147,822,338.16	-98,500,923.60

(2). Net cash paid for acquisition of subsidiaries during the current period

☐ Applicable √ Not applicable

(3). Net cash received from disposal of subsidiaries during the current period

☐ Applicable √ Not applicable

(4). Composition of cash and cash equivalents

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance
I. Cash	811,012,836.49	663,190,498.33
Including: Cash on hand	60,422.58	149,001.56
Bank deposits readily available for payment	810,729,148.21	663,009,433.84
Other bank and cash balances readily available for payment	223,265.70	32,062.93
Deposits with central bank available for payment		
Deposits with other banks		
Loans from other banks		
II. Cash equivalents		
Including: Bond investments that mature within three months		
III. Closing balance of cash and cash equivalents	811,012,836.49	663,190,498.33
Including: Restricted cash and cash equivalents used by the parent company or subsidiaries within the Group		

(5). Status of cash and cash equivalents with restricted scope of use but still presented as cash and cash equivalents

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Item	Closing balance	Reasons
Fundraising account	3,783,719.19	Earmarked use of fundraising proceeds
Total	3,783,719.19	/

(6). Bank and cash balances not classified as cash and cash equivalents

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance	Opening balance	Reasons
Letter of credit issuance, foreign exchange payment, ETC deposits, long-term unused funds	20,477.59	129,678.02	Unable to withdraw at any time
Bills deposit	10,000,000.00	20,000,000.00	Unable to withdraw at any time
Security deposits and time deposits for foreign currency derivatives	295,926,879.30	298,851,090.32	Unable to withdraw at any time
Frozen litigation	228,770.20	217,868.60	Unable to withdraw at any time
Total	306,176,127.09	319,198,636.94	/

Other notes:

√ Applicable □ Not applicable

Changes in liabilities related to financing activities

Items	Opening balance	Increase in current period		Decrease in current period		Closing balance
		cash changes	non-cash changes	cash changes	non-cash changes	
Short-term borrowings	120,018,486.11	219,049,923.89	1,544,731.11	270,498,401.11		70,114,740.00
Lease liabilities (including lease liabilities due within one year)	2,517,635.90		10,646,625.89	2,888,886.50	386,171.75	9,889,203.54
Subtotal	122,536,122.01	219,049,923.89	12,191,357.00	273,387,287.61	386,171.75	80,003,943.54

Material activities not involving cash receipts and payments

Amount of endorsed commercial bills not involving cash receipts and payments

Items	Amount for the current period	Amount for the same period of previous year
Amount of commercial bills endorsed and transferred	1,076,501,905.31	1,251,556,740.53
Among which: Payment for goods	1,030,554,297.33	1,202,063,811.13
Payments for acquisition of long-term assets such as property, plant and equipment	41,478,223.61	46,642,740.45
Payments for expenses	4,469,384.37	2,850,188.95

80. Notes to items in the statement of changes in equity

State the names of "other" items and the corresponding adjustment amounts in respect of adjustments made to the closing balances at the end of the previous year:

☐ Applicable √ Not applicable

81. Foreign currency monetary items

(1). Foreign currency monetary items

√ Applicable ☐ Not applicable

Unit: Yuan

Items	Closing balance in foreign currencies	Exchange rate	Closing balance converted to RMB
Bank and cash balances	—	—	496,966,603.35
Including: USD	39,091,926.85	7.0288	274,769,335.44
HKD	126,847,921.29	0.9032	114,571,579.47
JPY	2,402,520,000.00	0.044797	107,625,688.44
Trade receivables	—	—	27,787,114.17
Including: USD	3,953,322.64	7.0288	27,787,114.17
HKD			
JPY			
Trade payables	—	—	1,002,494.55
Including: USD	142,626.70	7.0288	1,002,494.55
EUR			
HKD			

Other notes:

None

(2). Note to overseas operating entities, including disclosure of principal overseas places of operation, functional currencies and the basis for selection for material overseas operating entities; where there is a change in functional currency, the reasons therefor shall also be disclosed

☐ Applicable √ Not applicable

82. Leases

(1). As lessee

√ Applicable ☐ Not applicable

Variable lease payments not included in the measurement of lease liabilities

☐ Applicable √ Not applicable

Lease expenses for short-term leases or leases of low-value assets accounted for using the simplified approach

√ Applicable ☐ Not applicable

The amounts of short-term lease expenses and lease expenses for low-value assets recognised in profit or loss for the current period are set out below:

Item	Amount for the current period	Amount for the same period of previous year
Short-term rental expense	281,711.70	1,457,032.45
Total	281,711.70	1,457,032.45

Sale and leaseback transactions and the basis for judgment

☐ Applicable √ Not applicable

Total cash outflows related to leases: 3,371,843.47 (Unit: Yuan, Currency: RMB)

(2). As lessor

Operating leases as lessor

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Lease income	Among which: Income related to variable lease payments not included in lease payments receivable
Lease income	14,299,191.62	
Total	14,299,191.62	

Finance leases as lessor

☐ Applicable √ Not applicable

Reconciliation table of undiscounted lease receipts and net investment in leases

√ Applicable ☐ Not applicable

Not applicable

Undiscounted lease receipts for the next five years

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Undiscounted annual lease payments receivable	
	Closing amount	Opening amount
In the first year	15,180,619.75	26,380,022.74
In the second year	15,471,476.93	27,137,051.31
In the third year	14,322,450.03	11,908,787.13
In the fourth year	13,448,006.70	10,977,666.80
In the fifth year	11,095,261.02	9,962,885.89
Total undiscounted lease receivable for the next five years	39,852,665.03	49,999,143.98

(3). Recognition of profit or loss on finance leases as a manufacturer or dealer

☐ Applicable √ Not applicable

Other notes: None

83. Data resources

☐ Applicable √ Not applicable

84. Others

☐ Applicable √ Not applicable

VIII. Research and development expenses

1. Presented by nature of expenses

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the current period	Amount for the previous period
Consumption of materials	27,877,051.17	27,799,802.00
Staff remuneration	22,245,188.92	22,991,329.16
Equipment commissioning expenses	7,039,282.79	7,989,315.31
Depreciation and amortization	4,126,298.26	4,286,107.11
Other expenses	1,046,571.16	589,231.77
Total	62,334,392.30	63,655,785.35
Including: Expensed research and development expenditures	62,334,392.30	63,655,785.35
Capitalised research and development expenditures		

Other notes:

None

2. Development expenditure of research and development projects eligible for capitalisation

☐ Applicable √ Not applicable

Material capitalised research and development projects

☐ Applicable √ Not applicable

Impairment provision on development expenditure

☐ Applicable √ Not applicable

Other notes:

None

3. Material purchased ongoing research projects

☐ Applicable √ Not applicable

IX. Changes in consolidation scope

1. Business combinations not under common control

☐ Applicable √ Not applicable

2. Business combinations under common control

☐ Applicable √ Not applicable

3. Reverse purchase

☐ Applicable √ Not applicable

4. Disposal of subsidiaries

Whether there exist transactions or events resulting in loss of control over subsidiaries in the current period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Whether there exist circumstances of disposing investments in subsidiaries through multiple transactions in stages and losing control in the current period

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

5. Changes in consolidation scope arising from other reasons

Explain changes in consolidation scope caused by other reasons (e.g. newly established subsidiaries, liquidated subsidiaries, etc.) and relevant particulars:

√ Applicable ☐ Not applicable

1. Increase in consolidation scope

Name of company	Method of Acquisition	Date of Acquisition	capital contribution	Shareholding ratio
Hengshui Chuangsheng	Establishment	28 November 2025	RMB 6.5 million	65.00%

2. Decrease in consolidation scope

Name of company	Method of equity disposal	Date of equity disposal	Net assets at the date of disposal	Net profit from the beginning of the period to the date of disposal
Yancheng Youhua	Cancelled	4 December 2025		25,752.24

6. Others

☐ Applicable √ Not applicable

X. Interests in other entities

1. Interests in subsidiaries

(1). Composition of the enterprise group

√ Applicable ☐ Not applicable

Unit: Ten thousand Yuan Currency: RMB

Name of subsidiaries	Principal place of operation	Registered capital	Place of registration	Nature of business	Proportion of shareholding (%)		Acquisition method
					Direct	Indirect	
Jihua Jiangdong	Hangzhou, Zhejiang	10,000.00	Hangzhou, Zhejiang	Production and sales of dyes and intermediates	100.00		Establishment
Jiangsu JIHUA	Binhai, Jiangsu	10,000.00	Binhai, Jiangsu	Production and sales of dyes and intermediates	100.00		Establishment
JIHUA Import & Export	Hangzhou, Zhejiang	1,000.00	Hangzhou, Zhejiang	Import and export trade	100.00		Business combination involving enterprises under common control
Chuangli Polyurethane	Hangzhou, Zhejiang	800.00	Hangzhou, Zhejiang	Production and sale of polyurethane foam	100.00		Business combination involving enterprises under common control
JIHUA Materials	Hangzhou, Zhejiang	7,000.00	Hangzhou, Zhejiang	Production and sales of water-based coatings	68.89		Establishment

Name of subsidiaries	Principal place of operation	Registered capital	Place of registration	Nature of business	Proportion of shareholding (%)		Acquisition method
					Direct	Indirect	
Jihua Technology	Hangzhou, Zhejiang	1,000.00	Hangzhou, Zhejiang	Sales and R&D of dyes and intermediates		100.00	Establishment
Jihua Medical	Binhai, Jiangsu	15,000.00	Binhai, Jiangsu	R&D and transfer of pharmaceutical technology		100.00	Establishment
Jihua Jizhi	Hangzhou, Zhejiang	1,000.00	Hangzhou, Zhejiang	Production and sales of dyes and intermediates	100.00		Establishment
Jiangsu Jizhao	Binhai, Jiangsu	10,000.00	Binhai, Jiangsu	Production and sales of dyes and intermediates	100.00		Establishment
Kangbeide	Nanjing, Jiangsu	5,700.00	Nanjing, Jiangsu	R&D and production of pharmaceuticals		63.1137	Business combination not involving enterprises under common control
Hengshui Chuangsheng	Hengshui, Hebei	1,000.00	Hengshui, Hebei	Production and sale of polyurethane foam		65.00	Establishment

Notes to differing shareholding ratios and voting rights ratios in subsidiaries:

None

Basis for controlling investees with half or less of the voting rights, and for not controlling investees with more than half of the voting rights:

None

Basis for control over significant structured entities included in the consolidation scope: None

Basis for determining whether the Company acts as an agent or a principal:

None

Other notes:

None

(2). Material non-wholly-owned subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of subsidiaries	Shareholding proportion of non-controlling shareholders	Profit or loss attributable to non-controlling shareholders in the current period	Dividends announced and distributed to non-controlling shareholders in the current period	Balance of non-controlling interests at the end of the period
Jihua Material	31.11%	1,298,449.07	2,395,800.00	34,180,752.38

Notes to differing shareholding ratios and voting rights ratios of minority shareholders in subsidiaries:

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

(3). Key financial information of material non-wholly-owned subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

	Closing balance						Opening balance					
Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
JIHUA Materials	150,949,439.23	8,660,186.11	159,609,625.34	42,367,637.07		42,367,637.07	175,228,247.20	11,009,815.89	186,238,063.09	65,376,691.16	92,058.26	65,468,749.42

	Amount for the period				Amount for the previous period			
Name of subsidiaries	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
JIHUA Materials	99,925,231.68	4,172,674.60	4,172,674.60	15,428,644.06	133,274,167.09	13,149,933.51	13,149,933.51	10,916,971.94

Other notes:

None

(4). Significant restrictions on the use of enterprise group assets and settlement of enterprise group liabilities

□ Applicable √ Not applicable

(5). Financial support or other support provided to structured entities included in the consolidated financial statements

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

2. Transactions with changes in equity interests in subsidiaries while retaining control over such subsidiaries

☐ Applicable √ Not applicable

3. Interests in joint ventures and associates

√ Applicable ☐ Not applicable

(1). Material joint ventures or associates

☐ Applicable √ Not applicable

(2). Key financial information of material joint ventures

☐ Applicable √ Not applicable

(3). Key financial information of material associates

☐ Applicable √ Not applicable

(4). Aggregate financial information of immaterial joint ventures and associates

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

	Closing balance / Amount for the current period	Opening balance / Amount for the previous period
Joint ventures		
Total carrying amount of investment		
Total amount of the following items at the shareholding percentage		
- Net profits		
- Other comprehensive income		
- Total comprehensive income		
Associates:		
Total carrying amount of investment	126,568,421.88	120,666,285.85
Total amount of the following items at the shareholding percentage		
- Net profits	9,165,185.91	13,752,616.52
- Other comprehensive income	9,165,185.91	13,752,616.52
- Total comprehensive income		

Other notes:

None

(5). Notes to significant restrictions on the ability of joint ventures and associates to transfer funds to the Company

☐ Applicable √ Not applicable

(6). Excess losses incurred by joint ventures and associates

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of joint venture or associate	Accumulated unrecognized losses of previous periods	Unrecognized losses in the current period (or net profit for the current period)	Accumulated unrecognized losses at the end of the current period
Binhai Hongbo Environmental Technology Service Co., Ltd.	-28,612,521.65		-28,612,521.65

Other notes:

None

(7). Unrecognised commitments relating to investments in joint ventures

☐ Applicable √ Not applicable

(8). Contingent liabilities relating to investments in joint ventures and associates

☐ Applicable √ Not applicable

4. Material joint operations

☐ Applicable √ Not applicable

5. Interests in structured entities not included in the consolidated financial statements

Notes on structured entities not included in the consolidated financial statements:

☐ Applicable √ Not applicable

6. Others

☐ Applicable √ Not applicable

XI. Government Grants

1. Government grants recognised based on receivable amounts at the end of the reporting period

☐ Applicable √ Not applicable

Reasons for failure to receive the expected amount of government grants at the scheduled time

☐ Applicable √ Not applicable

2. Liability items involving government grants

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Financial statement items	Opening balance	Amount of new subsidies in current period	Amount included in non-operating revenue of the current period	Amount transferred to other income in the current period	Other changes in current period	Closing balance	Related to Assets / related to income
Deferred revenue	37,561,286.14	17,185,000.00		10,922,737.11		43,823,549.03	Related to assets
Total	37,561,286.14	17,185,000.00		10,922,737.11		43,823,549.03	/

3. Government grants credited to profit or loss

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Category	Amount for the current period	Amount for the previous period
Related to assets	10,922,737.11	8,285,349.22
Related to income	4,479,996.89	3,868,664.51
Total	15,402,734.00	12,154,013.73

Other notes:

None

XII. Risks Relating to Financial Instruments

1. Risks of Financial Instruments

√ Applicable ☐ Not applicable

The objective of the Company's risk management is to strike a balance between risks and returns, minimise the adverse impact of risks on the operating performance of the Company and maximise the interests of shareholders and other equity investors. Based on such risk management objective, the basic risk management strategy of the Company is to identify and analyse various risks faced by the Company, establish appropriate risk tolerance thresholds and conduct risk management, as well as monitor all types of risks in a timely and reliable manner so as to keep risks within defined limits.

The Company is exposed to various risks relating to financial instruments in the ordinary course of business, mainly including credit risk, liquidity risk and market risk. The management has reviewed and approved the policies for managing these risks, which are summarised as follows.

(I) Credit Risk

Credit risk refers to the risk that one party to a financial instrument fails to perform its obligations, resulting in financial losses to the other party.

1. Practices of Credit Risk Management

(1) Evaluation Methods for Credit Risk

The Company assesses at each statement of assets and liabilities date whether the credit risk of relevant financial instruments has increased significantly since initial recognition. In determining whether credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information available without undue additional cost or effort, including qualitative and quantitative analyses based on historical data, external credit risk ratings and forward-looking information. On the basis of individual financial instruments or portfolios of financial instruments with similar credit risk characteristics, the Company compares the risk of default of financial instruments at the statement of assets and liabilities date with that at the date of initial recognition, so as to identify changes in the risk of default during the expected life of financial instruments. The Company deems that the credit risk of a financial instrument has increased significantly when one or more of the following quantitative and qualitative criteria are met:

1) The quantitative criterion mainly refers to that the probability of default over the remaining life at the statement of assets and liabilities date rises by a certain percentage compared with that at initial recognition;

2) The qualitative criteria mainly include material adverse changes in the operating or financial conditions of the debtor, existing or anticipated changes in the technological, market, economic or legal environment that will materially adversely affect the debtor's ability to repay the Company.

(2) Definition of Default and Assets with Incurred Credit Impairment

A financial asset is classified as in default by the Company if it meets one or more of the following conditions, and such criteria are consistent with the definition of incurred credit impairment:

1) The debtor encounters significant financial difficulties;

2) The debtor breaches the restrictive clauses imposed on it under the contract;

3) The debtor is likely to go bankrupt or undergo other financial restructuring;

4) The creditor grants concessions to the debtor that would not be made under other circumstances due to economic or contractual considerations relating to the debtor's financial difficulties.

2. Measurement of Expected Credit Losses

Key parameters for the measurement of expected credit losses include probability of default, loss given default and exposure at default. The Company establishes models for probability of default, loss given default and exposure at default by conducting quantitative analysis on historical statistics such as counterparty ratings, types of guarantees and collaterals, repayment methods and incorporating forward-looking information.

3. Reconciliation of Opening and Closing Balances of Loss Provisions for Financial Instruments is set out in note to V(I)4, V(I)5, V(I)6, V(I)8 and V(I)12 to these financial statements.

4. Credit Risk Exposure and Concentration of Credit Risk

The Company's credit risk mainly arises from cash and cash equivalents and receivables. The Company has adopted the following measures to control the aforesaid relevant risks.

(1) Cash and Cash Equivalents

The Company places bank deposits and other bank and cash balances with financial institutions with high credit ratings, and therefore the relevant credit risk is low.

(2) Receivables

The Company conducts ongoing credit assessment on customers with credit transactions. Based on the results of credit assessment, the Company selects to transact with approved customers with good credit standing and monitors the balances of receivables to ensure that the Company is not exposed to material bad debts risk.

As the risks of the Company's trade receivables are spread across multiple business partners and customers, as at 31 December 2025, 22.46% (31 December 2024: 19.98%) of the Company's trade receivables were attributable to the top five customers by balance. The Company has no material concentration of credit risk.

(II) Liquidity Risk

Liquidity risk refers to the risk that the Company encounters shortage of funds when performing obligations settled by delivering cash or other financial assets. Liquidity risk may arise from failure to sell financial assets at fair value in a timely manner, inability of counterparties to settle contractual liabilities, early maturity of liabilities or failure to generate expected cash flows.

To control such risk, the Company adopts a variety of financing methods including bill settlement and bank borrowings, and optimises the financing structure by appropriately combining long-term and short-term financing to strike a balance between sustainability and flexibility of financing. The Company has obtained banking credit facilities from a number of commercial banks to meet working capital requirements and capital expenditure.

Classification of Financial Liabilities by Remaining Maturity Date

	Amount at the end of the period				
Items	**Carrying amount**	**Undiscounted contractual amount**	**Within 1 year**	**1 to 3 years**	**Over 3 years**
Bank borrowings	70,114,740.00	70,188,220.00	70,188,220.00		
Trade payables	285,262,245.00	285,262,245.00	285,262,245.00		
Other payables	23,113,955.56	23,113,955.56	23,113,955.56		
Lease liabilities (including non-current liabilities due within one year)	9,889,203.54	10,699,001.32	3,655,478.37	7,043,522.95	
Other non-current liabilities	6,000,000.00	6,000,000.00		6,000,000.00	
Subtotal	394,380,144.10	395,263,421.88	382,219,898.93	13,043,522.95	

	Amount at the end of previous year				
Items	Carrying amount	Undiscounted contractual amount	Within 1 year	1 to 3 years	Over 3 years
Bank borrowings	120,018,486.11	120,092,125.00	120,092,125.00		
Trade payables	343,754,461.93	343,754,461.93	343,754,461.93		
Other payables	18,937,218.57	18,937,218.57	18,937,218.57		
Lease liabilities (including non-current liabilities due within one year)	2,517,635.90	2,623,796.20	1,995,796.20	628,000.00	
Other non-current liabilities	6,000,000.00	6,000,000.00		6,000,000.00	
Subtotal	491,468,622.75	491,648,421.94	485,020,421.94	6,628,000.00	

(III) Market Risk

Market risk refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in market prices. Market risk mainly includes interest rate risk and foreign exchange risk.

1. Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in market interest rates. Interest-bearing financial instruments with fixed rates expose the Company to fair value interest rate risk, while interest-bearing financial instruments with floating rates expose the Company to cash flow interest rate risk. The Company determines the proportion of fixed-rate and floating-rate financial instruments in accordance with market conditions, and maintains an appropriate portfolio of financial instruments through regular review and monitoring.

2. Foreign Exchange Risk

Foreign exchange risk refers to the risk that the fair value or future cash flows of financial instruments fluctuate due to changes in foreign exchange rates. The Company's exposure to exchange rate fluctuations is mainly related to its foreign currency monetary assets and liabilities. In the event of short-term imbalance in foreign currency assets and liabilities, the Company will buy and sell foreign currencies at market exchange rates when necessary to keep the net risk exposure at an acceptable level. The Company operates in mainland China and its principal activities are denominated in Renminbi. Therefore, the Company is not exposed to material market risk arising from foreign exchange fluctuations.

Details of the Company's foreign currency monetary assets and liabilities at the end of the period are set out in note to V(IV)1 to these financial statements.

(IV) Transfer of Financial Assets

1. Basic Information on Transfer of Financial Assets

Classification of transfer methods	Nature of transferred financial assets	Amount of transferred financial assets	Confirmation of derecognition	Basis of judgement for derecognition
Endorsement of notes	Financing receivables	366,716,762.41	Derecognized	Almost all risks and rewards have been transferred
Bill discounting	Financing receivables	35,145.00	Derecognized	Almost all risks and rewards have been transferred
Sub-total		366,751,907.41		

2. Financial assets derecognized on transfer

Item	Transfer method of financial assets	Amount derecognized of financial assets	Profits or losses related to derecognition
Financing receivables	Endorsement of notes	366,716,762.41	
Financing receivables	Bill discounting	35,145.00	-176.32
Sub-total		366,751,907.41	-176.32

2. Hedging

(1). The Company conducts hedging activities for risk management

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

(2). The Company conducts qualifying hedging activities and applies hedge accounting

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

(3). The Company conducts hedging activities for risk management which are expected to achieve risk management objectives but does not apply hedge accounting

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

3. Transfer of Financial Assets

(1). Classification by transfer methods

☐ Applicable √ Not applicable

(2). Financial assets derecognised upon transfer

☐ Applicable √ Not applicable

(3). Transferred financial assets with continuing involvement

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

XIII. Disclosure of Fair Value

1. Closing fair value of assets and liabilities measured at fair value

√ Applicable ☐ Not applicable

Unit：Yuan Currency: RMB

	Fair value at the end of the period			
Items	**Level 1 fair value measurement**	**Level 2 fair value measurement**	**Level 3 fair value measurement**	**Total**
I. Continuous fair value measurement				
(I) Trading financial assets	294,618,195.48	1,592,960.25	416,523,837.28	712,734,993.01
1. Financial assets at fair value through profit	294,618,195.48	1,592,960.25	416,523,837.28	712,734,993.01
(1) Debt instrument investments				
(2) Equity instrument investments			99,387,559.78	99,387,559.78

Items	Fair value at the end of the period Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
(3) Derivatives				1,592,960.25
Trading financial assets—funds	294,618,195.48			294,618,195.48
Trading financial assets—wealth management products			317,136,277.50	317,136,277.50
Derivatives		1,592,960.25		1,592,960.25
Bills receivables (應收款項融資)			486,731,175.61	486,731,175.61
2. Financial assets designated as measured at fair value through profit or loss				
(1) Debt instrument investments				
(2) Equity instrument investments				
(II) Other debt investments				
(III) Investments in other equity instruments				
(IV) Investment properties				
1. Land use rights for leasing purposes				
2. Buildings held for rental				
3.Land use rights held for appreciation and for subsequent transfer				
(v) Biological Assets				
1. Consumable biological assets				
2. Productive biological assets				
Total assets continuously measured at fair value	294,618,195.48	1,592,960.25	903,255,012.89	1,199,466,168.62
(VI) Trading financial Liabilities				

Items	Fair value at the end of the period Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
1. Financial liabilities at fair value through profit or loss				
Of which: Issued trading bonds				
Derivative financial liabilities				
Other				
2. Financial liabilities designated as measured at fair value through profit or loss				
Total liabilities continuously measured at fair value				
II. Discontinuous fair value measurement				
(i) Assets held for sale				
Total assets not continuously measured at fair value				
Total liabilities not continuously measured at fair value				

2. Basis for determining market prices of items measured at Level 1 fair value on a recurring and non-recurring basis

√ Applicable □ Not applicable

The financial assets held by the Company measured at fair value through profit or loss are funds, whose fair value is determined based on the net asset value per unit of the funds as at the statement of assets and liabilities date.

3. Qualitative and quantitative information on valuation techniques and significant inputs adopted for items measured at Level 2 fair value on a recurring and non-recurring basis

√ Applicable □ Not applicable

The derivatives measured at Level 2 fair value held by the Company consist of forward foreign exchange contracts and swaps. The fair value thereof is determined by reference to valuation advices provided by banks.

4. Qualitative and quantitative information on valuation techniques and significant inputs for items measured at Level 3 fair value on a recurring and non-recurring basis

√ Applicable □ Not applicable

1. Specific valuation techniques are used to determine the fair value of wealth management products.

2. The fair value of held bills receivables (應收款項融資) is determined based on the book amount of bills.

3. Since the investees including Jiangsu Binhai Rural Commercial Bank Co., Ltd., Zhejiang Rongteng Venture Capital Partnership (Limited Partnership), Tianjin Yuanzhi Heli Enterprise Management Consulting Partnership (Limited Partnership), Qingdao Tianzi Huilun Investment Partnership (Limited Partnership), Jiaxing Yuanzhi Changkong Equity Investment Partnership (Limited Partnership), CICC Jiatai Phase III (Tianjin) Venture Capital Fund of Funds Partnership and other entities cannot estimate fair value through observable information or financial forecasts prepared based on their own data, and in view of no material changes in their operating environment, operating conditions and financial position, the Company measures such investments by taking the investment cost as a reasonable estimate of fair value.

5. Reconciliation between opening and closing carrying amounts and sensitivity analysis of unobservable inputs for items measured at Level 3 fair value on a recurring basis

□ Applicable √ Not applicable

6. Reasons for transfers between fair value hierarchy levels and policies for determining the timing of such transfers for items measured at fair value on a recurring basis during the current period

□ Applicable √ Not applicable

7. Changes in valuation techniques and the reasons for such changes occurred during the current period

□ Applicable √ Not applicable

8. Fair value information of financial assets and financial liabilities not measured at fair value

☐ Applicable √ Not applicable

9. Others

☐ Applicable √ Not applicable

XIV. Related Parties and Related Party Transactions

1. Information of the Parent Company of the Entity

☐ Applicable √ Not applicable

2. Information of the Entity's Subsidiaries

Details of the Entity's subsidiaries are set out in the notes

☐ Applicable √ Not applicable

3. Information of the Entity's Joint Ventures and Associates

Details of the Entity's material joint ventures or associates are set out in the notes

☐ Applicable √ Not applicable

Information of other joint ventures or associates that have entered into related party transactions with the Company during the current period or have outstanding balances arising from related party transactions in previous periods is as follows

√ Applicable ☐ Not applicable

Name of joint venture or associate	Relationship with the Company
Hangzhou Linjiang Environmental Protection Thermal Power Co., Ltd.	Associates of the Company
Guangzhou Tuoleshu Pharmaceutical Technology Partnership (Limited Partnership)	Associates of the Company

Other notes:

☐ Applicable √ Not applicable

4. Information of Other Related Parties

√ Applicable □ Not applicable

Name of other related parties	Relationship between other related parties and the Company
Hangzhou Yangli Chemical Equipment Co., Ltd.	Other
Hangzhou Xiehe Huifeng Real Estate Development Co., Ltd.	Connected person (sharing the same chairman as the Company)
Hangzhou Liji Electromechanical Trading Co., Ltd.	Other

Other notes:

None

5. Related Party Transactions

(1). Related party transactions involving purchase and sale of goods, provision and receipt of services

Schedule of goods purchased / services received

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Related parties	Content of related transactions	Amount incurred in current period	Approved transaction quota (if applicable)	Whether exceeding the transaction quota (if applicable)	Amount incurred in prior period
Hangzhou Linjiang Environmental Protection Thermal Power Co., Ltd.	Other utility expenses such as water, electricity and gas (purchases)	36,422,148.60			40,116,736.70
Hangzhou Liji Electromechanical Trading Co., Ltd.	Purchase of goods	178,003.61			372,602.06
Hangzhou Yangli Chemical Equipment Co., Ltd.	Purchase of goods	73,671.69			28,825.18

Statement of Goods Sold/Services Provided

√Applicable □ Not applicable

Unit: Yuan Currency: RMB

Related Party	Content of related transactions	Amount incurred in current period	Amount incurred in prior period
Guangzhou Tuoleshu Pharmaceutical Technology Partnership (Limited Partnership)	Research and development services	3,716,981.13	

Notes to related party transactions for purchase and sale of goods, provision and receipt of services

□ Applicable √ Not applicable

(2). Related party entrusted management/contracting and entrusted-out management/outsourcing

Schedule of entrusted management/contracting of the Company:

□ Applicable √ Not applicable

Notes on related party entrusted management/contracting

□ Applicable √ Not applicable

Schedule of entrusted-out management/outsourcing of the Company

□ Applicable √ Not applicable

Notes on related party entrusted-out management/outsourcing

□ Applicable √ Not applicable

(3). Related party leasing

The Company as lessor:

□ Applicable √ Not applicable

The Company as lessee:

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

		Amount incurred in current period					Amount incurred in previous period				
Name of lessee	Type of leased asset	Rental expenses for short-term leases and low-value asset leases accounted for under simplified approach (if applicable)	Variable lease payments not included in the measurement of lease liabilities (if applicable)	Rent paid	Interest expenses on lease liabilities assumed	Increased right-of-use assets	Rental expenses for short-term leases and low-value asset leases accounted for under simplified approach (if applicable)	Variable lease payments not included in the measurement of lease liabilities (if applicable)	Rent paid	Interest expenses on lease liabilities assumed	Increased right-of-use assets
Hangzhou Xiehe Huifeng Real Estate Development Co., Ltd.	Houses			1,189,913.34	48,362.40			1,220,165.72	80,496.07		

Notes to related party leasing

□ Applicable √ Not applicable

(4). Related party guarantees

The Company as guarantor

☐ Applicable √ Not applicable

The Company as guaranteed party

☐ Applicable √ Not applicable

Notes on related party guarantees

☐ Applicable √ Not applicable

(5). Related party fund borrowing and lending

☐ Applicable √ Not applicable

(6). Related party asset transfers and debt restructurings

☐ Applicable √ Not applicable

(7). Remuneration of key management personnel

√ Applicable ☐ Not applicable

Unit: RMB 10,000 Currency: RMB

Item	Amount incurred in current period	Amount incurred in previous period
Remuneration of key management personnel	900.01	967.37

(8). Other related transactions

√ Applicable ☐ Not applicable

Related Party	Content of related transactions	Amount for the current period	Amount for the same period of previous year
Hangzhou Yangli Chemical Equipment Co., Ltd.	Purchase of equipment	1,011,470.25	1,122,029.54

6. Unsettled items such as receivables from and payables to related parties

(1). Receivable items

☐ Applicable √ Not applicable

(2). Payable items

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Name of item	Related parties	Closing book balance	Opening book balance
Trade payables	Hangzhou Yangli Chemical Equipment Co., Ltd.	490,217.43	289,439.79
Trade payables	Hangzhou Liji Electromechanical Trading Co., Ltd.	109,394.95	147,119.33
Trade payables	Hangzhou Linjiang Environmental Thermal Power Co., Ltd.	5,723,452.90	3,766,263.30
Contract liabilities	Guangzhou Tuoleshu Pharmaceutical Technology Partnership (Limited Partnership)		4,716,981.13
Lease liabilities	Hangzhou Concord Huafeng Real Estate Development Co., Ltd.	542,015.24	
Non-current liabilities due within one year	Hangzhou Concord Huafeng Real Estate Development Co., Ltd.	1,057,302.19	1,268,585.29

(3). Other items

☐ Applicable √ Not applicable

7. Related party commitments

☐ Applicable √ Not applicable

8. Others

☐ Applicable √ Not applicable

XV. Share-based Payment

1. Various equity instruments

(1). Details

☐ Applicable √ Not applicable

(2). Outstanding share options or other equity instruments at the end of the period

☐ Applicable √ Not applicable

2. Information on equity-settled share-based payment

☐ Applicable √ Not applicable

3. Information on cash-settled share-based payment

☐ Applicable √ Not applicable

4. Share-based payment expenses for the current period

☐ Applicable √ Not applicable

5. Modifications and terminations of share-based payment

☐ Applicable √ Not applicable

6. Others

☐ Applicable √ Not applicable

XVI. Commitments and Contingencies

1. Material commitments

☐ Applicable √ Not applicable

2. Contingencies

(1). Material contingencies existing at the statement of assets and liabilities date

√ Applicable ☐ Not applicable

Contingent liabilities arising from pending litigations and arbitrations and their financial impacts

(1) Pursuant to the Judgment (2024) Zhe 0114 Min Chu No. 4061 issued by the People's Court of Qiantang District, Hangzhou on 18 July 2025, the Company is required to pay wages of RMB122,954.26 to Liu Jianxin, which is recognised as provisions. The Company disagrees with the judgment and has filed an appeal. As at the date of the audit report, the second instance judgment has not been rendered.

(2) Pursuant to the Civil Judgment (2025) Yue 0104 Min Chu No. 14972 issued by the People's Court of Yuexiu District, Guangzhou City, Guangdong Province on 29 September 2025, the subsidiary Kangbeide Company shall return research and development expenses of RMB1,000,000.00 to Guangzhou Tuoleshu Pharmaceutical Technology Partnership (Limited Partnership), which is recognised as provisions. Kangbeide Company disagrees with the judgment and has filed an appeal. As at the date of the audit report, the second instance judgment has not been rendered.

(2). The Company has no material contingencies required to be disclosed, which shall also be stated:

☐ Applicable √ Not applicable

3. Others

☐ Applicable √ Not applicable

XVII. Events after the statement of assets and liabilities date

1. Material non-adjusting events

☐ Applicable √ Not applicable

2. Profit distribution

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Proposed profit or dividend distribution	99,494,503.92
Profit or dividend declared for distribution following deliberation and approval	Based on the Company's total issued share capital of 676,833,360 shares as at the end of 2025, a dividend of RMB 1.47 per 10 shares will be paid, resulting in a total cash dividend of RMB 99,494,503.92 (including tax) to all shareholders

3. Sales returns

☐ Applicable √ Not applicable

4. Notes to other events after the statement of assets and liabilities date

√ Applicable □ Not applicable

1. Proposed Change of Control

On 6 February 2026, Hangzhou Jinhui Electromechanical Equipment Co., Ltd. (hereinafter referred to as Hangzhou Jinhui), the controlling shareholder of the Company, Shao Hui and Tonglu Junheng Equity Investment Partnership (Limited Partnership) (hereinafter referred to as Tonglu Junheng) executed the Share Transfer Agreement. It is agreed that Hangzhou Jinhui and Shao Hui shall transfer 202,308,716 ordinary shares of the listed company to Tonglu Junheng, accounting for 29.89% of the total share capital of the listed company. Upon completion of the aforesaid share transfer, Tonglu Junheng shall hold 202,308,716 shares of the listed company, representing 29.89% of the total share capital of the Company. The controlling shareholder of the Company will be changed from Hangzhou Jinhui to Tonglu Junheng, and the ultimate controller will be changed from Shao Bojin to Su Ertian.

2. Proposed Issuance of Shares to Specific Targets

On 6 February 2026, the 11th meeting of the Fifth Board of Directors of the Company reviewed and approved the relevant proposals concerning the issuance of shares to specific targets. This issuance of shares is targeted at specific subscribers. The total amount of funds proposed to be raised shall not exceed RMB300,000,000.00 (inclusive), and the subscriber is Tonglu Junheng.

XVIII. Other Material Matters

1. Correction of prior period accounting errors

Please see the "Analysis and Explanation on Reasons and Impacts of Changes in Accounting Policies, Accounting Estimates or Correction of Material Accounting Errors of the Company" under "Material Matters".

2. Material Debt Restructuring

□ Applicable √ Not applicable

3. Asset Swap

(1). Non-monetary Asset Exchange

□ Applicable √ Not applicable

(2). Other Asset Swap

□ Applicable √ Not applicable

4. Annuity Plan

☐ Applicable √ Not applicable

5. Discontinued Operations

☐ Applicable √ Not applicable

6. Segment Information

(1). Determination basis and accounting policies of reporting

√ Applicable ☐ Not applicable

The Company determines reportable segments based on internal organisational structure, management requirements and internal reporting system, and the reportable segments are identified on the basis of business segments. The operating performance of dye and intermediate business, polyurethane foam business, polymer coating business and others are assessed respectively. Assets and liabilities shared by each segment are allocated among different segments in proportion to scale.

(2). Financial information of reportable segments

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Item	Dyes and Intermediates	Polyurethane Foam	Polymer Coatings	Others	Inter-segment Elimination	Total
Operating revenue	1,312,194,963.06	80,287,664.94	99,925,231.68	31,467,139.37		1,523,874,999.05
Of which: Revenue arising from contracts with customers	1,312,194,963.06	80,279,518.15	99,925,231.68	17,176,094.54		1,509,575,807.43
Cost of goods sold	1,157,130,699.21	67,501,482.23	80,466,918.10	29,392,665.94		1,334,491,765.48
Total assets	3,935,377,211.15	68,587,612.15	159,609,625.34	362,708,343.81		4,526,282,792.45
Total liabilities	352,132,840.15	22,739,599.11	42,367,637.07	174,256,244.99		591,496,321.32

(3). If the Company has no reportable segments or is unable to disclose the total assets and total liabilities of each reportable segment, the reasons shall be stated

☐ Applicable √ Not applicable

(4). Other notes

☐ Applicable √ Not applicable

7. Other material transactions and matters affecting investors' decisions

☐ Applicable √ Not applicable

8. Others

☐ Applicable √ Not applicable

XIX. Notes to Major Items of the Parent Company Financial Statements

1. Trade receivables

(1). Disclosure by aging

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive 1 year)	411,878,637.40	260,771,719.08
Within 1 year	411,878,637.40	260,771,719.08
1 to 2 years	222,033,482.93	158,700,460.15
2 to 3 years	1,512,400.00	156,000.00
Over 3 years	156,000.00	
3 to 4 years		
4 to 5 years		
Over 5 years		
Total	635,580,520.33	419,628,179.24

(2). Disclosure classified by bad debt provision method

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Category	Closing balance					Opening balance				
	Book Balance		Provision for Bad Debts			Book Balance		Provision for Bad Debts		
	Amount	Percentage (%)	Amount	Provision Rate (%)	Book value	Amount	Percentage (%)	Amount	Provision Rate (%)	Book value
Provision for bad debts on an individual basis	2,228,333.05	0.35	2,228,333.05	100.00		1,668,400.00	0.40	1,668,400.00	100.00	
Of which:										
Provision for bad debts on an individual basis	2,228,333.05	0.35	2,228,333.05	100.00		1,668,400.00	0.40	1,668,400.00	100.00	
Provision for bad debts on a portfolio basis	633,352,187.28	99.65	7,602,308.76	1.20	625,749,878.52	417,959,779.24	99.60	5,647,776.87	1.35	412,312,002.37
Of which:										
Provision for bad debts on a portfolio basis	633,352,187.28	99.65	7,602,308.76	1.20	625,749,878.52	417,959,779.24	99.60	5,647,776.87	1.35	412,312,002.37
Total	635,580,520.33	/	9,830,641.81	/	625,749,878.52	419,628,179.24	/	7,316,176.87	/	412,312,002.37

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

√ Applicable ☐ Not applicable

Portfolio provision items: Provision for bad debts on a portfolio basis

Unit: Yuan Currency: RMB

Name	Closing balance		
	Book Balance	Provision for Bad Debts	Provision Rate (%)
Aging portfolio	98,567,729.47	4,928,386.47	5.00
Portfolio of related parties within the scope of consolidation	534,784,457.81	2,673,922.29	0.50
Total	633,352,187.28	7,602,308.76	1.20

Notes to provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

Provision for bad debts by the general model of expected credit loss

☐ Applicable √ Not applicable

No basis for stage division and provision ratio of bad debts

Notes to significant changes in the book balance of trade receivable with changes in loss provisions during the current period:

☐ Applicable √ Not applicable

(3). Status of provision for bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

		Amount of changes in current period				
Category	**Opening balance**	**Accrued**	**Recovered or Reversal**	**Write off or Write-off**	**Other changes**	**Closing balance**
Provision for bad debts on an individual basis	1,668,400.00	559,933.05				2,228,333.05
Provision for bad debts on a portfolio basis	5,647,776.87	1,954,531.89				7,602,308.76
Total	7,316,176.87	2,514,464.94				9,830,641.81

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

□ Applicable √ Not applicable

Other notes:

None

(4). Actual write-off of trade receivables during the current period

□ Applicable √ Not applicable

Among which, material write-off of trade receivables

□ Applicable √ Not applicable

Notes to write-off of trade receivable:

□ Applicable √ Not applicable

(5). Status of top five trade receivables and contract assets by debtor at the end of the period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of Entity	Closing balance of trade receivables	Closing balance of contract assets	Closing balance of trade receivables and contract assets	Proportion to total closing balance of trade receivables and contract assets (%)	Closing balance of provisions for bad debts
No. 1	534,784,457.81		534,784,457.81	84.14	2,673,922.29
No. 2	10,241,133.25		10,241,133.25	1.61	512,056.66
No. 3	8,049,973.92		8,049,973.92	1.27	402,498.70
No. 4	6,405,383.29		6,405,383.29	1.01	320,269.16
No. 5	5,314,693.16		5,314,693.16	0.84	265,734.66
Total	564,795,641.43		564,795,641.43	88.87	4,174,481.47

Other notes:

None

Other notes:

□ Applicable √ Not applicable

2. Other receivables

Presentation of items

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing Balance	Opening Balance
Interest receivable		
Dividends receivable		
Other receivables	260,675,010.64	512,732,740.62
Total	260,675,010.64	512,732,740.62

Other notes:

□ Applicable √ Not applicable

Interest receivable

(1). Classification of interest receivable

☐ Applicable √ Not applicable

(2). Material overdue interest

☐ Applicable √ Not applicable

(3). Disclosure classified by bad debt provision method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Notes on provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(4). Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for stage division and provision ratio of bad debts:

Not applicable

Notes to significant changes in the book balance of interest receivable with movements in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of provision for bad debts

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes: Not applicable

(6). Actual write-off of interest receivable during the current period

☐ Applicable √ Not applicable

Among which, material write-off of interest receivable

☐ Applicable √ Not applicable

Notes on write-off:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

(1). Dividends receivable

☐ Applicable √ Not applicable

(2). Material dividends receivable with aging over one year

☐ Applicable √ Not applicable

(3). Disclosure classified by bad debt provision method

☐ Applicable √ Not applicable

Provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Notes on provision for bad debts on an individual basis:

☐ Applicable √ Not applicable

Provision for bad debts on a portfolio basis:

☐ Applicable √ Not applicable

(4). Provision for bad debts under the general expected credit loss model

☐ Applicable √ Not applicable

Basis for stage division and provision ratio of bad debts

Not applicable

Notes on significant changes in the book balance of dividends receivable with movements in loss provisions during the current period:

☐ Applicable √ Not applicable

(5). Status of provision for bad debts

☐ Applicable √ Not applicable

Among which, the amount of recovery or reversal of provision for bad debts during the current period is material:

☐ Applicable √ Not applicable

Other notes: None

(6). Actual write-off of dividends receivable during the current period

☐ Applicable √ Not applicable

Among which, material write-off of dividends receivable

☐ Applicable √ Not applicable

Notes on write-off:

☐ Applicable √ Not applicable

Other notes:

☐ Applicable √ Not applicable

Other receivables

(1). Disclosure by aging

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (inclusive 1 year)	11,983,888.19	193,706,925.90
Within 1 year	11,983,888.19	193,706,925.90
1 to 2 years	28,491,040.00	91,082,529.14
2 to 3 years	91,082,529.14	2,400,000.00
Over 3 years	145,390,445.04	231,015,445.04
3 to 4 years		
4 to 5 years		
Over 5 years		
Total	276,947,902.37	518,204,900.08

(2). Classification by nature of amounts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Nature of amount	Closing book balance	Opening book balance
Current accounts	246,755,744.18	488,168,681.18
Security deposits	30,188,674.00	30,031,058.00
Temporary payments receivable	3,484.19	5,160.90
Total	276,947,902.37	518,204,900.08

(3). Provision for bad debts

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Provision for Bad Debts	Phase I Expected credit losses for the next 12 months	Phase II Expected credit losses over the entire lifetime (no credit impairment incurred)	Phase III Expected credit losses over the entire lifetime (credit impairment incurred)	Total
Balance as at 1 January 2025	927,266.88	4,513,834.58	31,058.00	5,472,159.46
Balance as at 1 January 2025 during the period				
-Transferred to Phase II	-712.28	712.28		
-Transferred to Phase III		-76,527.06	76,527.06	
-Reversed to Phase II				
-Reversed to Phase I				
Provision for the period	-859,385.65	-4,295,564.60	15,955,682.52	10,800,732.27
Reversal for the period				
Charge off for the period				
Write back for the period				
Other changes				
Balance as at 31 December 2023	67,168.95	142,455.20	16,063,267.58	16,272,891.73

Basis for stage division and provision ratio of bad debts

Basis for stage division: Stage 1 includes deposit portfolio and portfolio with aging within one year; Stage 2 refers to portfolio with aging from one to two years; Stage 3 covers portfolio with aging over two years.

Provision ratio of bad debts for each stage: 6.45% for Stage 1, 63.38% for Stage 2, 42.07% for Stage 3.

Notes on significant changes in the book balance of other receivables with movements in loss provisions during the current period:

☐ Applicable √ Not applicable

Amount of bad debts provision accrued during the current period and basis adopted for assessing whether the credit risk of financial instruments has increased significantly:

☐ Applicable √ Not applicable

(4). Status of provision for bad debts

√ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Category	Amount of change in the current period					
	Opening Balance	Accrued	Recovered or reversed	Write off or write back	Other changes	Closing Balance
Provision for bad debts on a portfolio basis	5,472,159.46	10,800,732.27				16,272,891.73
Total	5,472,159.46	10,800,732.27				16,272,891.73

Among which, the amount of recovered or reversed bad debt provisions in the current period is material:

☐ Applicable √ Not applicable

Other notes: None

(5). Actual write-off of other receivables during the current period

☐ Applicable √ Not applicable

Among which, material write-off of other receivables:

☐ Applicable √ Not applicable

Notes to write-off of other receivables:

☐ Applicable √ Not applicable

(6). Status of other receivables with the top five balances by debtor at the end of the period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of Entity	Closing Balance	Percentage of total closing balance of other receivables (%)	Nature of amounts	Aging	Closing balance of provision for bad debts
Jiangsu Jihua Chemical Co., Ltd.	216,766,916.18	78.27	Current accounts	Within 1 year, 1 to 2 years , 2 to 3 years , Over 3 years	1,083,834.58
Gansu Zhipeng Technology Co., Ltd.	30,000,000.00	10.83	Security deposits	2 to 3 years	15,000,000.00
Jiangsu Kangbeide Pharmaceutical Co., Ltd.	29,479,765.00	10.64	Current accounts	Within 1 year, 1 to 2 years	147,398.83
Hangzhou Jihua Jiangdong Chemical Co., Ltd.	436,013.00	0.16	Current accounts	Within 1 year	2,180.07
Hangzhou Chengfa Linli Commercial Management Co., Ltd.	157,616.00	0.06	Security deposits	Within 1 year	7,880.80
Total	276,840,310.18	99.96	/	/	16,241,294.28

(7). Other receivables presented due to centralized fund management

□ Applicable √ Not applicable

Other notes:

□ Applicable √ Not applicable

3. Long-term equity investment

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Closing balance			Opening balance		
	Book balance	Provisions for impairment	Book value	Book balance	Provisions for impairment	Book value
Investment in subsidiaries	816,775,413.47	105,466,716.09	711,308,697.38	916,775,413.47		916,775,413.47
Investment in associates and joint ventures	125,076,044.74	125,076,044.74	119,173,908.71	119,173,908.71		
Total	941,851,458.21	105,466,716.09	836,384,742.12	1,035,949,322.18		1,035,949,322.18

(1). Investments in subsidiaries

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening balance (Book value)	Opening balance of provision for impairment	Increase/decrease for the period			Others	Closing balance (Book value)	Closing balance of provision for impairment
			Increase in investment	Decrease in investment	Provision for impairment			
Jihua Jiangdong	652,503,897.38						652,503,897.38	
Jiangsu Jihua	105,466,716.09				105,466,716.09			105,466,716.09
Jiangsu Jizhao	100,000,000.00			100,000,000.00				
Jihua Materials	5,324,800.00						5,324,800.00	
Jihua Import and Export	10,200,000.00						10,200,000.00	
Chuangli Polyurethane	33,280,000.00						33,280,000.00	
Jihua Jizhi	10,000,000.00						10,000,000.00	
Total	916,775,413.47			100,000,000.00	105,466,716.09		711,308,697.38	105,466,716.09

(2). Investments in associates and joint ventures

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Invested entity	Opening balance (Book value)	Increase/decrease for the period								Closing balance (Book value)	Closing balance of provision for impairment
		Increase in investment	Decrease in investment	Investment Gains or Losses recognised under the Equity Method	Adjustments to Other Comprehensive Income	Other Changes in Equity	Declaration of Cash Dividends or Profits	Provision for Impairment	Others		
I. Joint Ventures											
Subtotal											
II. Associates											
Dyeing and Chemical	2,921,701.17			189,634.30						3,111,335.47	
Linjiang Environmental Protection	116,252,207.54			8,975,551.61			3,263,049.88			121,964,709.27	
Subtotal	119,173,908.71			9,165,185.91			3,263,049.88			125,076,044.74	
Total	119,173,908.71			9,165,185.91			3,263,049.88			125,076,044.74	

(3). Impairment test of long-term investments

□ Applicable √ Not applicable

Other notes: None

4. Revenue and cost of goods sold

(1). Information on Revenue and cost of goods sold

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount for the Current Period		Amount for the Previous Period	
	Revenue	Cost	Revenue	Cost
Principal Business	1,300,768,294.37	1,307,147,874.73	1,370,392,103.21	1,372,041,626.76
Other Business	22,660.55		22,660.55	
Total	1,300,790,954.92	1,307,147,874.73	1,370,414,763.76	1,372,041,626.76

(2). Breakdown information of Revenue and cost of goods sold

□ Applicable √ Not applicable

Other notes:

√ Applicable □ Not applicable

Breakdown of revenue

1) Revenue from contracts with customers broken down by type of goods or services

Item	Amount for the current Period		Amount for the same period of previous year	
	Revenue	Cost	Revenue	Cost
Dyes and intermediates	1,300,768,294.37	1,307,147,874.73	1,370,392,103.21	1,372,041,626.76
Subtotal	1,300,768,294.37	1,307,147,874.73	1,370,392,103.21	1,372,041,626.76

2) Revenue from contracts with customers broken down by operating region

Item	Amount for the current Period		Amount for the same period of previous year	
	Revenue	Cost	Revenue	Cost
Domestic	1,300,768,294.37	1,307,147,874.73	1,370,392,103.21	1,372,041,626.76
Subtotal	1,300,768,294.37	1,307,147,874.73	1,370,392,103.21	1,372,041,626.76

3) Revenue from contracts with customers broken down by timing of transfer of goods or services

Item	Amount for the current Period	Amount for the same period of previous year
Recognise revenue at a point in time	1,300,768,294.37	1,370,392,103.21
Subtotal	1,300,768,294.37	1,370,392,103.21

(3) The revenue recognised in the current period included in the opening carrying amount of contract liabilities is RMB36,204,613.29.

(3). Notes on performance obligations

☐ Applicable √ Not applicable

(4). Notes on allocation to remaining performance obligations

☐ Applicable √ Not applicable

(5). Material contract changes or material adjustments to transaction prices

☐ Applicable √ Not applicable

Other notes:

None

5. Investment income

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount Incurred in Current Period	Amount Incurred in Previous Period
Income from long-term investments accounted for under cost method	5,304,200.00	5,304,200.00
Income from long-term investments accounted for under equity method	9,165,185.91	13,753,289.75
Investment income arising from disposal of long-term investments		
Investment income from holding of trading financial assets		
Dividend income derived from holding of other equity instrument investments		
Interest income derived from holding of debt investments		
Interest income derived from holding of other debt investments		
Investment income derived from disposal of trading financial assets	5,929,303.39	4,861,337.63
Investment income derived from disposal of other equity instrument investments		
Investment income derived from disposal of debt investments		
Investment income derived from disposal of other debt investments		
Income from debt restructuring		
Income derived from wealth management products		5,839,917.01
Loss on discounting of bills receivables (應收款項融資)		-227,500.00
Total	20,398,689.30	29,531,244.39

Other notes:

None

6. Others

□ Applicable √ Not applicable

XX. Supplementary Information

1. Statement of non-recurring gains and losses for the current period

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount	Note
Profit or loss on disposal of non-current assets, including the reversal portion of accrued asset impairment provisions	8,774,952.97	
Government grants recognised in profit or loss for the current period, excluding government grants closely related to the Company's normal business operations, complying with national policy provisions, enjoyed in accordance with specified standards and exerting continuous impact on the Company's profit or loss	15,402,734.00	
Fair value gains or losses arising from financial assets and financial liabilities held by non-financial enterprises, and gains or losses arising from disposal of financial assets and financial liabilities, excluding effective hedging transactions related to the Company's normal business operations	43,981,535.47	
Fund occupation fees charged to non-financial enterprises recognised in profit or loss for the current period		
Profit or loss from entrusting others to invest or manage assets		
Profit or loss derived from entrusted loans granted externally		
Various asset losses arising from force majeure events such as natural disasters		
Reversal of impairment provisions for receivables subject to separate impairment testing		
Income generated where the cost of investments in subsidiaries, associates and joint ventures acquired by the enterprise is less than the fair value of the identifiable net assets of the invested entity to which the enterprise is entitled at the acquisition date		
Net profit or loss of subsidiaries generated from the beginning of the period to the combination date under business combinations under common control		

Items	Amount	Note
Profit or loss on non-monetary asset exchanges		
Profit or loss on debt restructuring		
One-off expenses incurred by the enterprise upon cessation of relevant business activities, such as expenditures for employee resettlement		
One-off impact on current profit or loss arising from adjustments to tax, accounting and other laws and regulations		
One-off share-based payment expenses recognised due to cancellation or amendment of equity incentive plans		
Profit or loss arising from changes in fair value of salaries payable after the vesting date for cash-settled share-based payments		
Profit or loss arising from changes in fair value of investment properties subsequently measured under the fair value model		
Income generated from transactions with obviously unfair transaction prices		
Profit or loss arising from contingencies irrelevant to the Company's normal business operations		
Trustee fee income derived from entrusted operation		
Other non-operating income and expenses other than the above items	-629,616.29	
Other profit or loss items meeting the definition of non-recurring profit or loss	-7,811,824.40	
Less: Income tax impact	7,726,274.99	
Impact attributable to non-controlling interests (after tax)	21,657.81	
Total	51,969,848.95	

Where the Company recognises material items not listed in the Interpretive Announcement No. 1 on Information Disclosure by Publicly Traded Companies — Non-recurring Gains and Losses as non-recurring gains and losses, or classifies items specified in the aforesaid Interpretive Announcement as recurring gains and losses, the relevant reasons shall be stated.

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Items	Amount involved	Reason
Provision for expected asset losses on trust products	2,188,175.60	Income derived from investments in trust products shall be classified as non-recurring items, and the corresponding provision for expected credit losses shall also be classified as non-recurring items
Provision for impairment of investments in equity instruments	-10,000,000.00	Impairment losses on investments in equity instruments are irrelevant to the enterprise's normal operating businesses and shall be classified as non-recurring items

Other notes:

☐ Applicable √ Not applicable

2. Return on Net Assets and Earnings per Share

√ Applicable ☐ Not applicable

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	1.39	0.01	0.01
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	0.06	0.0006	0.0006

3. Differences in accounting data under domestic and overseas accounting standards

☐ Applicable √ Not applicable

4. Others

√ Applicable ☐ Not applicable

1. Calculation process of weighted average return on net assets

Items	No.	Amount for the current Period
Net profit attributable to ordinary shareholders of the Company	A	54,296,194.77
Non-recurring profit or loss	B	51,969,848.95
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	C=A-B	2,326,345.82
Net assets attributable to holders of ordinary shares of the Company at the beginning of the reporting period	D	3,916,356,188.05
The increase in net assets attributable to holders of ordinary shares of the Company, arising from new issue of shares or debt-for-equity swap	E	
The months from the next month of the increase of assets to the end of the reporting period for the year	F	
The decrease in net assets attributable to holders of ordinary shares of the Company, arising from share repurchase or cash dividend	G	47,378,335.20
The months from the next month of the decrease of assets to the end of the reporting period for the year	H	7
Others Changes in special reserve for the current period	I1	-776,366.43
The months from the next month of the increase or decrease of other assets to the end of the reporting period for the year	J1	6
The year and month	K	12
Weight-adjusted net assets	L= D+A/2+ E×F/K-G×H/K±I×J/K	3,915,478,740.02
Weighted average return on net assets	M=A/L	1.39%
Weighted average return on net assets after non-recurring gains and losses are deducted	N=C/L	0.06%

2. Calculation process of basic earnings per share and diluted earnings per share

(1) Calculation process of basic earnings per share

Items	No.	Amount for the Current Period
Net profit attributable to ordinary shareholders of the Company	A	54,296,194.77
Non-recurring profit or loss	B	51,969,848.95
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	C=A-B	2,326,345.82
The total number of shares at the beginning of the reporting period	D	3,916,356,188.05
Shares increased from Conversion of Reserve into Capital or share dividend distribution	E	
Increase in the number of shares resulting from issuance of new shares or debt-to-equity conversion	F	
The months from the next month of the increase of assets to the end of the reporting period for the year	G	
The reduced shares arising from annual repurchase	H	
The months from the next month of the decrease of assets to the end of the reporting period for the year	I	
The number of reduced shares for the year	J	
The year and month	K	12
Weighted average number of ordinary shares outstanding	L=D+E+F×G/K-H×I/K-J	3,916,356,188.05
Basic earnings per share	M=A/L	0.01
Basic earnings per share after non-recurring gains and losses are deducted	N=C/L	0.0006

(2) Calculation process of diluted earnings per share

The calculation process of diluted earnings per share is the same as that of basic earnings per share.

Chairman: Shao Hui
Approval and submission date by the Board: 27 April 2026

Revision information

☐ Applicable √ Not applicable

Stock Code: 603980 Stock Short Name: Jihua Group

Zhejiang Jihua Group Co., Ltd.
First Quarter Report 2026

The Board of Directors and all directors of the Company warrant that this announcement contains no false records, misleading statements or material omissions, and shall bear legal liabilities for the authenticity, accuracy and completeness of its contents.

Important Reminders

The Board of Directors, directors and senior management of the Company guarantee that the contents of the quarterly report are true, accurate and complete, free from any false records, misleading statements or material omissions, and shall assume individual and joint legal liabilities.

The person in charge of the Company, the person in charge of accounting work and the person in charge of the accounting department (chief accountant) guarantee that the financial information in the quarterly report is true, accurate and complete.

Whether the first quarter financial statements have been audited

☐ Yes √ No

I. Major Financial Data

(I) Major Accounting Data and Financial Indicators

Unit: Yuan Currency: RMB

Item	Current reporting period	The same period of previous year	Percentage change for the current reporting period compared with the same period of previous year (%)
Operating revenue	411,430,548.95	340,341,319.16	20.89
Total profit	21,563,822.42	-24,717,523.35	187.24
Net profit attributable to shareholders of the listed company	18,256,076.97	-20,770,353.77	187.89
Net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss	-3,048,097.12	-19,552,783.39	84.41
Net cash flows generated from operating activities	-19,875,303.16	-34,838,371.65	42.95
Basic earnings per share (RMB/share)	0.027	-0.03	190.00
Diluted earnings per share (RMB/share)	0.027	-0.03	190.00
Weighted average return on net assets (%)	0.47	-0.54	Increased by 1.01 percentage points

	At the end of the current reporting period	At the end of previous year	Percentage change at the end of current reporting period compared with the end of previous year (%)
Total assets	4,446,710,650.72	4,526,282,792.45	-1.76
Owners' equity attributable to shareholders of the listed company	3,941,208,397.51	3,922,497,681.19	0.48

(II) Items and Amounts of Non-recurring Gains and Losses

√ Applicable □ Not applicable

Unit: Yuan Currency: RMB

Non-recurring Gains and Losses Items	Amount in the current period	Note
Profit or loss on disposal of non-current assets, including the reversal portion of accrued asset impairment provisions	231,458.12	
Government grants recognised in profit or loss for the current period, excluding government grants closely related to the Company's normal business operations, complying with national policy provisions, enjoyed in accordance with specified standards and exerting continuous impact on the Company's profit or loss	1,821,648.05	
Fair value gains or losses arising from financial assets and financial liabilities held by non-financial enterprises, and gains or losses arising from disposal of financial assets and financial liabilities, excluding effective hedging transactions related to the Company's normal business operations	22,381,658.10	
Fund occupation fees charged to non-financial enterprises recognised in profit or loss for the current period		
Profit or loss from entrusting others to invest or manage assets		
Profit or loss derived from entrusted loans granted externally		
Various asset losses arising from force majeure events such as natural disasters		
Reversal of impairment provisions for receivables subject to separate impairment testing		
Income generated where the cost of investments in subsidiaries, associates and joint ventures acquired by the enterprise is less than the fair value of the identifiable net assets of the invested entity to which the enterprise is entitled at the acquisition date		
Net profit or loss of subsidiaries generated from the beginning of the period to the combination date under business combinations under common control		
Profit or loss on non-monetary asset exchanges		

Non-recurring Gains and Losses Items	Amount in the current period	Note
Profit or loss on debt restructuring		
One-off expenses incurred by the enterprise upon cessation of relevant business activities, such as expenditures for employee resettlement		
One-off impact on current profit or loss arising from adjustments to tax, accounting and other laws and regulations		
One-off share-based payment expenses recognised due to cancellation or amendment of equity incentive plans		
Profit or loss arising from changes in fair value of salaries payable after the vesting date for cash-settled share-based payments		
Profit or loss arising from changes in fair value of investment properties subsequently measured under the fair value model		
Income generated from transactions with obviously unfair transaction prices		
Profit or loss arising from contingencies irrelevant to the Company's normal business operations		
Trustee fee income derived from entrusted operation		
Other non-operating income and expenses other than the above items	33,416.27	
Other profit or loss items meeting the definition of non-recurring profit or loss	-2,771,754.14	
Less: Income tax impact	225,138.17	
Impact attributable to minority shareholders' interests (after tax)	167,114.14	
Total	21,304,174.09	

Where the Company recognises items not listed in Explanatory Announcement No.1 on Information Disclosure of Companies with Publicly Issued Securities — Non-recurring Gains and Losses as non-recurring gains and losses items with material amounts, or defines the non-recurring gains and losses items listed in Explanatory Announcement No.1 on Information Disclosure of Companies with Publicly Issued Securities — Non-recurring Gains and Losses as recurring gains and losses items, the reasons shall be stated.

☐ Applicable √ Not applicable

(III) Changes and Reasons of Major Accounting Data and Financial Indicators

√ Applicable □ Not applicable

Name of item	Percentage of change (%)	Primary reasons
Derivatives	171.46	Mainly attributable to fair value gain of foreign exchange swaps for the current period
Trade receivables	90.46	Mainly affected by the year-end payment collection policy; more payments were received from customers at the end of last year, resulting in an increase in trade receivables at the end of the period compared with the beginning of the period
Receivable financing	-55.20	Mainly affected by the year-end collection policy, with more bills recovered at the end of last year
Prepayments	336.19	Mainly attributable to the increase in prepayments for goods in the current period
Other non-current assets	-52.52	Mainly attributable to the recovery of financial products in the current period
Advances from customers	-100.00	Mainly attributable to the advance rental payments received last year
Employee benefits payables	-57.01	Mainly attributable to the payment of year-end bonuses accrued at the end of last year in the current period
Special reserve	36.09	Mainly attributable to the increase in accrued work safety expenses in the current period
Finance costs	211.58	Mainly attributable to the increase in exchange gains and losses resulting from exchange rate fluctuations
Investment income	-35.77	Mainly attributable to the continuous reduction in risk-based investments amid rising macro uncertainties
Gains from changes in fair value	329.42	Mainly attributable to fair value gains on financial assets
Credit impairment losses	-63.83	Mainly attributable to the increase in receivables

Name of item	Percentage of change (%)	Primary reasons
Gains from disposal of assets	661.68	Mainly attributable to gains arising from disposal of property, plant and equipment in the current period
Non-operating income	-84.08	Mainly attributable to the decrease in incidental income
Non-operating expenses	-36.11	Mainly attributable to the decrease in incidental expenses
Income tax expenses	280.11	Mainly attributable to the increase in income tax expenses accrued due to the growth of net profit in the current period
Net profit from continuing operation	175.42	Mainly attributable to the recovery of the textile and apparel industry and the rise in selling prices, leading to an increase in net profit
Net profit attributable to shareholders of the parent company	187.89	
Profit or loss attributable to non-controlling interests	-48.39	Mainly attributable to the increase in losses of minority shareholders.
Total comprehensive income	175.42	Mainly attributable to the recovery of the textile and apparel industry and the rise in selling prices, leading to an increase in net profit.
Total comprehensive income attributable to the owners of the parent company	187.89	
Total comprehensive income attributable to non-controlling interests	-48.39	Mainly attributable to increased losses of minority shareholders
Tax refund received	-79.09	Mainly attributable to the reduction in VAT tax refunds received in the current period
Cash received relating to other operating activities	32.49	Mainly attributable to deposits received
Cash paid relating to other operating activities	43.24	Mainly attributable to refund of security deposits
Net cash flow from operating activities	42.95	Mainly attributable to the recovery of the textile and apparel industry and rising selling prices, resulting in an increase in net profit
Cash received from disposal of investments	103.18	Mainly attributable to increased funds recovered upon maturity of trading financial assets

Name of item	Percentage of change (%)	Primary reasons
Cash received from investment income	212.30	Mainly attributable to increased income received upon maturity of wealth management products
Net cash received from disposal of property, plant and equipment, intangible assets and other long-term assets	302.21	Mainly attributable to gains from disposal of property, plant and equipment in the current period
Cash received relating to other investing activities	-80.44	Mainly attributable to the reduction of foreign exchange swaps in the current period
Cash paid for investments	178.43	Mainly attributable to the increase in wealth management investments in the current period
Cash paid relating to other investing activities	-100.00	Mainly attributable to the reduction of foreign exchange swaps in the current period
Cash received relating to other financing activities	-100.00	
Cash paid for repayment of debts	-71.29	Mainly attributable to the reduction in debt repayment during the current period
Cash paid relating to other financing activities	67.59	Mainly attributable to the increase in rental payments
Effect of change in exchange rate on cash and cash equivalents	-329.16	Mainly attributable to the impact of exchange rate fluctuations
Net profit attributable to shareholders of the listed company	187.89	Mainly attributable to the recovery of the textile and apparel industry and the rise in selling prices, leading to an increase in net profit
Net profit attributable to shareholders of the listed company, net of non-recurring gains and losses	84.41	
Basic earnings per share	190.00	
Diluted earnings per share	190.00	

II. Shareholder Information

(I) Total Number of Ordinary Shareholders, Number of Preference Shareholders with Restored Voting Rights and Schedule of Shareholdings of Top Ten Shareholders

Unit: Share

Total number of ordinary shareholders at the end of the reporting period	35,340	Total number of preference shareholders with restored voting rights at the end of the reporting period (if any)	Not applicable

Shareholding Status of Top 10 Shareholders (Excluding Shares Lent via Securities Lending)

Name of Shareholder	Nature of Shareholder	Number of Shares Held	Shareholding Ratio (%)	Number of Restricted Shares Held	Pledge, Marking or Freezing Status	
					Share Status	Number
Hangzhou Jinhui Electromechanical Equipment Co., Ltd.	Domestic non-state legal person	196,000,000	28.96	0	Nil	0
Shao Hui	Domestic natural person	25,234,866	3.73	0	Nil	0
Chen Liuying	Domestic natural person	15,017,400	2.22	0	Nil	0
Shenzhen Qianhai Hongyi Asset Management Co., Ltd.	State-owned legal person	9,313,600	1.38	0	Nil	0
National Social Security Fund Portfolio 503	Others	8,000,000	1.18	0	Nil	0
Yang Quanming	Domestic natural person	6,034,329	0.89	0	Nil	0
Zhou Huoliang	Domestic natural person	5,887,500	0.87	0	Nil	0
Goldman Sachs International - Own Funds	Others	5,014,709	0.74	0	Nil	0
BARCLAYS BANK PLC	Others	4,071,419	0.60	0	Nil	0
Xu Xinghua	Domestic natural person	4,000,000	0.59	0	Nil	0

Shareholding Status of Top 10 Unrestricted Shareholders (Excluding Shares Lent via Securities Lending)

Name of Shareholder	Number of unrestricted tradable shares held	Type and Number of Shares	
		Type of Shares	Number
Hangzhou Jinhui Electromechanical Equipment Co., Ltd.	196,000,000	RMB Ordinary Shares	196,000,000
Shao Hui	25,234,866	RMB Ordinary Shares	25,234,866
Chen Liuying	15,017,400	RMB Ordinary Shares	15,017,400
Shenzhen Qianhai Hongyi Asset Management Co., Ltd.	9,313,600	RMB Ordinary Shares	9,313,600
National Social Security Fund Portfolio 503	8,000,000	RMB Ordinary Shares	8,000,000
Yang Quanming	6,034,329	RMB Ordinary Shares	6,034,329
Zhou Huoliang	5,887,500	RMB Ordinary Shares	5,887,500
Goldman Sachs International - Own Funds	5,014,709	RMB Ordinary Shares	5,014,709
BARCLAYS BANK PLC	4,071,419	RMB Ordinary Shares	4,071,419
Xu Xinghua	4,000,000	RMB Ordinary Shares	4,000,000

Note to Connected Relationships or Concerted Action among the Above Shareholders	1. Shao Bojin, the controlling shareholder of Jinhui Electromechanical, and Shao Hui are father and son. 2. Yang Quanming is the brother of the spouse of Shao Bojin, the controlling shareholder of Jinhui Electromechanical. 3. Xu Xinghua is the spouse of the brother of Shao Bojin, the controlling shareholder of Jinhui Electromechanical.
Note to participation in margin trading and securities lending and borrowing business by the top 10 shareholders and top 10 unrestricted shareholders (if any)	Not applicable

Share lending under securities lending and borrowing programme by shareholders holding more than 5% shares, top ten shareholders and top ten unrestricted tradable shareholders

☐ Applicable √ Not applicable

Changes compared with the previous period of top ten shareholders and top ten unrestricted tradable shareholders due to share lending or return under securities lending and borrowing programme

☐ Applicable √ Not applicable

Other Reminders

Other important information on the Company's operating conditions during the reporting period for investors' attention

√ Applicable ☐ Not applicable

1. Proposed matters of change of control

On 6 February 2026, Hangzhou Jinhui Electromechanical Equipment Co., Ltd. (hereinafter referred to as Hangzhou Jinhui), the controlling shareholder of the Company, Shao Hui and Tonglu Junheng Equity Investment Partnership (Limited Partnership) (hereinafter referred to as Tonglu Junheng) signed the Share Transfer Agreement. The agreement stipulates that Hangzhou Jinhui and Shao Hui shall transfer 202,308,716 ordinary shares of the listed company to Tonglu Junheng, accounting for 29.89% of the total share capital of the listed company. After the completion of this share transfer, Tonglu Junheng shall hold 202,308,716 shares of the listed company, accounting for 29.89% of the total share capital of the Company. The controlling shareholder of the Company shall be changed from Hangzhou Jinhui to Tonglu Junheng, and the actual controller shall be changed from Shao Bojin to Su Ertian.

2. Proposed issuance of shares to specific targets

On 6 February 2026, the Eleventh Meeting of the Fifth Board of Directors of the Company reviewed and passed the relevant proposals on issuance of shares to specific targets. This issuance of shares to specific targets is conducted for specific issuing targets. The total amount of funds proposed to be raised shall not exceed RMB 300,000,000.00 (inclusive). The issuing target is Tonglu Junheng.

III. Quarterly Financial Statements

(I) Type of Audit Opinion

☐ Applicable √ Not applicable

(II) Financial Statements

Prepared by: Zhejiang Jihua Group Co., Ltd.

Consolidated Statement of Assets and Liabilities
31 March 2026

Unit: Yuan Currency: RMB Audit Type: Unaudited

Item	31 March 2026	31 December 2025
Current assets:		
Bank and cash balances	1,153,103,077.01	1,117,188,963.58
Settlement reserve fund		
Lendings to banks and other financial institutions		
Financial assets at fair value through profit or loss ("FVTPL")	658,397,426.53	611,754,472.98
Derivatives	4,324,174.63	1,592,960.25
Bills receivables (應收票據)		
Trade receivables	441,032,985.95	231,557,446.27
Bills receivables (應收款項融資)	218,037,863.19	486,731,175.61
Prepayments	38,668,624.84	8,865,152.62
Premiums receivable		
Reinsurance trade receivables		
Reinsurance contract reserves receivable		
Other receivables	17,065,649.50	16,891,634.85
Including: Interest receivable		
Dividend receivable		
Financial assets purchased under resale agreements		
Inventories	408,451,352.77	426,258,210.82
Including: Data resources		
Contract assets		
Assets held for sale		
Non-current assets due within one year		
Other current assets	241,190,893.38	322,514,308.74
Total current assets	3,180,272,047.80	3,223,354,325.72
Non-current assets:		
Loans and advances granted		

Item	31 March 2026	31 December 2025
Debt investments		
Other debt investments		
Long-term receivable		
Long-term investments	129,765,230.75	126,568,421.88
Investments in other equity instruments		
Other non-current financial assets	106,636,493.54	99,387,559.78
Investment properties	247,137,014.93	250,697,097.33
Property, plant and equipment	633,188,071.98	654,773,000.43
Construction in progress	13,182,939.21	12,713,883.95
Productive biological assets		
Oil and gas assets		
Right-of-use assets	10,117,244.82	10,685,247.21
Intangible assets	81,595,987.90	82,435,958.19
Including: Data resources		
Development expenses		
Including: Data resources		
Goodwill	7,500,892.68	7,500,892.68
Long-term prepaid expenses	1,210,599.07	1,274,452.00
Deferred tax assets	14,795,157.10	12,009,187.91
Other non-current assets	21,308,970.94	44,882,765.37
Total non-current assets	1,266,438,602.92	1,302,928,466.73
Total assets	4,446,710,650.72	4,526,282,792.45
Current liabilities:		
Short-term borrowings	70,108,011.66	70,114,740.00
Borrowings from central bank		
Loans from banks and other financial institutions		
Transactional financial liabilities		
Derivative financial liabilities		
Bills payable		
Trade payables	206,470,455.01	285,262,245.00
Advances from customers		370,921.04
Contract liabilities	31,716,088.63	26,727,013.30
Financial assets sold under repurchase agreements		
Deposits from customers and interbank deposits		
Amount paid for agency securities trading		

Item	31 March 2026	31 December 2025
Amount paid for agency securities underwriting		
Employee benefits payables	17,927,339.00	41,702,713.51
Current tax liabilities	27,352,850.31	23,724,789.08
Other payables	21,151,697.58	23,113,955.56
Including: Interests payable		
Dividends payable		
Fees and commissions payable		
Reinsurance trade payables		
Liabilities held for sale		
Non-current liabilities due within one year	2,466,718.77	3,347,555.96
Other current liabilities	3,937,729.35	3,289,959.64
Total current liabilities	381,130,890.31	477,653,893.09
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings		
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	6,944,699.37	6,541,647.58
Long-term payables		
Long-term employee benefits payables		
Provisions	1,122,954.06	1,122,954.06
Deferred revenue	42,720,633.86	43,823,549.03
Deferred tax liabilities	57,011,496.97	56,354,277.56
Other non-current liabilities	6,000,000.00	6,000,000.00
Total non-current liabilities	113,799,784.26	113,842,428.23
Total liabilities	494,930,674.57	591,496,321.32
Equity		
share capital	676,833,360.00	676,833,360.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	1,082,122,502.16	1,082,122,502.16
Less: Treasury shares		
Other comprehensive income		
Special reserve	1,714,473.02	1,259,833.67
Statutory surplus reserve	358,421,889.12	358,421,889.12
General risk reserves		
Retained earnings	1,822,116,173.21	1,803,860,096.24

Item	31 March 2026	31 December 2025
Total equity attributable to owners of the Company	3,941,208,397.51	3,922,497,681.19
Non-controlling interests	10,571,578.64	12,288,789.94
Total equity	3,951,779,976.15	3,934,786,471.13
Total liabilities and equity	4,446,710,650.72	4,526,282,792.45

Person in charge of the Company: Shao Hui
Person in charge of accounting work: Zhang Yinghui
Person in charge of accounting institution: Shen Haiyan

Consolidated Profit Statement Prepared by:
Zhejiang Jihua Group Co., Ltd January to March 2026

Prepared by: Zhejiang Jihua Group Co., Ltd.

Unit: Yuan Currency: RMB Audit Type: Unaudited

Item			First Quarter 2026	First Quarter 2025
I.	Total operating income		411,430,548.95	340,341,319.16
	Including:	Revenue	411,430,548.95	340,341,319.16
		Interest income		
		Premium earned		
		Fees and commissions income		
II.	Total operating costs		403,227,579.60	346,783,343.74
	Including:	Cost of goods sold	346,240,066.67	311,689,906.97
		Interest expense		
		Fees and commissions expenses		
		Surrender value		
		Net amount of compensation payout		
		Net amount withdrawn for insurance liability reserves		
		Policy dividend expenses		
		Reinsurance expenses		
		Sales related tax and auxiliary charges	5,004,570.85	3,861,868.79
		Selling expenses	5,912,065.03	5,781,239.49
		Administrative expenses	27,080,195.64	26,168,123.49
		Research and development expenses	9,654,425.81	7,649,893.60
		Finance costs	9,336,255.60	-8,367,688.60
		Including: Interest expenses	114,821.67	
		Interest income	3,533,525.37	3,611,461.44
		Add: Other income	3,798,317.60	4,177,088.02
		Investment income (“-” for losses)	2,627,971.20	4,091,384.31
		Including: Investment income in associates and joint ventures	3,196,808.87	1,880,592.51
		Gains from derecognition of financial assets measured at amortised cost		
		Gains from foreign exchange (“-” for losses)		
		Gains from net exposure hedging (“-” for losses)		

Item		First Quarter 2026	First Quarter 2025
	Gains from changes in fair value ("-" for losses)	25,681,710.15	-11,194,135.29
	Credit impairment losses ("-" for losses)	-11,779,054.03	-7,189,861.06
	Asset impairment losses ("-" for losses)	-7,232,966.24	-8,605,259.95
	Gains from disposal of assets ("-" for losses)	271,837.56	-48,397.48
III.	Operating profits ("-" for losses)	21,570,785.59	-25,211,206.03
	Add: non-operating income	106,948.34	671,966.74
	Less: non-operating expenses	113,911.51	178,284.06
IV.	Total profits ("-" for total losses)	21,563,822.42	-24,717,523.35
	Less: income tax expenses	5,024,956.75	-2,789,933.25
V.	Net profit ("-" for net loss)	16,538,865.67	-21,927,590.10
	(I) Classified by operating continuity		
	1. Net profit from continued operation ("-" for net loss)	16,538,865.67	-21,927,590.10
	2. Net profit from discontinued operation ("-" for net loss)		
	(II) Classified by the ownership		
	1. Owners of the Company	18,256,076.97	-20,770,353.77
	2. Non-controlling interest	-1,717,211.30	-1,157,236.33
VI.	Other comprehensive income, net of tax		
	(I) Other comprehensive income, net of tax, attributable to owners of the parent company		
	1. Other comprehensive income that cannot be reclassified into profit or loss		
	(1) Changes in re-measurement of the defined benefit plan		
	(2) Other comprehensive income that cannot be transferred to profit or loss under the equity method		
	(3) Changes in fair value of other equity instruments investments		

Item	First Quarter 2026	First Quarter 2025
(4) Changes in fair value of the Company's own credit risk		
2. Other comprehensive income that will be reclassified into profit or loss		
(1) Other comprehensive income that can be transferred into profit or loss under the equity method		
(2) Changes in fair value of other debt investments		
(3) Amount of financial assets reclassified into other comprehensive income		
(4) Provision for credit impairment of other debt investments		
(5) Cash flow hedging reserves		
(6) Exchange differences from translation of financial statements denominated in foreign currencies		
(7) Others		
2. Other comprehensive income, net of tax, attributable to non-controlling interests		
VII. Total comprehensive income	16,538,865.67	-21,927,590.10
(I) Owners of the Company	18,256,076.97	-20,770,353.77
(II) Non-controlling interests	-1,717,211.30	-1,157,236.33
VIII. Earnings per share:		
(I) Basic earnings per share (RMB/share)	0.027	-0.03
(II) Diluted earnings per share (RMB/share)	0.027	-0.03

Where business combination under common control occurred during the current period, the net profit realised by the combinee prior to combination amounted to: RMB0, and the net profit realised by the combinee in the previous period amounted to: RMB0.

Person in charge of the Company: Shao Hui
Person in charge of accounting work: Zhang Yinghui
Person in charge of accounting institution: Shen Haiyan

Consolidated Cash Flow Statement
January to March 2026

Prepared by: Zhejiang Jihua Group Co., Ltd.

Unit: Yuan Currency: RMB Audit Type: Unaudited

Items		First Quarter 2026	First Quarter 2025
I.	Cash flows from operating activities:		
	Cash received from sale of goods and rendering of services	150,112,534.46	130,920,158.62
	Net increase in deposits from customers and interbank deposits		
	Net increase in borrowings from central bank		
	Net increase in loans from other financial institutions		
	Cash received from premiums of original insurance contracts		
	Net cash received from reinsurance business		
	Net increase in deposits and investments from policy holders		
	Cash received from interests, fees and commissions		
	Net increase in loans from banks and other financial institutions		
	Net increase in capital from repurchase business		
	Net cash received from agency securities trading		
	Tax refund received	104,549.85	499,946.36
	Cash received relating to other operating activities	8,471,169.42	6,393,705.71
	Subtotal of cash inflows from operating activities	158,688,253.73	137,813,810.69
	Cash paid for goods purchased and services received	55,521,590.33	57,895,358.61
	Net increase in customers' loans and advances		
	Net increase in deposits with central bank and interbank		
	Cash paid for original insurance contract compensation		

Items		First Quarter 2026	First Quarter 2025
	Net increase in lendings to banks and other financial institutions		
	Cash paid for interests, fees and commissions		
	Cash paid for policy dividends		
	Cash paid to and for employees	66,171,604.01	69,068,996.50
	Taxes paid	26,503,455.98	24,487,533.84
	Cash paid relating to other operating activities	30,366,906.57	21,200,293.39
	Subtotal of cash outflows from operating activities	178,563,556.89	172,652,182.34
	Net cash flow from operating activities	-19,875,303.16	-34,838,371.65
II.	Cash flows from investing activities:		
	Cash received from disposal of investments	563,051,522.17	277,118,502.51
	Cash received from investment income	9,910,689.00	3,173,435.67
	Net cash received from disposal of property, plant and equipment, intangible assets and other long-term assets	810,051.73	201,400.00
	Net cash received from disposal of subsidiaries and other business units		
	Cash received relating to other investing activities	53,531,383.43	273,727,390.32
	Subtotal of cash inflows from investing activities	627,303,646.33	554,220,728.50
	Cash paid for purchase and construction of property, plant and equipment, intangible assets and other long-term assets	2,883,707.24	2,224,066.36
	Cash paid for investments	501,836,036.37	180,235,237.09
	Net increase in pledge loans		
	Net cash paid to acquire subsidiaries and other business units		
	Cash paid relating to other investing activities		262,004,300.00
	Subtotal of cash outflows from investing activities	504,719,743.61	444,463,603.45
	Net cash flows from investing activities	122,583,902.72	109,757,125.05
III.	Cash flows from financing activities:		
	Cash received from investment		
	Including: Cash received by subsidiaries from minority shareholders' investment		
	Cash received from borrowings	20,100,000.00	20,100,000.00

Items		First Quarter 2026	First Quarter 2025
	Cash received relating to other financing activities		49,669,583.33
	Subtotal of cash inflows from financing activities	20,100,000.00	69,769,583.33
	Cash paid for repayment of debts	20,100,000.00	70,000,000.00
	Cash paid for dividends, profit distribution or interest payment	121,552.80	136,567.78
	Including: Dividends and profits paid by the subsidiaries to minority shareholders		
	Cash paid relating to other financing activities	1,085,839.10	647,898.10
	Subtotal of cash outflows from financing activities	21,307,391.90	70,784,465.88
	Net cash flow from financing activities	-1,207,391.90	-1,014,882.55
IV.	Effect of change in exchange rate on cash and cash equivalents	-12,055,233.21	5,260,719.83
V.	Net increase in cash and cash equivalents	89,445,974.45	79,164,590.68
	Add: Opening balance of cash and cash equivalents	811,012,836.49	663,190,498.33
VI.	Closing balance of cash and cash equivalents	900,458,810.94	742,355,089.01

Person in charge of the Company: Shao Hui
Person in charge of accounting work: Zhang Yinghui
Person in charge of accounting institution: Shen Haiyan

(III) Initial adoption of new accounting standards or interpretations thereof commencing from 2026 involving adjustments to the financial statements at the beginning of the year of initial adoption

☐ Applicable √ Not applicable

Hereby Announced

Board of Directors of
Zhejiang Jihua Group Co., Ltd.
28 April 2026

A. DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE GROUP AND ZHEJIANG JIHUA

As described in the section headed "Letter from the Board — Waiver from Strict Compliance with the Requirements under the Listing Rules" of this circular, the Company has applied to the Stock Exchange for, and been granted, a waiver from the requirement to include in this circular an accountants' report on Zhejiang Jihua in accordance with Rule 14.67(6)(a)(i) and Chapter 4 of the Listing Rules.

Instead, the Appendix II contain a copy of the English translation of the audited consolidated financial statements of Zhejiang Jihua for the three years ended 31 December 2023, 2024 and 2025, which were prepared in accordance with the CASBE (the "**Zhejiang Jihua's Accounting Policies**") and audited by Pan-China Certified Public Accountants LLP, and the unaudited consolidated financial statements of Zhejiang Jihua for the three months ended 31 March 2026, prepared in accordance with CASBE.

The financial information included in the Appendix II are referred hereinafter as "**Zhejiang Jihua Historical Financial Information**". The Zhejiang Jihua Historical Financial Information covers the consolidated statement of financial positions of Zhejiang Jihua as of 31 December 2023, 2024 and 2025 and 31 March 2026 and the consolidated statement of profit or loss and other comprehensive income of Zhejiang Jihua for each of the three years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2026 (the "**Relevant Periods**").

The accounting policies adopted by Zhejiang Jihua in the preparation of the Zhejiang Jihua Historical Financial Information for the Relevant Periods are in accordance with the CASBE, while accounting policies adopted by the Group for each of the Relevant Periods are in accordance with the IFRS Accounting Standards as issued by the International Accounting Standards Board (the **"Group's Accounting Policies"**). A line-by-line reconciliation (the **"Reconciliation"**) of the consolidated statement of financial position of Zhejiang Jihua as of 31 December 2023, 2024 and 2025 and 31 March 2026, and the consolidated statement of profit or loss and other comprehensive income of Zhejiang Jihua for each of the Relevant Periods to address the differences, in all material respects, on the Zhejiang Jihua Historical Financial Information had it been prepared in accordance with the Group's Accounting Policies, as set forth below in the section headed "D. Line-by-line Reconciliation".

B. BASIS OF PREPARATION

The Reconciliation for the each of the Relevant Periods was prepared by restating the "Unadjusted Financial Information of Zhejiang Jihua" which are extracted from the Zhejiang Jihua Historical Financial Information, and quantified adjustments to financial information as if it had been prepared in accordance with the Group's Accounting Policies which are in the compliance with the IFRS Accounting Standards.

C. RECONCILIATION PROCESS

The Reconciliation has been prepared by the Directors by comparing the differences between the accounting policies adopted by Zhejiang Jihua for the preparation of Unadjusted Financial Information of Zhejiang Jihua for the Relevant Periods, and the accounting policies presently adopted by the Group which are in compliance with the IFRS Accounting Standards, and quantifying the relevant material financial effects of such differences, if any.

Your attention is drawn to the fact that the Reconciliation has not been subject to an independent audit. Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of Zhejiang Jihua's financial positions as of 31 December 2023, 2024 and 2025 and 31 March 2026, nor its financial performance for each of the Relevant Periods then ended under the accounting policies presently adopted by the Group which are in compliance with the IFRS Accounting Standards.

RSM Hong Kong was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (**"HKSAE 3000 (Revised)"**) issued by the HKICPA on the Reconciliation. The work consisted primarily of:

(i) comparing the "Unadjusted Financial Information of Zhejiang Jihua" as set forth in Reconciliation with the Zhejiang Jihua Historical Financial Information that has been included in the Appendix II of this circular, as appropriate;

(ii) assessing the accounting treatments and classifications according to Zhejiang Jihua's Accounting Policies and the Group's Accounting Policies and evaluating the different accounting treatments and classifications identified by the Directors;

(iii) considering the adjustments and reclassifications made and evidence supporting them made in the Reconciliation in arriving at the "Adjusted Financial Information of Zhejiang Jihua under the Group's Accounting Policies"; and

(iv) checking the arithmetic accuracy of the computation of the Reconciliation.

RSM Hong Kong's engagement did not involve independent examination of any of the Zhejiang Jihua Historical Financial Information. The work carried out in accordance with HKSAE 3000 (Revised) is different in scope from an audit or review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, RSM Hong Kong did not express an audit opinion nor a review conclusion on the Reconciliation.

RSM Hong Kong's engagement was intended solely for the use of the Directors in connection with this circular and may not be suitable for another purpose. Based on the work performed, RSM Hong Kong has concluded that:

(i) the "Unadjusted Financial Information of Zhejiang Jihua" for the each of the Relevant Periods as set forth in the Reconciliation is in agreement with the Zhejiang Jihua Historical Financial Information prepared in accordance with the Zhejiang Jihua's Accounting Policies, as appropriate;

(ii) the adjustments and reclassifications made in the Reconciliation reflect, in all material respects, the differences in accounting treatments and classifications between the Zhejiang Jihua's Accounting Policies and the Group's Accounting Policies; and

(iii) the computation of the Reconciliation is arithmetically accurate.

D. LINE-BY-LINE RECONCILIATION

Statement of Comprehensive Income

	For the three months ended 31 March 2026			
	Unadjusted Financial Information of Zhejiang Jihua (Audited)	Reclassification adjustments (Unaudited) (Note 1)	Presentation adjustments (Unaudited) (Note 2)	Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited)
	RMB	*RMB*	*RMB*	*RMB*
Revenue	411,430,549	—	—	411,430,549
Cost of goods sold	(346,240,067)	—	—	(346,240,067)
Sales related tax and auxiliary charges	(5,004,571)	—	—	(5,004,571)
Gross profit	60,185,911	—	—	60,185,911
Selling expenses	(5,912,065)	—	—	(5,912,065)
Administrative expenses	(27,080,196)	(265,205)	(9,696,890)	(37,042,291)
Research and development expenses	(9,654,426)	—	9,654,426	—
Other income, other gains and losses	—	(8,886,315)	21,985,562	13,099,247
Other income	3,798,318	—	(3,798,318)	—
Investment income	2,627,971	(3,196,809)	568,838	—
Gains from changes in fair value	25,681,710	—	(25,681,710)	—
Credit impairment losses	(11,779,054)	—	—	(11,779,054)
Asset impairment losses	(7,232,966)	—	7,232,966	—
Gain on disposal of assets	271,838	—	(271,838)	—
Operating profit	30,907,041	(12,348,329)	(6,964)	18,551,748
Finance costs	(9,336,255)	9,151,520	—	(184,735)
Share of profit of associates	—	3,196,809	—	3,196,809
Non-operating income	106,948	—	(106,948)	—
Non-operating expenses	(113,912)	—	113,912	—
Profit before tax	21,563,822	—	—	21,563,822
Income tax expense	(5,024,956)	—	—	(5,024,956)
Profit and total comprehensive income for the year	16,538,866	—	—	16,538,866
Attributable to:				
Owners of the Company	18,256,077	—	—	18,256,077
Non-controlling interests	(1,717,211)	—	—	(1,717,211)
Total	16,538,866	—	—	16,538,866

Statement of Comprehensive Income

	For the year ended 31 December 2025			
	Unadjusted Financial Information of Zhejiang Jihua (Audited) *RMB*	**Reclassification adjustments (Unaudited) (Note 1)** *RMB*	**Presentation adjustments (Unaudited) (Note 2)** *RMB*	**Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited)** *RMB*
Revenue	1,523,874,999	—	—	1,523,874,999
Cost of goods sold	(1,334,491,765)	—	—	(1,334,491,765)
Sales related tax and auxiliary charges	(23,807,344)	—	—	(23,807,344)
Gross profit	165,575,890	—	—	165,575,890
Selling expenses	(21,185,005)	—	—	(21,185,005)
Administrative expenses	(89,020,883)	(1,127,082)	(63,879,523)	(154,027,488)
Research and development expenses	(62,334,392)	—	62,334,392	—
Other income, other gains and losses	—	16,401,207	61,700,307	78,101,514
Other income	21,697,293	—	(21,697,293)	—
Investment income	31,283,934	(9,165,186)	(22,118,748)	—
Gains from changes in fair value	21,646,701	—	(21,646,701)	—
Credit impairment losses	(11,482,322)	—	—	(11,482,322)
Asset impairment losses	(13,452,903)	—	13,452,903	—
Gain on disposal of assets	8,932,545	—	(8,932,545)	—
Operating profit	51,660,858	6,108,939	(787,208)	56,982,589
Finance income	14,460,830	(15,274,125)	—	(813,295)
Share of profit of associates	—	9,165,186	—	9,165,186
Non-operating income	1,246,134	—	(1,246,134)	—
Non-operating expenses	(2,033,342)	—	2,033,342	—
Profit before tax	65,334,480	—	—	65,334,480
Income tax expense	(13,924,121)	—	—	(13,924,121)
Profit and total comprehensive income for the year	51,410,359	—	—	51,410,359
Attributable to:				
Owners of the Company	54,296,195	—	—	54,296,195
Non-controlling interests	(2,885,836)	—	—	(2,885,836)
Total	51,410,359	—	—	51,410,359

Statement of Comprehensive Income

	For the year ended 31 December 2024			
	Unadjusted Financial Information of Zhejiang Jihua (Audited)	Reclassification adjustments (Unaudited) (Note 1)	Presentation adjustments (Unaudited) (Note 2)	Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited)
	RMB	*RMB*	*RMB*	*RMB*
Revenue	1,638,374,035	—	—	1,638,374,035
Cost of goods sold	(1,442,510,694)	—	—	(1,442,510,694)
Sales related tax and auxiliary charges	(17,420,227)	—	—	(17,420,227)
Gross profit	178,443,114	—	—	178,443,114
Selling expenses	(19,456,708)	—	—	(19,456,708)
Administrative expenses	(104,985,435)	(1,178,156)	(66,164,192)	(172,327,783)
Research and development expenses	(63,655,784)	—	63,655,784	—
Other income, other gains and losses	—	(33,146,035)	196,068,754	160,922,719
Other income	19,539,751	—	(19,539,751)	—
Investment income	34,321,421	(13,752,617)	(20,568,804)	—
Gains from changes in fair value	17,999,498	—	(17,999,498)	—
Credit impairment losses	(1,064,815)	—	—	(1,064,815)
Asset impairment losses	(23,353,198)	—	23,353,198	—
Gain on disposal of assets	162,805,353	—	(162,805,353)	—
Operating profit	200,593,197	(50,076,808)	(3,999,862)	146,516,527
Finance income	32,715,621	36,324,191	—	69,039,812
Share of profit of associates	—	13,752,617	—	13,752,617
Non-operating income	1,059,804	—	(1,059,804)	—
Non-operating expenses	(5,059,666)	—	5,059,666	—
Profit before tax	229,308,956	—	—	229,308,956
Income tax expense	(59,640,203)	—	—	(59,640,203)
Profit and total comprehensive income for the year	169,668,753	—	—	169,668,753
Attributable to:				
Owners of the Company	170,316,110	—	—	170,316,110
Non-controlling interests	(647,357)	—	—	(647,357)
Total	169,668,753	—	—	169,668,753

Statement of Comprehensive Income

	For the year ended 31 December 2023			
	Unadjusted Financial Information of Zhejiang Jihua (Audited)	Reclassification adjustments (Unaudited) (Note 1)	Presentation adjustments (Unaudited) (Note 2)	Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited)
	RMB	*RMB*	*RMB*	*RMB*
Revenue	1,691,279,147	—	—	1,691,279,147
Cost of goods sold	(1,589,537,987)	—	—	(1,589,537,987)
Sales related tax and auxiliary charges	(14,749,695)	—	—	(14,749,695)
Gross profit	86,991,465	—	—	86,991,465
Selling expenses	(22,336,445)	—	—	(22,336,445)
Administrative expenses	(109,767,572)	(1,241,611)	(81,689,220)	(192,698,403)
Research and development expenses	(81,276,567)	—	81,276,567	—
Other income, other gains and losses	—	(40,061,874)	(160,949,129)	(201,011,003)
Other income	23,161,864	—	(23,161,864)	—
Investment income	54,525,579	(17,970,508)	(36,555,071)	—
Losses from changes in fair value	(42,178,775)	—	42,178,775	—
Credit impairment losses	(7,406,740)	—	—	(7,406,740)
Asset impairment losses	(183,554,004)	—	183,554,004	—
Gains on disposal of assets	6,040,167	—	(6,040,167)	—
Operating loss	(275,801,028)	(59,273,993)	(1,386,105)	(336,461,126)
Finance income	36,893,214	41,303,485	—	78,196,699
Share of profit of associates	—	17,970,508	—	17,970,508
Non-operating income	940,646	—	(940,646)	—
Non-operating expenses	(2,326,751)	—	2,326,751	—
Loss before tax	(240,293,919)	—	—	(240,293,919)
Income tax expense	(4,805,553)	—	—	(4,805,553)
Loss and total comprehensive income for the year	(245,099,472)	—	—	(245,099,472)
Attributable to:				
Owners of the Company	(240,845,794)	—	—	(240,845,794)
Non-controlling interests	(4,253,678)	—	—	(4,253,678)
Total	(245,099,472)	—	—	(245,099,472)

Statement of Financial Position

	For the three months ended 31 March 2026			
	Unadjusted Financial Information of Zhejiang Jihua (Audited) *RMB*	Reclassification adjustments (Unaudited) (Note 1) *RMB*	Presentation adjustments (Unaudited) (Note 2) *RMB*	Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited) *RMB*
ASSETS				
Non-current assets				
Long term investments	129,765,231	(129,765,231)	—	—
Investments in associates	—	129,765,231	—	129,765,231
Financial assets at fair value through profit or loss ("FVTPL")	—	113,445,181	—	113,445,181
Financial assets at amortised costs	—	14,467,283	—	14,467,283
Other non-current financial assets	106,636,494	(106,636,494)	—	—
Investment properties	247,137,015	—	—	247,137,015
Property, plant and equipment	633,188,072	1,012,974	13,182,939	647,383,985
Construction in progress	13,182,939	—	(13,182,939)	—
Right-of-use assets	10,117,245	53,630,146	—	63,747,391
Intangible assets	81,595,988	(53,630,146)	—	27,965,842
Goodwill	7,500,893	—	—	7,500,893
Long-term prepaid expenses	1,210,599	(1,210,599)	—	—
Deferred tax assets	14,795,157	—	—	14,795,157
Other non-current assets	21,308,970	(21,308,970)	—	—
Prepayments	—	230,625	—	230,625
Total non-current assets	1,266,438,603	—	—	1,266,438,603
Current assets				
Bank and cash balances	1,153,103,077	—	(10,249,269)	1,142,853,808
Restricted bank deposits	—	—	10,249,269	10,249,269
Financial assets at fair value through profit or loss ("FVTPL")	658,397,427	108,670,802	—	767,068,229
Financial assets at amortised costs	—	130,452,102	—	130,452,102
Derivatives	4,324,175	—	—	4,324,175
Trade and bills receivables	—	—	659,070,849	659,070,849
Trade receivables	441,032,986	—	(441,032,986)	—
Bills receivables (應收款項融資)	218,037,863	—	(218,037,863)	—
Prepayments	38,668,625	—	(38,668,625)	—
Other receivables	17,065,650	2,067,988	(19,133,638)	—
Prepayments and other receivables	—	—	57,802,263	57,802,263
Inventories	408,451,353	—	—	408,451,353
Other current assets	241,190,892	(241,190,892)	—	—
Total current assets	3,180,272,048	—	—	3,180,272,048
TOTAL ASSETS	4,446,710,651	—	—	4,446,710,651

	For the three months ended 31 March 2026			
	Unadjusted Financial Information of Zhejiang Jihua (Audited) *RMB*	Reclassification adjustments (Unaudited) (Note 1) *RMB*	Presentation adjustments (Unaudited) (Note 2) *RMB*	Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited) *RMB*
EQUITY AND LIABILITIES				
Equity				
Share capital	676,833,360	—	—	676,833,360
Reserves	—	—	3,264,375,037	3,264,375,037
Capital reserve	1,082,122,502	—	(1,082,122,502)	—
Special reserve	1,714,473	—	(1,714,473)	—
Statutory surplus reserve	358,421,889	—	(358,421,889)	—
Retained earnings	1,822,116,173	—	(1,822,116,173)	—
Equity attributable to owners of the Company	3,941,208,397	—	—	3,941,208,397
Non-controlling interests	10,571,579	—	—	10,571,579
Total equity	3,951,779,976	—	—	3,951,779,976
LIABILITIES				
Non-current liabilities				
Lease liabilities	6,944,699	—	—	6,944,699
Provisions	1,122,954	—	—	1,122,954
Other payables	—	—	6,000,000	6,000,000
Deferred revenue	42,720,634	—	—	42,720,634
Deferred tax liabilities	57,011,497	—	—	57,011,497
Other non-current liabilities	6,000,000	—	(6,000,000)	—
Total non-current liabilities	113,799,784	—	—	113,799,784
Current liabilities				
Bank loans	—	—	70,108,012	70,108,012
Short-term borrowings	70,108,012	—	(70,108,012)	—
Trade payables	206,470,455	—	—	206,470,455
Contract liabilities	31,716,089	—	3,937,729	35,653,818
Lease liabilities	—	—	2,466,719	2,466,719
Employee benefits payables	17,927,339	—	(17,927,339)	—
Current tax liabilities	27,352,850	—	—	27,352,850
Other payables	21,151,698	—	17,927,339	39,079,037
Non-current liabilities due within one year	2,466,719	—	(2,466,719)	—
Other current liabilities	3,937,729	—	(3,937,729)	—
Total current liabilities	381,130,891	—	—	381,130,891
TOTAL EQUITY AND LIABILITIES	4,446,710,651	—	—	4,446,710,651

Statement of Financial Position

	For the year ended 31 December 2025			
	Unadjusted Financial Information of Zhejiang Jihua (Audited) *RMB*	Reclassification adjustments (Unaudited) (Note 1) *RMB*	Presentation adjustments (Unaudited) (Note 2) *RMB*	Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited) *RMB*
ASSETS				
Non-current assets				
Long term investments	126,568,422	(126,568,422)	—	—
Investments in associates	—	126,568,422	—	126,568,422
Financial assets at fair value through profit or loss ("FVTPL")	—	107,118,750	—	107,118,750
Financial assets at amortised costs	—	37,151,575	—	37,151,575
Other non-current financial assets	99,387,560	(99,387,560)	—	—
Investment properties	250,697,097	—	—	250,697,097
Property, plant and equipment	654,773,000	1,059,390	12,713,884	668,546,274
Construction in progress	12,713,884	—	(12,713,884)	—
Right-of-use assets	10,685,247	53,380,834	—	64,066,081
Intangible assets	82,435,958	(53,380,834)	—	29,055,124
Goodwill	7,500,893	—	—	7,500,893
Long-term prepaid expenses	1,274,452	(1,274,452)	—	—
Deferred tax assets	12,009,188	—	—	12,009,188
Other non-current assets	44,882,765	(44,882,765)	—	—
Prepayments	—	215,062	—	215,062
Total non-current assets	1,302,928,466	—	—	1,302,928,466
Current assets				
Bank and cash balances	1,117,188,964	—	(306,176,127)	811,012,837
Restricted bank deposits	—	—	306,176,127	306,176,127
Financial assets at fair value through profit or loss ("FVTPL")	611,754,473	105,686,879	—	717,441,352
Financial assets at amortised costs	—	215,042,302	—	215,042,302
Derivatives	1,592,960	—	—	1,592,960
Trade and bills receivables	—	—	718,288,622	718,288,622
Trade receivables	231,557,446	—	(231,557,446)	—
Bills receivables (應收款項融資)	486,731,176	—	(486,731,176)	—
Prepayments	8,865,152	—	(8,865,152)	—
Other receivables	16,891,635	1,785,128	(18,676,763)	—
Prepayments and other receivables	—	—	27,541,915	27,541,915
Inventories	426,258,211	—	—	426,258,211
Other current assets	322,514,309	(322,514,309)	—	—
Total current assets	3,223,354,326	—	—	3,223,354,326
TOTAL ASSETS	4,526,282,792	—	—	4,526,282,792

	For the year ended 31 December 2025			
	Unadjusted Financial Information of Zhejiang Jihua (Audited) *RMB*	Reclassification adjustments (Unaudited) (Note 1) *RMB*	Presentation adjustments (Unaudited) (Note 2) *RMB*	Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited) *RMB*
EQUITY AND LIABILITIES				
Equity				
Share capital	676,833,360	—	—	676,833,360
Reserves	—	—	3,245,664,321	3,245,664,321
Capital reserve	1,082,122,502	—	1,082,122,502	—
Special reserve	1,259,834	—	(1,259,834)	—
Statutory surplus reserve	358,421,889	—	(358,421,889)	—
Retained earnings	1,803,860,096	—	(1,803,860,096)	—
Equity attributable to owners of the Company	3,922,497,681	—	—	3,922,497,681
Non-controlling interests	12,288,790	—	—	12,288,790
Total equity	3,934,786,471	—	—	3,934,786,471
LIABILITIES				
Non-current liabilities				
Lease liabilities	6,541,648	—	—	6,541,648
Provisions	1,122,954	—	—	1,122,954
Other payables	—	—	6,000,000	6,000,000
Deferred revenue	43,823,549	—	—	43,823,549
Deferred tax liabilities	56,354,277	—	—	56,354,277
Other non-current liabilities	6,000,000	—	(6,000,000)	—
Total non-current liabilities	113,842,428	—	—	113,842,428
Current liabilities				
Bank loans	—	—	70,114,740	70,114,740
Short-term borrowings	70,114,740	—	(70,114,740)	—
Trade payables	285,262,245	—	—	285,262,245
Advances from customers	370,921	—	(370,921)	—
Contract liabilities	26,727,013	—	3,660,881	30,387,894
Lease liabilities	—	—	3,347,556	3,347,556
Employee benefits payables	41,702,714	—	(41,702,714)	—
Current tax liabilities	23,724,789	—	—	23,724,789
Other payables	23,113,955	—	41,702,714	64,816,669
Non-current liabilities due within one year	3,347,556	—	(3,347,556)	—
Other current liabilities	3,289,960	—	(3,289,960)	—
Total current liabilities	477,653,893	—	—	477,653,893
TOTAL EQUITY AND LIABILITIES	4,526,282,792	—	—	4,526,282,792

Statement of Financial Position

	For the year ended 31 December 2024			
	Unadjusted Financial Information of Zhejiang Jihua (Audited) *RMB*	Reclassification adjustments (Unaudited) (Note 1) *RMB*	Presentation adjustments (Unaudited) (Note 2) *RMB*	Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited) *RMB*
ASSETS				
Non-current assets				
Long term investments	120,666,286	(120,666,286)	—	—
Investments in associates	—	120,666,286	—	120,666,286
Financial assets at fair value through profit or loss ("FVTPL")	—	118,726,482	—	118,726,482
Financial assets at amortised costs	—	52,748,848	—	52,748,848
Other non-current financial assets	107,750,612	(107,750,612)	—	—
Investment properties	262,766,994	—	—	262,766,994
Property, plant and equipment	789,366,236	1,245,051	8,923,509	799,534,796
Construction in progress	8,923,509	—	(8,923,509)	—
Right-of-use assets	2,350,111	81,617,780	—	83,967,891
Intangible assets	114,747,663	(81,617,780)	—	33,129,883
Goodwill	7,500,893	—	—	7,500,893
Long-term prepaid expenses	1,535,676	(1,535,676)	—	—
Deferred tax assets	10,737,519	—	—	10,737,519
Other non-current assets	63,724,718	(63,724,718)	—	—
Prepayments	—	290,625	—	290,625
Total non-current assets	1,490,070,217	—	—	1,490,070,217
Current assets				
Bank and cash balances	982,389,135	—	(319,198,637)	663,190,498
Restricted bank deposits	—	—	319,198,637	319,198,637
Financial assets at fair value through profit or loss ("FVTPL")	633,617,353	(26,775,420)	—	606,841,933
Financial assets at amortised costs	—	330,000,000	—	330,000,000
Derivatives	7,092,555	—	—	7,092,555
Trade and bills receivables	—	—	659,824,842	659,824,842
Bills receivables (應收票據)	108,119	—	(108,119)	—
Trade receivables	220,173,458	—	(220,173,458)	—
Bills receivables (應收款項融資)	439,543,265	—	(439,543,265)	—
Prepayments	9,997,854	—	(9,997,854)	—
Other receivables	29,272,877	4,674,058	(33,946,935)	—
Prepayments and other receivables	—	—	43,944,789	43,944,789
Inventories	527,627,383	—	—	527,627,383
Other current assets	307,898,638	(307,898,638)	—	—
Total current assets	3,157,720,637	—	—	3,157,720,637
TOTAL ASSETS	4,647,790,854	—	—	4,647,790,854

	For the year ended 31 December 2024			
	Unadjusted Financial Information of Zhejiang Jihua (Audited) *RMB*	Reclassification adjustments (Unaudited) (Note 1) *RMB*	Presentation adjustments (Unaudited) (Note 2) *RMB*	Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited) *RMB*
EQUITY AND LIABILITIES				
Equity				
Share capital	676,833,360	—	—	676,833,360
Reserves	—	—	3,239,522,828	3,239,522,828
Capital reserve	1,082,122,502	—	(1,082,122,502)	—
Special reserve	2,036,200	—	(2,036,200)	—
Statutory surplus reserve	358,421,889	—	(358,421,889)	—
Retained earnings	1,796,942,237	—	(1,798,978,437)	—
Equity attributable to owners of the Company	3,916,356,188	—	—	3,916,356,188
Non-controlling interests	14,070,430	—	—	14,070,430
Total equity	3,930,426,618	—	—	3,930,426,618
LIABILITIES				
Non-current liabilities				
Lease liabilities	602,520	—	—	602,520
Provisions	497,667	—	—	497,667
Other payables	—	—	6,000,000	6,000,000
Deferred revenue	37,561,286	—	—	37,561,286
Deferred tax liabilities	58,540,108	—	—	58,540,108
Other non-current liabilities	6,000,000	—	(6,000,000)	—
Total non-current liabilities	103,201,581	—	—	103,201,581
Current liabilities				
Bank loans	—	—	120,018,486	120,018,486
Short-term borrowings	120,018,486	—	(120,018,486)	—
Trade payables	343,754,462	—	—	343,754,462
Advances from customers	1,368,694	—	(1,368,694)	—
Contract liabilities	56,118,627	—	7,865,225	63,983,852
Lease liabilities	—	—	1,915,115	1,915,115
Employee benefits payables	41,944,620	—	(41,944,620)	—
Current tax liabilities	23,608,901	—	—	23,608,901
Other payables	18,937,219	—	41,944,620	60,881,839
Non-current liabilities due within one year	1,915,115	—	(1,915,115)	—
Other current liabilities	6,496,531	—	(6,496,531)	—
Total current liabilities	614,162,655	—	—	614,162,655
TOTAL EQUITY AND LIABILITIES	4,647,790,854	—	—	4,647,790,854

Statement of Financial Position

	For the year ended 31 December 2023			
	Unadjusted Financial Information of Zhejiang Jihua (Audited) *RMB*	Reclassification adjustments (Unaudited) (Note 1) *RMB*	Presentation adjustments (Unaudited) (Note 2) *RMB*	Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited) *RMB*
ASSETS				
Non-current assets				
Long term investments	111,216,024	(111,216,024)	—	—
Investments in associates	—	111,216,024	—	111,216,024
Financial assets at fair value through profit or loss ("FVTPL")	—	128,421,121	—	128,421,121
Financial assets at amortised costs	—	60,461,410	—	60,461,410
Other non-current financial assets	100,760,049	(100,760,049)	—	—
Investment properties	289,245,651	—	—	289,245,651
Property, plant and equipment	881,557,469	764,576	9,645,694	891,967,739
Construction in progress	9,645,694	—	(9,645,694)	—
Right-of-use assets	2,327,225	84,714,804	—	87,042,029
Intangible assets	106,456,957	(84,714,804)	—	21,742,153
Development expenditures	17,522,047	—	—	17,522,047
Goodwill	7,500,893	—	—	7,500,893
Long-term prepaid expenses	764,576	(764,576)	—	—
Deferred tax assets	12,170,934	—	—	12,170,934
Other non-current assets	88,564,199	(88,564,199)	—	—
Prepayments	—	441,717	—	441,717
Total non-current assets	1,627,731,718	—	—	1,627,731,718
Current assets				
Bank and cash balances	774,169,422	—	(12,478,000)	761,691,422
Restricted bank deposits	—	—	12,478,000	12,478,000
Financial assets at fair value through profit or loss ("FVTPL")	420,656,714	110,221,580	—	530,878,294
Financial assets at amortised costs	—	285,000,000	—	285,000,000
Trade and bills receivables	—	—	703,800,920	703,800,920
Bills receivables (應收票據)	237,500	—	(237,500)	—
Trade receivables	266,183,563	—	(266,183,563)	—
Bills receivables (應收款項融資)	437,379,857	—	(437,379,857)	—
Prepayments	11,507,502	—	(11,507,502)	—
Other receivables	31,020,938	19,064,294	(50,085,232)	—
Prepayments and other receivables	—	—	61,592,734	61,592,734
Inventories	546,960,326	—	—	546,960,326
Other current assets	414,285,874	(414,285,874)	—	—
Total current assets	2,902,401,696	—	—	2,902,401,696
TOTAL ASSETS	4,530,133,414	—	—	4,530,133,414

	For the year ended 31 December 2023			
	Unadjusted Financial Information of Zhejiang Jihua (Audited) *RMB*	Reclassification adjustments (Unaudited) (Note 1) *RMB*	Presentation adjustments (Unaudited) (Note 2) *RMB*	Adjusted Financial Information of Zhejiang Jihua under Group's Accounting Policies (Unaudited) *RMB*
EQUITY AND LIABILITIES				
Equity				
Share capital	700,000,000	—	—	700,000,000
Reserves	—	—	3,187,126,747	3,187,126,747
Capital reserve	1,152,556,162	—	(1,152,556,162)	—
Special reserve	2,022,007	—	(2,022,007)	—
Statutory surplus reserve	358,421,889	—	(358,421,889)	—
Retained earnings	1,674,126,689	—	(1,676,126,689)	—
Equity attributable to owners of the Company	3,887,126,747	—	—	3,887,126,747
Non-controlling interests	13,397,281	—	—	13,397,281
Total equity	3,900,524,028	—	—	3,900,524,028
LIABILITIES				
Non-current liabilities				
Lease liabilities	1,337,033	—	—	1,337,033
Provisions	135,666	—	—	135,666
Other payables	—	—	6,000,000	6,000,000
Deferred revenue	42,056,635	—	—	42,056,635
Deferred tax liabilities	16,753,740	—	—	16,753,740
Other non-current liabilities	6,000,000	—	(6,000,000)	—
Total non-current liabilities	66,283,074	—	—	66,283,074
Current liabilities				
Bank loans	—	—	60,010,695	60,010,695
Short-term borrowings	60,010,695	—	(60,010,695)	—
Bills payables	12,300,000	—	—	12,300,000
Trade payables	322,219,025	—	—	322,219,025
Advances from customers	3,783,939	—	(3,783,939)	—
Contract liabilities	75,660,463	—	12,611,269	88,271,732
Lease liabilities	—	—	1,234,418	1,234,418
Employee benefits payables	37,046,551	—	(37,046,551)	—
Current tax liabilities	19,506,171	—	—	19,506,171
Other payables	22,737,720	—	37,046,551	59,784,271
Non-current liabilities due within one year	1,234,418	—	(1,234,418)	—
Other current liabilities	8,827,330	—	(8,827,330)	—
Total current liabilities	563,326,312	—	—	563,326,312
TOTAL EQUITY AND LIABILITIES	4,530,133,414	—	—	4,530,133,414

Notes:

1. Reclassification Adjustments

(a) Finance costs, other finance charges and interest income

Under Zhejiang Jihua's Accounting Policies, Zhejiang Jihua has presented bank charges, net foreign exchange gains/(losses) and interest income, on a net basis, within "Finance costs". According to IFRS 7.20(b), an entity shall disclose the total interest income (calculated using the effective interest method) for financial assets measured at amortised cost or at fair value through other comprehensive income, either in the statement of profit or loss or in the notes. Accordingly, interest income should not be netted off against finance costs. In addition, bank charges and net foreign exchange gains/(losses) are not in the nature of finance costs and should be presented separately from "Finance costs".

Had Zhejiang Jihua adopted the Group's Accounting Policies, interest income and net foreign exchange gains/(losses) would have been reclassified to "Other income, other gains and losses", and bank charges would have been reclassified to "Administrative expenses".

(b) Share of profit of associates

Under Zhejiang Jihua's Accounting Policies, Zhejiang Jihua has presented the share of profit of associates in "Investment income". According to IAS 1.82(c), an entity shall present the share of the profit or loss of associates accounted for using the equity method as a separate line item in the consolidated statement of profit or loss. Had Zhejiang Jihua adopted the Group's Accounting Policies, the share of profit of associates would have been reclassified to "Share of profit of associates".

(c) Investments in associates

Under Zhejiang Jihua's Accounting Policies, Zhejiang Jihua has presented investments in associates in "Long-term investments". According to IAS 1.54(e), an entity shall present investments accounted for using the equity method as a separate line item in the consolidated statement of financial position. Had Zhejiang Jihua adopted the Group's Accounting Policies, the investments in associates would have been reclassified to "Investments in associates".

(d) Financial assets and other assets

Under Zhejiang Jihua's Accounting Policies, Zhejiang Jihua has presented certain financial assets and other assets under "Financial assets at fair value through profit or loss", "Other current assets", "Other non-current financial assets" and "Other non-current assets". According to IFRS 9.4.1.1, an entity shall classify financial assets as subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Had Zhejiang Jihua adopted the Group's Accounting Policies, the financial assets included within the above balances would have been reclassified into the appropriate measurement categories under IFRS 9, being financial assets at amortised cost and financial assets at fair value through profit or loss. In addition, other receivables and prepayments, which do not meet the definition of a financial asset, would have been reclassified to "Prepayments and other receivables".

(e) Leasehold improvement and waterway lease fees

Under Zhejiang Jihua's Accounting Policies, Zhejiang Jihua has presented leasehold improvements and waterway lease fees in "Long-term prepaid expenses". According to IAS 16.6, tangible items that are held for use in the production or supply of goods or services and are expected to be used during more than one period shall be presented as "Property, plant and equipment". Had Zhejiang Jihua adopted the Group's Accounting Policies, the leasehold improvements would have been reclassified from "Long-term prepaid expenses" to "Property, plant and equipment", and the waterway lease fees, representing prepayments for the right to use the waterway, would have been reclassified from "Long-term prepaid expenses" to "Prepayments".

(f) Land use rights

Under Zhejiang Jihua's Accounting Policies, Zhejiang Jihua has presented land use rights in "Intangible assets". Under the Group's Accounting Policies, land use rights are presented in "Right-of-use assets". Had Zhejiang Jihua adopted the Group's Accounting Policies, the land use rights would have been reclassified from "Intangible assets" to "Right-of-use assets".

2. Presentation Adjustments

The adjustments for each of the Relevant Periods are presentation adjustments to bring in line the Zhejiang Jihua Historical Financial Information with the Group's consolidated financial statements presentation as if they are prepared under the Group's Accounting Policies.

The following is the text of a report set out on pages IV-1 to IV-15, received from Junheng LLP's reporting accountants, RSM Hong Kong, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this investment circular.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE PARTNERS OF TONGLU JUNHENG EQUITY INVESTMENT PARTNERSHIP (LIMITED PARTNERSHIP)

Introduction

We report on the historical financial information of Tonglu Junheng Equity Investment Partnership (Limited Partnership) ("**Junheng LLP**") set out on pages IV-4 to IV-15, which comprises the statement of financial position of Junheng LLP as at 31 March 2026, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flow, for the period from 3 February 2026 (date of establishment) to 31 March 2026 (the "**Relevant Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**").

The Historical Financial Information set out on pages IV-4 to IV-15 forms an integral part of this report, which has been prepared for inclusion in the investment circular of Global New Material International Holdings Limited (the "**Company**") dated 14 August 2026 (the "**Investment Circular**") in connection with the proposed major transaction in relation to acquisition of JH sale shares, connected and major transaction in relation to the option agreement.

Management's responsibility for the Historical Financial Information

The management of Junheng LLP is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the management determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management of Junheng LLP, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of Junheng LLP's financial position as at 31 March 2026, and of Junheng LLP's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IV-3 have been made.

Dividends

No dividends have been paid by the Company in respect of the Relevant Period.

No statutory financial statements for the Company

No financial statements have been prepared for the Company since its establishment.

RSM Hong Kong
Certified Public Accountants
Hong Kong

HISTORICAL FINANCIAL INFORMATION OF JUNHENG LLP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Junheng LLP for the Relevant Period, on which the Historical Financial Information is based, were audited by RSM Hong Kong in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM 3 FEBRUARY 2026 (DATE OF ESTABLISHMENT) TO 31 MARCH 2026

	Note	Period from 3 February 2026 (date of establishment) to 31 March 2026
		RMB'000
Interest income	7	5
Administrative and other operating expenses		—
Profit before tax	9	5
Income tax expense	8	—
Total comprehensive income for the period		5

STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD FROM 3 FEBRUARY 2026 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2026

	Note	2026
		RMB'000
ASSETS		
Current assets		
Escrow deposit	10	100,005
TOTAL ASSETS		100,005
EQUITY AND LIABILITIES		
Capital Contributions	11	100,000
Retained earnings		5
TOTAL EQUITY		100,005
TOTAL EQUITY AND LIABILITIES		100,005

For and on behalf of 深圳市七色珠光科技有限公司, the General Partner of Junheng LLP

SU Ertian

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 3 FEBRUARY 2026 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2026

	Capital contributions	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Capital contributions at 3 February 2026 (date of establishment)	100,000	—	100,000
Total comprehensive income for the period	—	5	5
At 31 March 2026	100,000	5	100,005

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 3 FEBRUARY 2026 (DATE OF ESTABLISHMENT)
TO 31 MARCH 2026

	Note	Period from 3 February 2026 (date of establishment) to 31 March 2026
		RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	9	5
Adjustment for:		
Interest income	7	(5)
Net cash generated from operating activities		—
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Interest received	7	5
Payments for escrow deposit	10	(100,005)
Net cash used in investment activities		(100,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contributions from partners	11	100,000
Net cash generated from financing activities		100,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		—
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		—
CASH AND CASH EQUIVALENTS AT 31 MARCH 2026		—

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Tonglu Junheng Equity Investment Partnership (Limited Partnership) ("**Junheng LLP**") was established in the People's Republic of China (the "**PRC**") on 3 February 2026 as a limited partnership.

The registered office address of Junheng LLP is Room 1110, 10/F, Express Technology Innovation and R&D Center, No. 16 Fengjia Road, Yaochuan Street, Tonglu County, Hangzhou City, Zhejiang Province, the PRC.

The principal activity of Junheng LLP is investment holding. Junheng LLP operates in alignment with the business development strategy of Global New Material International Holdings Limited.

The Historical Financial Information is presented in RMB, which is also the functional currency of Junheng LLP. The ultimate controlling party of Junheng LLP is Mr. Su Ertian (苏尔田).

2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**"). The Historical Financial Information has been prepared for the Relevant Period and in accordance with all IFRS Accounting Standards which are effective for the accounting period beginning on 1 January 2026.

The Historical Financial Information has been prepared under the historical cost convention.

The Historical Financial Information covers the period from 3 February 2026 (the date of establishment) to 31 March 2026 (the "**Relevant Period**"). Accordingly, no comparative financial information is presented.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies of Junheng LLP.

The management of Junheng LLP, acting through its general partner, has assessed the ability of Junheng LLP to continue as a going concern and is satisfied that Junheng LLP has sufficient resources to continue in operational existence for the foreseeable future. Accordingly, the Historical Financial Information has been prepared on a going concern basis.

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

(a) Application of new and revised IFRS Accounting Standards

Junheng LLP has adopted all of the new or amended IFRS Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "**IASB**") that are effective for the Relevant Period. There was no material impact to the Historical Financial Information of Junheng LLP as a result of the adoption of these standards.

(b) Revised IFRS Accounting Standards in issue but not yet effective

Up to the date of issuance of these Historical Financial Information, IASB has issued a number of new standards and amendments to standards and interpretations which are not yet effective for the Relevant Period and which have not been early adopted by Junheng LLP. Junheng LLP's assessment of the impact of these new or amended IFRS Accounting Standards and interpretations, most relevant to Junheng LLP, are set out below:

	Effective for accounting periods beginning on or after
Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency	1 January 2027
IFRS 18 - Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the IASB

Junheng LLP is in the process of making an assessment of what the impacts of these new standards, amendments to standards and interpretation are expected to be in the period of initial application. So far, it has concluded that the adoption of these new and revised IFRS Accounting Standards is unlikely to have a material impact on the Historical Financial Information of Junheng LLP.

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will replace IAS 1 "Presentation of Financial Statements" and introduces new requirements aimed at improving comparability of financial performance and enhancing the relevance and transparency of information presented to users. While IFRS 18 does not affect the recognition or measurement of items in the Historical Financial Information, it introduces significant changes to the presentation of financial statements, particularly in the statement of profit or loss. These changes will affect how Junheng LLP presents and discloses its financial performance. The key changes introduced by IFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures, and (iii) enhanced requirements for aggregation and disaggregation of information.

Junheng LLP is currently assessing the impact of applying IFRS 18 on the presentation and disclosures of its Historical Financial Information.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared under the historical cost convention, unless otherwise stated in the accounting policies set out below.

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying Junheng LLP's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

The material accounting policy information applied in the preparation of the Historical Financial Information is set out below. These policies have been consistently applied throughout the Relevant Period, unless otherwise stated.

(a) Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information of Junheng LLP are measured using the currency of the primary economic environment in which Junheng LLP operates (the "**functional currency**"). The Historical Financial Information are presented in Renminbi ("**RMB**"), which is Junheng LLP's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into Renminbi ("**RMB**") using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates at the end of the Relevant Period. Exchange differences arising are recognised in profit or loss.

Junheng LLP did not have any material foreign currency transactions during the Relevant Period.

(b) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised when Junheng LLP becomes a party to the contractual provisions of the instruments.

Financial assets are initially measured at fair value and subsequently measured at amortised cost, where applicable.

Junheng LLP's financial assets mainly comprise escrow deposit.

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. Junheng LLP did not have any financial liabilities during the Relevant Period.

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire or are transferred.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of Junheng LLP's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement. Cash and cash equivalents are subject to the expected credit loss ("**ECL**") assessment.

(d) Revenue and other income

Junheng LLP has not commenced its principal revenue-generating activities during the period from 3 February 2026 (date of establishment) to 31 March 2026. Accordingly, no revenue has been recognised during the period.

Interest income is recognised using the effective interest method as it accrues.

(e) Taxation

Income tax represents current tax and deferred tax.

Current tax is based on taxable profit for the period. No provision for current tax has been recognised as Junheng LLP did not generate any taxable profit during the period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are recognised to the extent that it is probable that taxable profits will be available against which the temporary differences can be utilised.

No deferred tax has been recognised as there were no material temporary differences at the reporting date.

(f) Events after the reporting period

Events after the reporting period that provide additional information about Junheng LLP's position at the end of the reporting period are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In applying Junheng LLP's accounting policies, which are described in note 4, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

In the process of applying the accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information (apart from those involving estimations, which are dealt with below).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Income taxes and deferred tax assets

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

Junheng LLP did not recognise any current or deferred tax during the period. Management considers that there are no significant estimates or judgements involved in relation to income taxes at the reporting date.

6. FINANCIAL RISK MANAGEMENT

Junheng LLP's activities expose it to a limited range of financial risks, including credit risk, liquidity risk and interest rate risk. Junheng LLP's overall risk management focuses on minimising potential adverse effects on its financial performance.

(a) Foreign currency risk

Junheng LLP has minimal exposure to foreign currency risk as its transactions, assets and liabilities are primarily denominated in Renminbi ("**RMB**"), which is its functional currency. Accordingly, foreign currency risk is not significant to Junheng LLP.

(b) Credit risk

Junheng LLP's credit risk is primarily attributable to escrow deposit placed with financial institutions. Junheng LLP places its funds with reputable financial institutions and considers the credit risk to be low.

(c) Liquidity risk

Junheng LLP is not exposed to significant liquidity risk as it did not have any financial liabilities as at 31 March 2026.

(d) Interest rate risk

Junheng LLP is exposed to interest rate risk arising from its escrow deposit, which earn interest at prevailing market rates. However, such exposure is not considered significant due to the short-term nature of these deposits.

7. INTEREST INCOME

	2026
	RMB'000
Interest income	5

8. INCOME TAX EXPENSE

Junheng LLP is subject to Enterprise Income Tax in the People's Republic of China ("**PRC**") at a statutory rate of 25%.

No provision for current income tax has been recognised for the period as Junheng LLP did not generate any taxable profit.

Deferred tax has not been recognised as there are no material temporary differences at the reporting date.

9. PROFIT BEFORE TAXATION

Junheng LLP did not incur any expenses during the period.

10. ESCROW DEPOSIT

	2026 *RMB'000*
Escrow deposit (note (i))	100,005

The carrying amounts of the escrow deposit are denominated in RMB.

Note:

(i) The escrow deposit represents funds placed with a financial institution in a designated escrow account in accordance with the relevant agreement. The escrow deposit is subject to restrictions and is not available for the general operations of Junheng LLP. The balance earns interest at prevailing market rates.

11. CAPITAL CONTRIBUTIONS

	2026 *RMB'000*
Capital contributions from partners (note (i))	100,000
At 31 March 2026	100,000

Note:

(i) Junheng LLP has total capital contributions of RMB100,000,000 as at 31 March 2026.

Junheng LLP is established in the People's Republic of China as a limited partnership. Capital is contributed by the partners in accordance with Junheng LLP's partnership agreement. The concept of share capital and number of shares is not applicable to Junheng LLP.

Junheng LLP's objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain an optimal capital structure.

Junheng LLP manages its capital structure based on the level of risks associated with its activities and makes adjustments in light of changes in economic conditions. Junheng LLP was not subject to any externally imposed capital requirements during the Relevant Period.

12. RELATED PARTY TRANSACTIONS

Junheng LLP had no material related party transactions during the period.

13. EVENT AFTER REPORTING PERIOD

No significant subsequent events have occurred subsequent to the end of the period ended 31 March 2026 and up to date of this report.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "**Statement**") has been prepared to illustrate the effect of the Acquisition upon completion, which might have affected the financial position of the Enlarged Group, based on the assumptions that (i) the transaction had been completed as of 31 December 2025, (ii) Junheng LLP has already been established and existing on 31 December 2025 and (iii) the financial position of Junheng LLP as of 31 December 2025 would be the same as those as of 31 March 2026.

The Statement is prepared based on the audited consolidated statement of financial position of the Group as of 31 December 2025 as extracted from the annual report of the Company for the year ended 31 December 2025, the audited statement of financial position of Zhejiang Jihua as of 31 December 2025 as extracted from the published annual report of Zhejiang Jihua for the year ended 31 December 2025 and the audited statement of financial position of Junheng LLP as of 31 March 2026 as set forth in Appendix IV of this circular for the period from 3 February 2026 to 31 March 2026, after making line-by-line reconciliations to address the differences in the Zhejiang Jihua's financial statements had it been prepared in accordance with the Group's accounting policies under IFRS Accounting Standards as set forth in Appendix III of this circular after making certain proforma adjustments resulting from the Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 31 December 2025. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set forth in the annual report of the Company for the year ended 31 December 2025, the financial information of Zhejiang Jihua as set forth in Appendix II of this circular, the financial information of Junheng LLP as set forth in Appendix IV of this circular and other financial information included elsewhere in this circular.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group as of 31 December 2025 is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

	The Group as of 31 December 2025 (Audited) RMB'000 Note 1	Junheng LLP as of 31 March 2026 (Audited) RMB'000 Note 2	Zhejiang Jihua as of 31 December 2025 (Unaudited) RMB'000 Note 3	Unaudited Pro forma adjustments: Recognition of unaudited pro forma fair value adjustment as of 31 December 2025 (Unaudited) RMB'000 Note 4	Acquisition loan (Unaudited) RMB'000 Note 5	Estimated costs and expenses in respect of the Acquisition (Unaudited) RMB'000 Note 6	The Enlarged Group as of 31 December 2025 (Unaudited) RMB'000 Note 7
ASSETS							
Non-current assets							
Property, plant and equipment	4,044,521	—	668,546	512,218			5,225,285
Investment properties	—	—	250,697	27,053			277,750
Right-of-use assets	667,464	—	64,066	169,360			900,890
Intangible assets	661,655	—	29,055	133,000			823,710
Prepayments for construction in progress	113,332	—	—				113,332
Goodwill	1,317,700	—	7,501	114,412			1,439,613
Investment in associates	—	—	126,568				126,568
Financial assets at fair value through profit or loss	—	—	107,119				107,119
Financial assets at amortised costs	—	—	37,152				37,152
Restricted deposits	33,847	—	—				33,847
Defined benefit assets, net	3,053	—	—				3,053
Deposits, prepayments and other receivables	56,338	—	215				56,553
Long term time deposit	50,000	—	—				50,000
Deferred tax assets	18,606	—	12,009				30,615
Total non-current assets	6,966,516	—	1,302,928	956,043			9,225,487
Current assets							
Inventories	2,322,651	—	426,258				2,748,909
Trade and bills receivables	1,078,297	—	718,289				1,796,586
Deposits, prepayments and other receivables	496,932	—	27,542				524,474
Derivatives	—	—	1,593				1,593
Financial assets at fair value through profit or loss	—	—	717,441				717,441
Financial assets at amortised cost	—	—	215,042				215,042
Tax recoverable	3,042	—	—				3,042
Restricted bank deposit	184,754	—	306,176				490,930
Escrow deposit	—	100,005	—	(100,005)			—
Bank and cash balances	3,748,921	—	811,013	(1,394,509)	747,257		3,912,682
Total current assets	7,834,597	100,005	3,223,354	(1,494,514)	747,257	—	10,410,699
Total assets	14,801,113	100,005	4,526,282	(538,471)	747,257	—	19,636,186

	The Group as of 31 December 2025 (Audited) RMB'000 Note 1	Junheng LLP as of 31 March 2026 (Audited) RMB'000 Note 2	Zhejiang Jihua as of 31 December 2025 (Unaudited) RMB'000 Note 3	Unaudited Pro forma adjustments: Recognition of unaudited pro forma fair value adjustment as of 31 December 2025 (Unaudited) RMB'000 Note 4	Unaudited Pro forma adjustments: Acquisition loan (Unaudited) RMB'000 Note 5	Unaudited Pro forma adjustments: Estimated costs and expenses in respect of the Acquisition (Unaudited) RMB'000 Note 6	The Enlarged Group as of 31 December 2025 (Unaudited) RMB'000 Note 7
LIABILITIES							
Non-current liabilities							
Bank loans and other borrowings	5,065,192	—	—		727,257		5,792,449
Loan from a related company	68,430	—	—				68,430
Lease liabilities	391,959	—	6,542				398,501
Other payables	60,954	—	6,000				66,954
Deferred revenue	107,494	—	43,824				151,318
Defined benefit liabilities, net	312,905	—	—				312,905
Provisions	106,071	—	1,123				107,194
Deferred tax liabilities	123,956	—	56,354	176,742		—	357,052
Total non-current liabilities	6,236,961	—	113,843	176,742	727,257	—	7,254,803
Current liabilities							
Bank loans and other borrowings	2,423,972	—	70,115		20,000		2,514,087
Convertible bonds	412,610	—	—				412,610
Derivative component of convertible bonds	38,114	—	—				38,114
Lease liabilities	50,272	—	3,348				53,620
Trade payables	376,767	—	285,262				662,029
Accruals and other payables	627,908	—	64,817			6,510	699,235
Provisions	98,828	—	—				98,828
Contract liabilities	14,696	—	30,388				45,084
Deferred revenue	1,021	—	—				1,021
Current tax liabilities	46,493	—	23,725				70,218
Total current liabilities	4,090,681	—	477,655	—	20,000	6,510	4,594,846
Total liabilities	10,327,642	—	591,498	176,742	747,257	6,510	11,849,649
NET ASSETS	4,473,471	100,005	3,934,784	(715,213)	—	(6,510)	7,786,537

Notes:

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as set out in the published annual report of the Company for the year ended 31 December 2025.

2. The amounts are extracted from the accountant's report of Junheng LLP as set out in Appendix IV to this circular.

3. The amounts are incorporated by reference to Appendix III to this circular, which are extracted from the audited statement of financial position of Zhejiang Jihua as set out in the published annual report of Zhejiang Jihua for the year ended 31 December 2025, after making line-by-line reconciliations to address the differences in the Zhejiang Jihua's financial statements had it been prepared in accordance with the Group's accounting policies under IFRS Accounting Standards.

4. Upon completion of the Acquisition, the identifiable assets acquired and liabilities assumed of Zhejiang Jihua will be accounted for at their fair value under the acquisition method of accounting in accordance with IFRS 3 (Revised) Business Combinations.

For the purpose of the preparation of the unaudited pro forma statement of assets and liabilities, and for illustrative purposes only, the adjustment represents the inclusion of unaudited pro forma fair value adjustments resulted from the allocation of the unaudited pro forma purchase price allocation to Zhejiang Jihua's identifiable assets acquired and liabilities assumed ("**PPA Valuation**"), as if the Acquisition had been taken place on 31 December 2025.

The unaudited pro forma purchase price allocation to the identifiable assets and liabilities of Zhejiang Jihua has been determined based on a valuation carried out by the management with the assistance from Avista Valuation Advisory Limited, an independent firm of professional valuers not connected with the Group or Zhejiang Jihua, with respect to the fair value of assets to be acquired and liabilities to be assumed as if the Acquisition had been taken place on 31 December 2025. For the purpose of preparing the unaudited pro forma statement of assets and liabilities, the directors of the Company assumed that apart from the assets and liabilities subject to the unaudited pro forma fair value adjustments stated in note (iii) to note (vi) below, the unaudited pro forma fair values of the remaining identifiable assets and liabilities of Zhejiang Jihua are approximate to their respective carrying amounts as of 31 December 2025.

	RMB'000
Consideration[(i)]	1,494,514
Carrying amount of identifiable net assets acquired before fair value adjustments[(ii)]	(3,927,283)
Unaudited pro forma fair value adjustments to property, plant and equipment[(iii)]	(512,218)
Unaudited pro forma fair value adjustments to investment properties[(iv)]	(27,053)
Unaudited pro forma fair value adjustments to right-of-use assets[(v)]	(169,360)
Unaudited pro forma fair value adjustments to intangible assets[(vi)]	(133,000)
Deferred tax liabilities arising from unaudited pro forma fair value adjustment to land use rights and other intangible assets[(vii)]	176,742
Non-controlling interests[(viii)]	3,219,571
Goodwill arising from the Acquisition[(ix)]	121,913

(i) This amount represents the total cash consideration for acquiring the JH Sale Shares (represents approximately 29.89% of the number of shares of Zhejiang Jihua in issue).

(ii) The identifiable net assets of the Zhejiang Jihua refers to the net assets of RMB3,934,784,000 recorded by Zhejiang Jihua as at 31 December 2025, deducting the goodwill of RMB7,501,000 arisen from the past acquisition conducted by Zhejiang Jihua.

(iii) The unaudited pro forma fair value adjustment is to record the appreciation in the fair value of property, plant and equipment of approximately RMB512,218,000 as of 31 December 2025.

(iv) The unaudited pro forma fair value adjustment is to record the appreciation in the fair value of investment properties of approximately RMB27,053,000 as of 31 December 2025.

(v) The unaudited pro forma fair value adjustment is to record the appreciation in the fair value of right-of-use assets of approximately RMB169,360,000 as of 31 December 2025.

(vi) The unaudited pro forma fair value adjustments to intangible assets related to customer relationships and technology know-how.

The unaudited pro forma fair value of customer relationships of Zhejiang Jihua is estimated at approximately RMB38,000,000 based on the multi-period excess earnings method.

The unaudited pro forma fair value of technology know-how of Zhejiang Jihua is estimated at approximately RMB95,000,000 based on the relief-from-royalty method.

(vii) Deferred tax liabilities are recognised arising from the future taxable temporary differences in relation to the increase in fair value of Zhejiang Jihua's property, plant and equipment, investment properties, right-of-use assets and recognition of intangible assets upon completion of the Acquisition.

(viii) The Group elected to measure the non-controlling interests at their proportionate share in the recognised fair value of Zhejiang Jihua's identifiable net assets.

(ix) Goodwill represents the excess of the sum of the consideration transferred and the amount of non-controlling interests in Zhejiang Jihua over the net amount of Zhejiang Jihua's identifiable assets acquired and the liabilities as at acquisition date, had the Acquisition been completed on 31 December 2025.

In assessing impairment on goodwill arising from the Acquisition as of 31 December 2025, the Group has estimated the recoverable amount of Zhejiang Jihua by applying a value-in-use calculation for the cash-generating units with goodwill as of 31 December 2025. The assessment indicates that no impairment of goodwill is necessary as of that date.

The estimation of the value-in-use calculation has been made based on future cash flows expected to arise from a group of cash-generating units and a suitable discount rate in order to calculate the present value. Due to the nature of the forecast and the subjectivity and uncertainty of certain assumptions and inputs adopted in the model, the value of the recoverable amounts may change subject to variation in these assumptions, for example, the revenue growth rate and discount rate. If actual future cash flows are less than expected, a material impairment loss may arise. Since the identifiable net assets of Zhejiang Jihua as at the Completion Date may be materially different from the fair values used in the preparation of the Unaudited Pro Forma Financial Information, the actual amounts of the identifiable net assets (including intangible assets) to be recognised in connection with the Acquisition may be different from the amounts presented above and the differences may be significant.

5. The adjustment represents the loan raised for the Acquisition of RMB747,257,000. The two transactions (i.e. the Acquisition and the raising of the loan) are an integral part of the whole transaction, and they are regarded as interlocking components of the transaction.

6. The adjustment represents the recognition of estimated transaction expenses, such as legal and professional fees, of approximately RMB6,510,000 to be incurred that directly attributable to the Acquisition. The amount is subject to change upon the actual completion of the Acquisition.

7. Apart from the adjustments above, no other adjustments have been made to the unaudited pro forma financial information of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2025.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.



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The Board of Directors
Global New Material International Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Global New Material International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 31 December 2025 (the "Statement") as set out on pages V-1 to V-5 of the investment circular ("the Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Statement are described in Section A of Appendix V of the Circular.

The Statement has been compiled by the Directors to illustrate the impact of the proposed acquisition of certain shares in Zhejiang Jihua Group Co., Ltd. ("Zhejiang Jihua") on the Group's financial position as at 31 December 2025 as if the transaction had been taken place at 31 December 2025. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2025, on which an independent auditor's report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in a Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2025 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

14 August 2026

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE FURTHER ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "**Statement**") has been prepared to illustrate the effect of the Acquisition upon completion and the completion of the acquisition of the remaining 60% of interest in Junheng LLP upon the exercise of the Put Option or the Call Option, which might have affected the financial position of the Further Enlarged Group, based on the assumptions that (i) the transactions had been completed as of 31 December 2025, (ii) Junheng LLP has already been established and existing on 31 December 2025 and (iii) the financial position of Junheng LLP as of 31 December 2025 would be the same as those as of 31 March 2026.

The Statement is prepared based on the audited consolidated statement of financial position of the Group as of 31 December 2025 as extracted from the annual report of the Company for the year ended 31 December 2025, the audited statement of financial position of Zhejiang Jihua as of 31 December 2025 as extracted from the published annual report of Zhejiang Jihua for the year ended 31 December 2025 and the audited statement of financial position of Junheng LLP as of 31 March 2026 as set forth in Appendix IV of this circular for the period from 3 February 2026 to 31 March 2026, after making line-by-line reconciliations to address the differences in the Zhejiang Jihua's financial statements had it been prepared in accordance with the Group's accounting policies under IFRS Accounting Standards as set forth in Appendix III of this circular after making certain proforma adjustments resulting from the Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition and the acquisition of the remaining 60% interest in Junheng LLP actually occurred on 31 December 2025. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set forth in the annual report of the Company for the year ended 31 December 2025, the financial information of Zhejiang Jihua as set forth in Appendix II of this circular, the financial information of Junheng LLP as set forth in Appendix IV of this circular and other financial information included elsewhere in this circular.

The unaudited pro forma statement of assets and liabilities of the Further Enlarged Group as of 31 December 2025 is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

		Unaudited Pro forma adjustments		
	The Enlarged Group as of 31 December 2025	**Written put option liability**	**Exercise of the Put Option or the Call Option**	**The Further Enlarged Group as of 31 December 2025**
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*
ASSETS				
Non-current assets				
Property, plant and equipment	5,225,285			5,225,285
Investment properties	277,750			277,750
Right-of-use assets	900,890			900,890
Intangible assets	823,710			823,710
Prepayments for construction in progress	113,332			113,332
Goodwill	1,439,613			1,439,613
Investment in associates	126,568			126,568
Financial assets at fair value through profit or loss	107,119			107,119
Financial assets at amortised costs	37,152			37,152
Restricted deposits	33,847			33,847
Defined benefit assets, net	3,053			3,053
Deposits, prepayments and other receivables	56,553			56,553
Long term time deposit	50,000			50,000
Deferred tax assets	30,615			30,615
Total non-current assets	9,225,487			9,225,487
Current assets				
Inventories	2,748,909			2,748,909
Trade and bills receivables	1,796,586			1,796,586
Deposits, prepayments and other receivables	524,474			524,474
Derivatives	1,593			1,593
Financial assets at fair value through profit or loss	717,441			717,441
Financial assets at amortised cost	215,042			215,042
Tax recoverable	3,042			3,042
Restricted bank deposit	490,930			490,930
Escrow deposit	—			—
Bank and cash balances	3,912,682		(163,418)	3,749,264
Total current assets	10,410,699		(163,418)	10,247,281
Total assets	19,636,186		(163,418)	19,472,768

		Unaudited Pro forma adjustments		
	The Enlarged Group as of 31 December 2025	Written put option liability	Exercise of the Put Option or the Call Option	The Further Enlarged Group as of 31 December 2025
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*
LIABILITIES				
Non-current liabilities				
Bank loans and other borrowings	5,792,449			5,792,449
Loan from a related company	68,430			68,430
Lease liabilities	398,501			398,501
Other payables	66,954			66,954
Deferred revenue	151,318			151,318
Defined benefit liabilities, net	312,905			312,905
Provisions	107,194			107,194
Deferred tax liabilities	357,052			357,052
Total non-current liabilities	7,254,803			7,254,803
Current liabilities				
Bank loans and other borrowings	2,514,087			2,514,087
Convertible bonds	412,610			412,610
Derivative component of convertible bonds	38,114			38,114
Written put option liability	—	163,418	(163,418)	—
Lease liabilities	53,620			53,620
Trade payables	662,029			662,029
Accruals and other payables	699,235			699,235
Provisions	98,828			98,828
Contract liabilities	45,084			45,084
Deferred revenue	1,021			1,021
Current tax liabilities	70,218			70,218
Total current liabilities	4,594,846	163,418	(163,418)	4,594,846
Total liabilities	11,849,649	163,418	(163,418)	11,849,649
NET ASSETS	7,786,537	(163,418)	—	7,623,119

Notes:

1. The amounts are extracted from the column headed "The Enlarged Group as of 31 December 2025" of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix V to this circular. Such amounts represent the unaudited pro forma financial position of the Enlarged Group illustrating the effect of the Acquisition upon completion, on the basis that the Acquisition had been completed on 31 December 2025.

2. The adjustment represents the recognition of the written put option over the 60% interest in Junheng LLP of RMB163,418,000, being the estimated amount payable to Hongzun LLP in the event that Hongzun LLP exercises its put rights over the 60% interest in Junheng LLP to the Group pursuant to the Option Agreement.

   For the purpose of preparing the unaudited pro forma financial information, and for illustrative purposes on the assumption that the Put Option and the Call option are effective and exercisable only, the written put option liability is estimated based on the underlying asset value of the 60% interest in Junheng LLP as of 31 December 2025. On this basis, the written put option liability represents 60% of the underlying asset value of Junheng LLP as of 31 December 2025 of approximately RMB272,363,000, being the value of the JH Sale Shares of approximately RMB1,019,620,000 (based on the closing share price of Zhejiang Jihua of RMB5.04 per share as of 31 December 2025 and approximately 29.89% of its total issued shares) less the acquisition loan of RMB747,257,000.

3. The adjustment represents the completion of the acquisition of the remaining 60% interest in Junheng LLP upon the exercise of the Put Option or the Call Option pursuant to the Option Agreement, on the assumption that such acquisition had been completed on 31 December 2025.

   Upon the exercise of the Put Option or the Call Option, the Group will settle the amount payable to Hongzun LLP in cash. For the purpose of preparing the unaudited pro forma financial information, and for illustrative purposes only, the cash settlement amount is assumed to be equal to the written put option liability of RMB163,418,000 recognised in Note 2 above. Accordingly, the adjustment reflects a decrease in bank and cash balances of RMB163,418,000 and the derecognition of the written put option liability of RMB163,418,000.

4. Apart from the adjustments above, no other adjustments have been made to the unaudited pro forma financial information of the Further Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2025.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.



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The Board of Directors
Global New Material International Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Global New Material International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 31 December 2025 (the "Statement") as set out on pages VI-2 to VI-3 of the investment circular ("the Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Statement are described in Section A of Appendix VI of the Circular.

The Statement has been compiled by the Directors to illustrate the impact of the proposed acquisition of certain shares in Zhejiang Jihua Group Co., Ltd. ("Zhejiang Jihua") on the Group's financial position as at 31 December 2025 as if the transaction had been taken place at 31 December 2025. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 December 2025, on which an independent auditor's report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in a Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2025 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong
Certified Public Accountants
Hong Kong

14 August 2026

Set forth below is the management discussion and analysis of the Jihua Group for the years ended 31 December 2023, 2024 and 2025 and the three months ended 31 March 2026. The following financial information is based on the financial information of the Jihua Group as set forth in Appendix II to this circular.

BUSINESS REVIEW

Zhejiang Jihua is a joint stock company established in the PRC with limited liability. Jihua Group operates within the chemical raw materials and chemical products manufacturing sector, and is principally engaged in the research, development, production and sales of dyes, dye intermediates, and other chemical products.

FINANCIAL REVIEW

(a) Financial performance

For the years ended 31 December 2023, 2024, and 2025, and the three months ended 31 March 2026, the revenue of Jihua Group was approximately RMB1,691.3 million, RMB1,638.4 million, RMB1,523.9 million and RMB411.4 million respectively. The generated revenue was primarily attributable to the sale of dyes and dye intermediates. The slight decline in 2024 and 2025 was mainly due to selling price adjustments made in response to the intensive competition in the dye market.

For the years ended 31 December 2023, 2024, and 2025, and the three months ended 31 March 2026, the profit (loss) before tax of Jihua Group was approximately RMB(240.3) million, RMB229.3 million, RMB65.3 million and RMB21.6 million respectively. The movement in profit before tax from 2023 to the first quarter of 2026 was primarily driven by two factors: (i) structural improvement in gross margin, and (ii) one-off items, including charges related to the suspension of the Yancheng plant and government compensation.

The underlying margin of Jihua Group maintained an upward trajectory as a result of effective cost control measures. The gross margin improved from 6.0% in 2023 to 12.0% in 2024, contributing approximately RMB97.3 million to the year's profit. Gross margin stood at 12.4% in 2025 and further increased to 15.8% in the first quarter of 2026.

One-off charges related to the Yancheng plant suspension declined year by year, from RMB296.7 million in 2023 to RMB67.3 million in 2024 and further to RMB44.4 million in 2025. Separately, the Group received government compensation of approximately RMB162.8 million in 2024 for the expropriation and demolition of the Hongshan Logistics Park site.

In summary, the Group recorded a loss before tax of RMB240.3 million in 2023, mainly due to the Yancheng suspension charges and a low gross margin. The swing to a profit before tax of RMB229.3 million in 2024 reflected lower plant charges, the non-recurring government compensation and gross margin improvement. Profit before tax decreased to RMB65.3 million in 2025 as the one-off gain did not recur, partially offset by lower plant expenses and a stable gross margin. In the first quarter of 2026, profit before tax was RMB21.6 million, supported by further margin improvement.

(b) Liquidity and financial resources

For the years ended 31 December 2023, 2024, and 2025, and the three months ended 31 March 2026, the net assets of Jihua Group was approximately RMB3,900.5 million, RMB3,930.4 million, RMB3,934.8 million and RMB3,951.8 million respectively. The increase in the net assets of approximately RMB17.0 million from 31 December 2025 to 31 March 2026 was mainly attributable to improved operating performance.

As at 31 December 2023, 2024, and 2025, and 31 March 2026, Jihua Group had bank balance and cash of approximately RMB774.2 million, RMB982.4 million, RMB1,117.2 million and RMB1,153.1 million.

As at 31 December 2023, 2024, and 2025, and 31 March 2026, the loans and borrowings of Jihua Group amounted to approximately RMB60.0 million, RMB120.0 million, RMB70.1 million and RMB70.1 million.

As set out above, Jihua Group holds a substantial net cash position and has virtually no financial need to obtain borrowings. Its borrowings do not exhibit any seasonal patterns, and the existing amount of borrowing is solely for the purpose of maintaining banking relationships. As of 31 March 2026, Jihua Group's loans amounted to only RMB70.1 million, comprising: (i) two short-term bank credit facilities for a total of RMB 20.1 million, maturing in the first quarter of 2027 and renewable on a revolving basis, and (ii) one recourse bill discounting facility for a total of RMB 50 million.

(c) Foreign Currency Management

Jihua Group primarily conducts its business operations in the PRC, which exposes them to foreign exchange risk, primarily with respect to RMB and HK$ denominated transactions.

Jihua Group does not maintain a hedging policy in respect of its foreign currency assets and liabilities. Jihua Group will continually monitor its foreign currency exposure and consider implementing appropriate hedging measures if necessary.

(d) Gearing ratio

As at 31 December 2023, 2024, and 2025, and 31 March 2026, the adjusted net gearing ratio of Jihua Group was stood at approximately (18.3%), (21.9%), (26.6%), and (27.4%) respectively. The Group maintained a net cash position throughout all reporting periods.

(e) Contingent liabilities

As at 31 December 2023, 2024, and 2025, and 31 March 2026, Jihua Group had no material contingent liabilities. As at 31 December 2025, Jihua had recognized provisions for pending litigations amounting to approximately RMB1.1 million, which were not material to the Group's financial position or operating results.

(f) Financial risk management

For the years ended 31 December 2023, 2024, and 2025, and the three months ended 31 March 2026, Jihua Group was exposed to general credit and liquidity rate risks arising in the normal course of business.

During the years ended 31 December 2023, 2024, and 2025, and the three months ended 31 March 2026, Jihua Group's operations were primarily conducted in the PRC. Its principal assets (including cash and cash equivalents), liabilities, and business transactions were therefore predominantly denominated in RMB. In light of its limited foreign currency exposure, Jihua Group did not consider it necessary to implement any hedging measures during the relevant period.

The credit risk of Jihua Group arises mainly from bank balances and trade receivables. Jihua Group does not hold any collateral or other credit enhancements to cover its credit risks with its financial assets. The carrying amount of these balances represent Jihua Group's maximum exposure to credit risk in relation to financial assets.

(g) Funding and treasury policy

Jihua Group has maintained a prudent approach to treasury management, and will continue to closely monitor its liquidity position to ensure that its assets, liabilities, and other commitments are appropriately structured to meet its funding requirements.

(h) Significant investments

Jihua Group did not have any significant investments nor material acquisitions and disposals of subsidiaries, associates and joint ventures for the years ended 31 December 2023, 2024, and 2025, and the three months ended 31 March 2026.

(i) Charge of assets

As at 31 December 2023, 2024, and 2025, and 31 March 2026, there was no charge of any assets of Jihua Group.

(j) Employees and remuneration policy

As at 31 December 2023, 2024, and 2025, and 31 March 2026. Jihua Group had 1,256, 1,282, 1,293, and 1,313 employees respectively

For the years ended 31 December 2023, 2024, and 2025, and the three months ended 31 March 2026, total remuneration paid to Jihua Group's employees amounted to approximately RMB181.7 million, RMB176.7 million, RMB184.8 million, and RMB66.2 million respectively.

The total remuneration of Jihua Group's employees consists of a basic salary and performance-related pay. The basic salary is paid as a fixed monthly amount to ensure a minimum level of income for staff; performance-related pay, on the other hand, is the variable component of total remuneration that exceeds the basic salary, and the actual amount paid is directly linked to the results of the annual performance appraisal and the Jihua Group's operating performance, with specific linked indicators such as net profit, operating revenue, production volume and sales volume.

The Jihua Group currently has no medium to long term incentive schemes, such as share-based incentives. The Jihua Group's remuneration and bonus scheme, based on job function grading and driven by performance appraisals, has established a remuneration management system characterised by clear hierarchy, well-defined standards and strong incentives. The implementation of this scheme helps to mobilise the enthusiasm and creativity of staff at all levels, providing a solid organisational foundation and talent incentive support for the Jihua Group's high-quality development.

(k) Future plans and prospects

As at the Latest Practicable Date, apart from the proposed change of control and the proposed share issuance to Tonglu Junheng as described in this circular, Jihua Group has no other plans to launch new business ventures or undertake material investments or acquisitions of capital assets.

Set out below is the management discussion and analysis of Junheng LLP for the period commencing from its date of establishment to 31 March 2026.

BUSINESS REVIEW

Junheng LLP is a limited partnership established in the PRC on 3 February 2026 with Shenzhen Chesir acting as the general partner and Hongzun LLP acting as the limited partner. As of the Latest Practicable Date, it is owned as to 40% and 60% by Shenzhen Chesir and Hongzun LLP respectively.

Junheng LLP is principally engaged in equity investments and other investment activities, including but not limited to the funding of the Acquisition.

FINANCIAL REVIEW

(a) Financial performance

From its date of establishment to 31 March 2026, the revenue of Junheng LLP amounted to approximately RMB5,000. The generated revenue was primarily attributable to bank interest income.

From their date of establishment to 31 March 2026, the profit (loss) before tax of Junheng LLP was approximately RMB5,000, which was generally attributable to bank interest income.

(b) Liquidity and financial resources

As of 31 March 2026, the net assets of Junheng LLP amounted to approximately RMB100.0 million, and their bank balance and cash amounted to approximately RMB100.0 million.

As at 31 March 2026, Junheng LLP had no borrowing.

(c) Foreign Currency Management

Junheng LLP's operations and investment activities are conducted entirely in the PRC, and all of its assets, liabilities and business transactions are denominated in RMB.

As at 31 March 2026, Junheng LLP had no material foreign currency exposure.

Accordingly, Junheng LLP does not require or have a hedging policy in respect of its foreign currency assets and liabilities. It will continue to closely monitor the situation and will consider adopting appropriate hedging measures should it becomes necessary in the future.

(d) Gearing ratio

As Junheng LLP had no borrowing, the gearing ratio was nil as at 31 March 2026.

(e) Contingent liabilities

As at 31 March 2026, Junheng LLP did not have any contingent liabilities that would have a material adverse impact on their financial position or operating results.

(f) Financial risk management

From the date of establishment of Junheng LLP up to 31 March 2026, Junheng LLP was exposed to credit and liquidity rate risks arising in the normal course of business. Junheng LLP also primarily conducted its business operations and investment activities in the PRC. Its principal assets (including cash and cash equivalents) and business transactions were therefore predominantly denominated in RMB. Given its limited foreign currency exposure, Junheng LLP did not consider it necessary to implement any hedging measures over the course of this period.

The credit risk of Junheng LLP is relatively limited as it arises mainly from bank balances. Junheng LLP does not hold any collateral or other credit enhancements to cover its credit risks with its financial assets. The carrying amount of these balances represent Junheng LLP's maximum exposure to credit risk in relation to financial assets.

(g) Funding and treasury policy

Junheng LLP has maintained a prudent approach to treasury management, and will continue to closely monitor its liquidity position to ensure that its assets, liabilities, and other commitments are appropriately structured to meet its funding requirements.

(h) Significant investments

Save for the Acquisition, Junheng LLP did not undertake any significant investments, nor material acquisitions and disposals of subsidiaries, associates and joint ventures from their date of establishment to 31 March 2026.

(i) Charge of assets

As at 31 March 2026, there was no charge of any assets of Junheng LLP.

(j) Employees and remuneration policy

As at 31 March 2026, Junheng LLP had no employees.

From the date of establishment of Junheng LLP up to 31 March 2026, total remuneration paid to Junheng LLP's employees was nil.

(k) Future plans and prospects

As at 31 March 2026, save as disclosed in this circular, Junheng LLP has no plans to launch new business ventures or undertake material investments or acquisitions of capital assets.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company, the Acquisition and the Option Agreement. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

As of the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which were required to be (a) 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 in which they were taken or deemed to have taken under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix C3 to the Listing Rules, were as follows:

Long position in the Shares

Name of Director	**Nature of interest and capacity**	**Number of the Shares or underlying Shares held**	**Approximate percentage of the total number of Shares in issue** *(Note 7)*
Dr SU	Interest in controlled corporation (1)	310,727,449	24.88%
	Interest in controlled corporation (2)	45,337,828	3.63%
	Interest in controlled corporation (3)	27,234,172	2.18%
	Interest in controlled corporation (4)	828,000	0.06%
	Interest in controlled corporation (5)	18,529,200	1.48%
	Interest in controlled corporation (6)	18,858,948	1.51%
	Beneficial owner	34,071,000	2.72%
Mr JIN Zengqin ("**Mr JIN**")	Interest in controlled corporation (5)	18,529,200	1.48%
	Interest in controlled corporation (6)	18,858,948	1.51%
Mr LIM Kwang Su	Beneficial owner	13,481,181	1.08%

Notes:

(1) The Shares are owned by Hongzun International, which is wholly-owned by Hongzun Investment. Hongzun Investment is owned as to 99.0% and 1.0% by Dr SU and Ms WANG Huan ("**Ms WANG**"), the spouse of Dr SU, respectively. Therefore, Dr SU is deemed to be interested in all the Shares held by Hongzun Investment for the purpose of the SFO. Dr SU is the chairman of Hongzun Investment. Dr SU is the sole director of Hongzun Investment and Hongzun International, respectively.

(2) Ertian International Investment Limited ("**Ertian International**") is wholly-owned by Dr SU. Therefore, Dr SU is deemed to be interested in all the Shares held by Ertian International for the purpose of the SFO. Dr SU is the sole director of Ertian International.

(3) Seven Color Pearl Investment Limited ("**Seven Color Pearl Investment**") is wholly-owned by Dr SU. Therefore, Dr SU is deemed to be interested in all the Shares held by Seven Color Pearl Investment for the purpose of the SFO. Dr SU is the sole director of Seven Color Pearl Investment.

(4) The general partner of Liuzhou Lianrun Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Lianrun LP**") is Dr SU who owns 11,000 shares of Liuzhou Lianrun LP. The original 8 individual equity holders of Guangxi Chesir Pearl Material Co., Ltd ("**Chesir Pearl**"), who are limited partners and independent third parties, own 127,000 shares of Liuzhou Lianrun LP. Therefore, Dr SU is deemed to be interested in all the Shares held by Liuzhou Lianrun LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner contributed more than one-third of the capital contribution of Liuzhou Lianrun LP.

(5) The general partner of Liuzhou Qise Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Qise LP**") is Dr SU who owns 10,000 shares of Liuzhou Qise LP. Mr JIN, being one of the limited partners, owns 1,565,200 shares of Liuzhou Qise LP and the original 5 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 1,513,000 shares of Liuzhou Qise LP. Therefore, Dr SU and Mr JIN are deemed to be interested in all the Shares held by Liuzhou Qise LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner (except Mr JIN) contributed more than one-third of the capital contribution of Liuzhou Qise LP.

(6) The general partner of Liuzhou Colorful Enterprise Management Partnership Enterprise (Limited Partnership) ("**Liuzhou Colorful LP**") is Dr SU who owns 10,000 shares of Liuzhou Colorful LP. Mr JIN, being one of the limited partners, owns 1,500,000 shares of Liuzhou Colorful LP and the original 8 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 1,633,158 shares of Liuzhou Colorful LP. Therefore, Dr SU and Mr JIN are deemed to be interested in all the Shares held by of Liuzhou Colorful LP for the purpose of the SFO. For the avoidance of doubt, there is no individual limited partner (except Mr JIN) contributed more than one-third of the capital contribution of Liuzhou Colorful LP.

(7) The total number of issued Shares were 1,248,441,781 as of the Latest Practicable Date.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors or the chief executive of the Company and any of their associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) entered in the register kept by the Company pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Directorship or employment in a company which has an interest or short position which is discloseable under divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as of the Latest Practicable Date, the following Director(s) is a director or employee of the following entities which had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Name of companies which had such discloseable interest or short position	Position within such company
Dr SU	Hongzun International	Director
Dr SU	Hongzun Investment	Director
Dr SU	Ertian International	Director
Dr SU	Seven Color Pearl Investment	Director

Except as disclosed above, as of the Latest Practicable Date, none of the Directors or proposed Directors (if any) is a director or employee of any person or corporation who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO.

(c) Substantial shareholders' and others' interests and short positions in the Shares and underlying Shares

So far as the Directors are aware, as of the Latest Practicable Date, the persons (other than the Directors or chief executive of the Company) who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholders	Nature of interest and capacity	Number of the Shares or underlying Shares held	Approximate percentage of the total number of Shares in issue *(Note 3)*
Hongzun International	Beneficial owner	310,727,449	24.88%
Hongzun Investment	Interest in controlled corporation [(1)]	310,727,449	24.88%
Ms WANG	Spouse interest [(2)]	455,586,597	36.49%

Notes:

1. Hongzun International is wholly-owned by Hongzun Investment. Therefore, Hongzun Investment is deemed to be interested in all the Shares held by Hongzun International for the purpose of the SFO. Dr SU is the sole director of Hongzun International and Hongzun Investment, respectively.

2. Ms WANG was deemed to be interested in all the Shares held by her spouse, Dr SU.

3. The total number of issued Shares were 1,248,441,781 as of the Latest Practicable Date.

Save as disclosed above, as of the Latest Practicable Date, the Directors were not aware of any other person or corporation having an interests or short positions in the Shares and underlying Shares as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

3. DIRECTORS' INTEREST

a. Interest in service contracts

As of the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group which is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

b. Interest in competing business

As of the Latest Practicable Date, none of the Directors or their respective close associate was interested in any business apart from the Group's business, that competes or is likely to compete, either directly or indirectly, with the Group's business.

c. Interest in assets

As of the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

d. Interest in contract or arrangement

As of the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

4. LITIGATION

As of the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group.

5. MATERIAL CONTRACTS

As of the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the Chesir Pearl minority interest purchase agreement dated 28 November 2025 entered into between the Company and Hongzun International in relation to, among other things, the acquisition of an aggregate of 2.57% of the equity interest of Guangxi Chesir Pearl Material Co., Ltd. in consideration of RMB69,021,350 which has been settled by allotting and issuing 9,571,649 new Shares by the Company to Hongzun International;

(b) the Junheng LLP Agreement;

(c) the Share Transfer Agreement;

(d) the Option Agreement;

(e) the Supplemental Agreement; and

(f) the Second Supplemental Agreement.

6. EXPERTS AND CONSENT

The following is the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Innovax Capital Limited	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
RSM Hong Kong	Certified Public Accountant and Registered Public Interest Entity Auditor

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and references to its name in the form and context in which they respectively appear.

As of the Latest Practicable Date, each of the above experts (a) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (b) was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group or the Further Enlarged Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.chesir.com) from the date of this circular up to 14 days thereafter:

(i) the Junheng LLP Agreement;

(ii) the Share Transfer Agreement;

(iii) the Supplemental Agreement;

(iv) the Second Supplemental Agreement;

(v) the Option Agreement;

(vi) the reconciliation and the report on the unaudited pro forma financial information of the Enlarged Group as set forth in Appendix III and Appendix V to this circular, respectively;

(vii) the accountants' report of Junheng LLP, the text of which is set forth in Appendix IV to this circular;

(viii) the report on the unaudited pro forma financial information of the Further Enlarged Group as set forth in Appendix VI to this circular; and

(ix) the letter of consent from the experts referred to in the paragraphs under "7. Experts and consent" in this appendix.

8. GENERAL

a. The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

b. The principal place of business of the Company in Hong Kong is situated at Room 2703, 27/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

c. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

d. The joint company secretaries of the Company are Mr ZHOU Fangchao and Ms LEE Ching Ying. Ms LEE Ching Ying is a chartered secretary, a chartered governance professional and an associate of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

e. This circular is in both English and Chinese. If there is any inconsistency, the English text shall prevail over the Chinese text for the purpose of interpretation.



GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED
环球新材国际控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 06616)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Global New Material International Holdings Limited (the "**Company**") will be held at 10:00 a.m. on Wednesday, 2 September 2026 at 6th Floor, Guangxi Chesir Pearl Material Co., Ltd., Pearlescent Industrial Park, No. 380, Feilu Road, Luzhai Town, Luzhai County, Liuzhou City, Guangxi, China for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company. Unless the context requires otherwise, the capitalised terms used in this notice of EGM and the following ordinary resolution shall have the same meanings as those defined in the circular of the Company dated 14 August 2026 (the "**Circular**").

ORDINARY RESOLUTIONS

1. "**THAT:**

   (a) the Share Transfer Agreement, a copy of which is marked "A" and initialled by the chairman of EGM for identification purpose and tabled at EGM, the Supplemental Agreement, a copy of which is marked "B" and initialled by the chairman of EGM for identification purpose and tabled at EGM, the Second Supplemental Agreement, a copy of which is marked "C" and initialled by the chairman of EGM for identification purpose and tabled at EGM, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

   (b) any one Director be and is hereby authorised to do all such acts and things (including, but without limitation, signing, executing (whether under hand or under seal), perfecting and delivering all agreements, documents, amendments, variations, waivers or other instruments; and attending all such other acts or matters in the capacity as a Director) which are in his or her sole and absolute opinion, necessary, appropriate, desirable or expedient to implement or give effect to the Share Transfer Agreement, the Supplemental Agreement, the Second Supplemental Agreement and the transactions contemplated thereunder and all other matters incidental thereto or in connection therewith."

2. "**THAT**:

(a) the Option Agreement, a copy of which is marked "D" and initialled by the chairman of EGM for identification purpose and tabled at EGM, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified, subject to and on the condition that, (i) in respect of the Put Option, the Option Price payable upon the exercise of it shall be and remain RMB420 million only; and (ii) in respect of the Call Option, the Company shall re-comply with the relevant requirements under the Listing Rules and shall convene another general meeting to obtain Independent Shareholders' approval before it can be exercised; and

(b) any one Director be and is hereby authorised to do all such acts and things (including, but without limitation, signing, executing (whether under hand or under seal), perfecting and delivering all agreements, documents, amendments, variations, waivers or other instruments; and attending all such other acts or matters in the capacity as a Director) which are in his or her sole and absolute opinion, necessary, appropriate, desirable or expedient to implement or give effect to the Option Agreement and the transactions contemplated thereunder and all other matters incidental thereto or in connection therewith."

By Order of the Board
Global New Material International Holdings Limited
Dr SU Ertian
Chairman and Chief Executive Officer

Hong Kong, 14 August 2026

Notes:

1. The resolution at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the articles of association of the Company and the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

2. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint any number of proxies (who must be individuals) to attend and vote instead of him or her. A proxy need not be a Shareholder. If more than one proxy is appointed, the number of Shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.

3. Where there are joint Shareholders, any one of such joint Shareholders may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint Shareholders be present at the EGM personally or by proxy, that one of the said joint Shareholders so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. For this purpose, seniority shall be determined by reference to the order in which the names of the joint shareholders stand on the register of members of the Company in respect of the relevant joint shareholding.

4. In order to be valid, the form of proxy together with a power of attorney or other authority, under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time appointed for the EGM, i.e. before 10:00 a.m. on Monday, 31 August 2026, or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude a Shareholder from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. In determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 28 August 2026 to Wednesday, 2 September 2026 (both days inclusive), during which period no transfer of Shares will be registered. The record date for entitlement to attend and vote at the EGM is Wednesday, 2 September 2026. In order to be eligible to attend and vote at the EGM, all Share transfer documents accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 27 August 2026.

As of the date of this notice, the Board comprises Dr SU Ertian (Chairman and Chief Executive Officer), Mr JIN Zengqin, Mr ZHOU Fangchao, Mr BAI Zhihuan, Ms ZENG Zhu and Mr LIM Kwang Su as executive Directors, Mr HU Yongxiang as non-executive Director, and Mr HUI Chi Fung, Professor HAN Gaorong, Mr LEUNG Kwai Wah Alex and Professor CHEN Fadong as independent non-executive Directors.