



ANNUAL REPORT
2025



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



CONTENTS

2	Corporate Profile
4	Corporate Information
6	Milestones
13	Awards and Recognitions
18	Chairman's Statement
21	Management Discussion and Analysis
44	Report of Directors
64	Corporate Governance Report
86	Biographical Information on Directors and Senior Management
95	Independent Auditor's Report
104	Consolidated Statement of Profit or Loss
105	Consolidated Statement of Profit or Loss and Other Comprehensive Income
106	Consolidated Statement of Financial Position
108	Consolidated Statement of Changes in Equity
109	Consolidated Statement of Cash Flows
111	Notes to the Consolidated Financial Statements
204	Five-year Financial Summary



CORPORATE PROFILE

Global New Material International Holdings Limited (Stock Code: 06616.HK) (hereinafter referred to as “**Global New Material International**” or the “**Company**”, together with its subsidiaries, collectively the “**Group**”) is a global new materials technology platform enterprise focusing on the research and development, manufacturing and commercial application of surface performance materials. With “global collaboration and innovation empowerment” as its core, the Group has adopted a dual-wheel drive of organic growth and external mergers and acquisitions to establish a global industrial ecosystem covering research and development, production, sales and services. It has become a global leader in the surface performance materials industry, realising efficient integration and value realisation of global resources.

The principal business of the Group covers core segments including pearlescent effect pigments (a diversified product portfolio based on substrates such as natural mica, synthetic mica, high-end flaky alumina, glass flakes and silicon dioxide), synthetic mica and cosmetic active ingredients. With a product portfolio of over 5,000 types, its products are widely applied in various cutting-edge fields including automobiles, cosmetics, electronic appliances, new energy, high-end manufacturing and skincare products, and it maintains a leading global position in multiple segmented sectors such as pearlescent pigments, synthetic mica and surface active materials.

GLOBAL LAYOUT AND COLLABORATIVE SALES NETWORK

Through integrating the global research and development and industrial resources of its subsidiaries SUSONITY (formerly Merck Surface Solutions Business) and Korea CQV, the Group has established an innovative material ecosystem covering Europe, Asia and the Americas. Relying on six global manufacturing bases, six research and development centers and six application centers, as well as years of market penetration and strategic integration, The Group has built an integrated “R&D-Manufacturing-Marketing” collaborative network covering more than 150 countries and regions worldwide, fully unleashing the efficiency of global resource integration.

TECHNOLOGY-DRIVEN AND LEADING INTELLECTUAL PROPERTY POSITION

As a national high-tech enterprise, a specialised and sophisticated “little giant” enterprise and an undertaker of key basic new material projects under the National Industrial Strong Foundation Project, the Group has mastered core technologies of pearlescent materials and synthetic mica through independent R&D, and possesses full-process vertical integration capabilities ranging from material substrates and surface functional modification to terminal formulation solutions. The Group has a global brand cluster system featuring the synergy of three brands, namely Susonity, Chesir and CQV. It integrates high-quality internal technical resources to build cross-regional and cross-industry innovative synergy. With a sound independent innovation system and outstanding research and development efficiency, the Group has served as a key partner for global leading brands in realising supply chain optimisation and value upgrading.

VERTICAL INTEGRATION SYSTEM AND INDUSTRY CAPACITY BENCHMARK

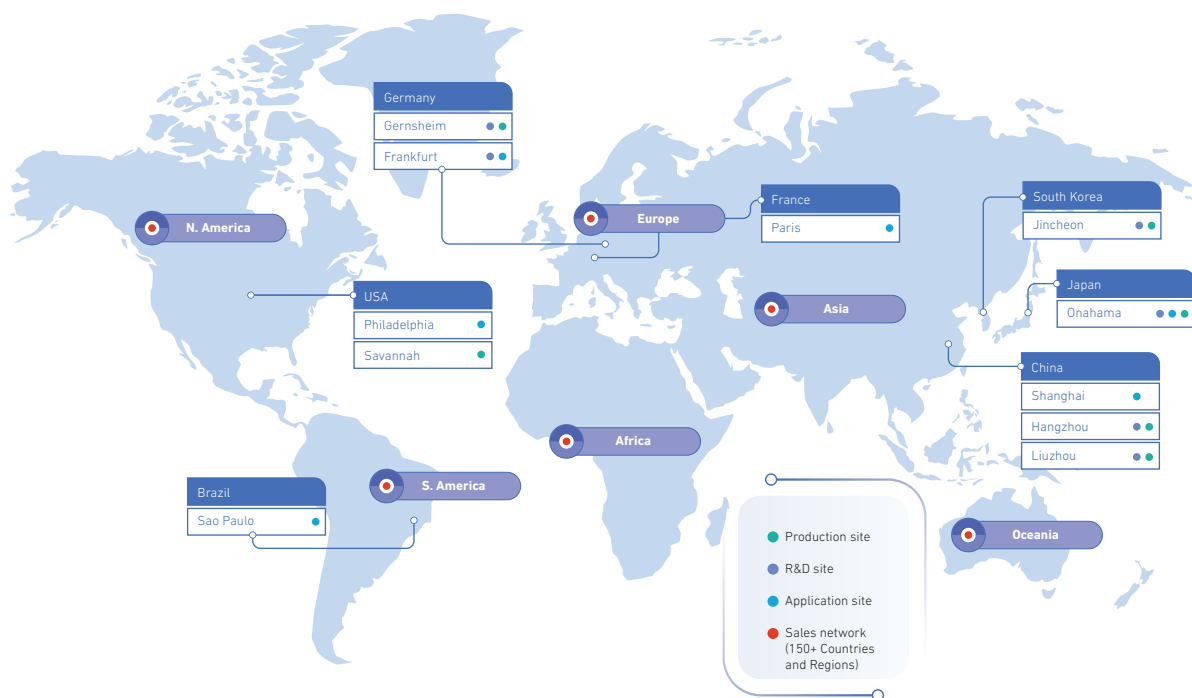
The Group’s core products are supported by both large-scale and high-end development, making it the world’s only leading enterprise with a fully covered vertical industrial chain of “synthetic mica – pearlescent pigments – surface performance materials”. The Group also masters the full-process technology of synthetic mica. Its Hangzhou Tonglu synthetic mica plant with an designed annual capacity of 100,000 tonnes is currently the world’s largest synthetic mica production base. The Group has established a global production layout with prominent upstream and downstream synergy advantages. Coupled with global procurement for supply chain optimisation, its supply stability is outstanding and cost advantages are gradually strengthening.

CORPORATE VISION AND DEVELOPMENT STRATEGY

Global New Material International is committed to building a world-leading new materials technology platform enterprise. Through continuous innovation and global collaboration, it redefines the global ecosystem of surface performance materials and functional new materials, and builds a sustainable future for multi-scenario applications.

The Group will continue to focus on the strategic theme of “Materials + Innovation + Full Scenarios”, deepen its global R&D network and intelligent manufacturing system, coordinate organic growth and external mergers and acquisitions, build a globalised, platform-based and ecological new materials industrial structure, and lead the transformation, upgrading and value chain reshaping of the global new materials industry.

Global business layout of Global New Material International



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. SU Ertian (*Chairman and Chief Executive Officer*)

Mr. JIN Zengqin

Mr. ZHOU Fangchao (*Joint company secretary*)

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

AUDIT COMMITTEE

Mr. HUI Chi Fung (*Chairman*)

Professor HAN Gaorong

Mr. LEUNG Kwai Wah Alex

REMUNERATION COMMITTEE

Mr. LEUNG Kwai Wah Alex (*Chairman*)

Professor HAN Gaorong

Mr. ZHOU Fangchao

NOMINATION COMMITTEE

Dr. SU Ertian (*Chairman*)

Professor HAN Gaorong

Mr. HUI Chi Fung

Ms. ZENG Zhu (*Appointed on 27 June 2025*)

Professor CHEN Fadong (*Appointed on 27 June 2025*)

JOINT COMPANY SECRETARIES

Mr. ZHOU Fangchao

Ms. CHEUNG Ka Lun Karen

AUDITOR

RSM Hong Kong

Certified Public Accountants

(Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)

HONG KONG LEGAL ADVISER

Charles Russell Speechlys LLP

PRINCIPAL BANKERS

In the Mainland China:

Industrial Bank Co., Ltd. Shanghai Branch

Bank of Liuzhou Co., Ltd.

Liuzhou Urban Rural Credit Cooperative Union

In Hong Kong, China:

Citibank (Hong Kong) Limited

In the Republic of Korea:

Shinhan Bank Chungbuk Retail Banking Center

In Germany:

Deutsche Bank AG

REGISTERED OFFICE

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman KY1-1111

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG, CHINA

Room 2703, 27/F

China Resources Building

26 Harbour Road

Wanchai, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE MAINLAND CHINA

Pearlescent Industrial Park
No. 380, Feilu Road
Luzhai Town, Luzhai County
Liuzhou City
Guangxi Zhuang Autonomous Region
PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

COMPANY'S WEBSITE

www.chesir.com

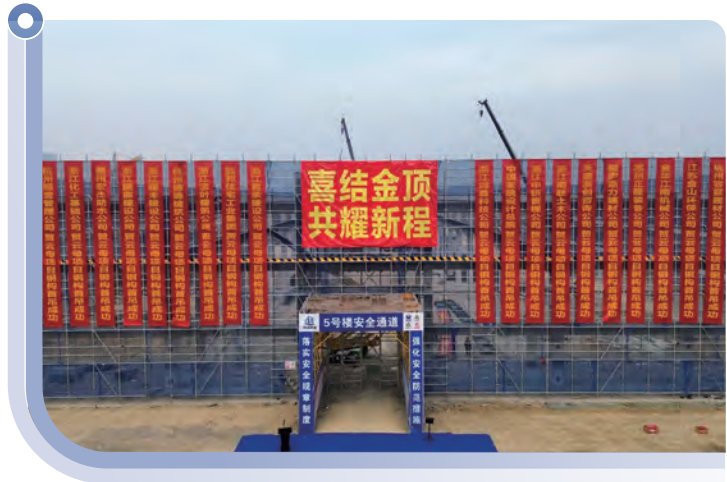
STOCK CODE

06616

MILESTONES

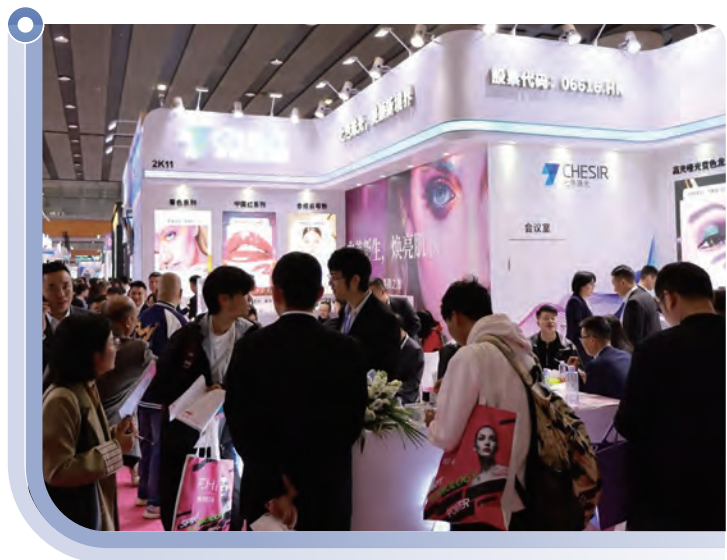
JANUARY

- The steel structure hoisting of the 100,000-tonne annual output synthetic mica project in Tonglu, Hangzhou has been successfully completed. The production capacity of this project ranks among the world's top tier, which will further enhance the independent control capability of raw materials, optimise costs and consolidate scale advantages.



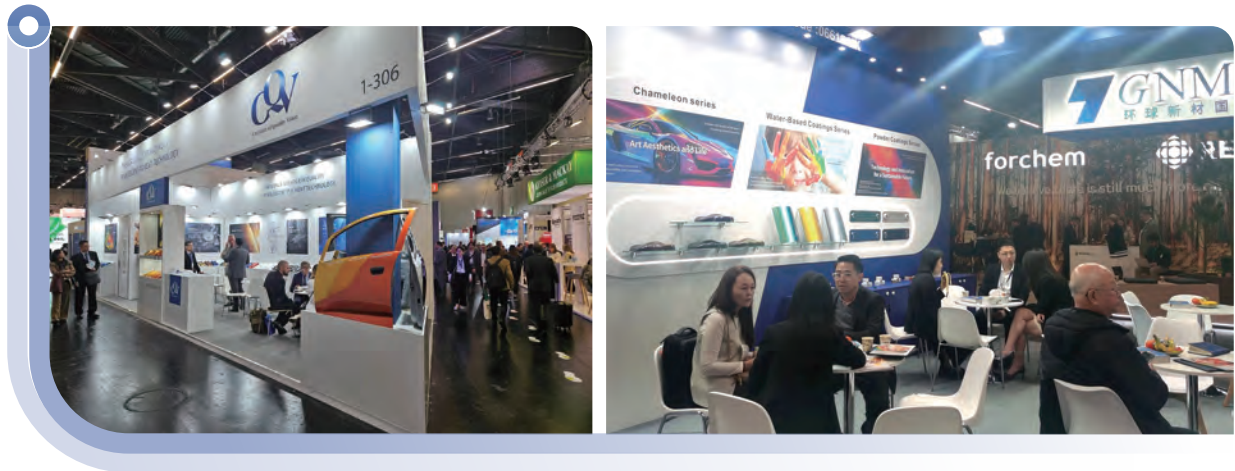
FEBRUARY

- A milestone in intelligent transformation was achieved. The Company deployed a vertical material AI application system based on mainstream large-scale model technology, opening a digital upgrade channel covering the entire chain of research and development, production and services.
- The Group participated in PCHi 2025, with its innovative achievements attracting extensive industry attention. A number of cooperation intentions were reached during the exhibition.



MARCH

- The Group participated in the European Coatings Show 2025, focusing on the development trend of green coatings and showcasing innovative application solutions for high-end pearlescent materials.



APRIL

- The Group held framework cooperation exchange meetings with CENTER INT, LONGi, Su Chuan Technology and other enterprises, and signed strategic cooperation agreements to promote multi-party strategic collaboration, jointly build a new industry-research integration ecosystem and expand the application scenarios of new materials.



MILESTONES

MAY

- The South Korean subsidiary participated in CITE JAPAN 2025, exhibiting tailor-made raw materials and solutions for the local market and actively exploring global business cooperation opportunities.



JUNE

- The 5.9MWp rooftop distributed photovoltaic project at the Guangxi Phase I plant was successfully connected to the grid for power generation. Adopting an innovative model of Building Integrated Photovoltaics (BIPV) plus "self-consumption with surplus power fed into the grid", the project has achieved energy conservation, environmental protection, cost reduction and efficiency enhancement.
- The Group participated in the Vietnam Coatings Show 2025, further expanding its presence in the Southeast Asian market and showcasing innovative applications of pearlescent materials in the coatings sector.



JULY

- The Group's South Korean subsidiary inaugurated a new R&D building dedicated to technological breakthroughs in high-performance surface materials, further advancing the Group's global high-end materials strategy of "Materials + Innovation + Full Scenarios".



AUGUST

- The Group completed the acquisition of 100% equity interest in the global surface solutions business of Merck Germany (renamed SUSONITY), marking a qualitative leap in the Group's market share and industry influence. The "March Forward Together for a Brilliant New Journey" SUSONITY completion ceremony and Asia-Pacific headquarters launch event was successfully held in Hangzhou to build a collaborative platform for the global high-end market. A global employee conference was convened, officially kicking off the Group's global collaboration, cultural co-creation and strategic integration.



MILESTONES

- The Group hosted the “Forum on Corporate Internationalization and Cross-border Integration” in Hangzhou, attracting global corporate leaders and experts from various sectors. Discussions focused on how Chinese enterprises achieve the leap from “going global” to “moving up the value chain” through technological M&A and global integration, building consensus on development and exploring new opportunities for globalisation.



SEPTEMBER

- The Group held a global executive meeting to deepen synergy across the five major systems and advance global integration and high-quality development.



MILESTONES

- The Group participated in Asia Pacific Coatings Show Thailand 2025, further consolidating its presence in the Asia-Pacific market and successfully accomplishing regional market expansion objectives.



OCTOBER

- The Group participated in the Pacific Coatings Show Indonesia 2025, connecting resources in the Southeast Asian market and deepening its regional market layout.
- The Group launched the new-generation high-performance laser marking material Iriotec® 8214, which features environmental friendliness and high efficiency, has obtained international certifications, and drives industry development.



MILESTONES

NOVEMBER

- The Group jointly participated in CHINACOAT 2025 for the first time with three brands: SUSONITY, Chesir Pearl and CQV. With material innovation as the core, it demonstrated multi-brand synergy and full-chain service capabilities, reached a number of cooperation intentions, and showcased the Group's strength in global ecological layout.
- The Group launched a new generation of high-performance white sapphire materials, driving value growth through engineering materials technology innovation and expanding the application sectors of high-end materials.



DECEMBER

- The Group launched Xirallic® NXT T260-10 Leopard White, an innovative technical pigment. By optimising material composition and optical structure, it delivers controllable dosage and diverse visual effects, is compatible with various automotive design styles, and maintains high sparkle intensity at low concentrations, demonstrating breakthroughs in formulation and performance. The pigment integrates well with surface contours without altering base colour, and exhibits strong adaptability in both high-gloss and matte finishes. It aligns perfectly with future automotive design trends and has received extensive positive feedback and strong interest from customers.



AWARDS AND RECOGNITIONS

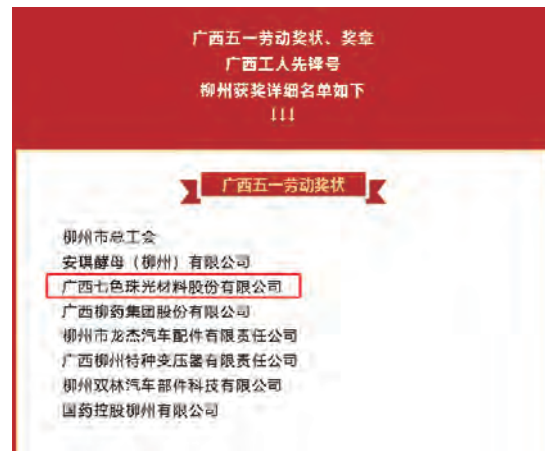
FEBRUARY

- Awarded the "Gold Certification" in the EcoVadis sustainability rating in Korea.



MAY

- The Group was awarded the Guangxi May 1st Labor Certificate, recognizing its innovation achievements, social contributions and craftsmanship spirit.



AWARDS AND RECOGNITIONS

JUNE

- At the 2nd Sino-European Corporate ESG Best Practice Conference, the Group won the Best Case of Technological Innovation award for its outstanding practices in green development driven by technological innovation and the establishment of a sustainable governance system, demonstrating the responsibility and vision of Chinese enterprises in global ESG governance.



OCTOBER

- The Group was selected in the 7th batch of national-level specialised, sophisticated, unique and new "Little Giant" enterprises, representing authoritative recognition of the Company's position in niche markets, core technologies and innovation capabilities.

附件1

第七批专精特新“小巨人”企业公示名单

序号	省(区、市)	企业名称
5	广西壮族自治区	广西七色珠光材料股份有限公司

- Dr. Su Ertian, Chairman of the Board and Chief Executive Officer, was awarded the "Top 10 Elite Figures of China MBA 2025" at the 23rd China MBA Development Forum in recognition of his outstanding contributions to the internationalisation and sustainable development of the new materials industry.



AWARDS AND RECOGNITIONS

NOVEMBER

- The Group was awarded the Korean “K-Smart Lighthouse Factory” certification, marking the intelligent upgrading of its global manufacturing and continuous improvement in production efficiency and product quality stability.



- The Company was awarded the 2025 High-Quality Coatings Raw Material Supplier Award, which represents comprehensive recognition of the Company's product quality, technological innovation, service responsiveness and supply chain stability.



AWARDS AND RECOGNITIONS

DECEMBER

- With outstanding operating performance and comprehensive development potential, the Company was awarded the Bloomberg “Focus 2025: Most Promising Listed Company” Award at the 10th “Listed Company 2025” Awards Ceremony held in Hong Kong, which represents recognition and encouragement for the Company’s global layout, operating performance and comprehensive development potential.



- The Group was selected into the 2025 List of Guangxi Manufacturing Individual Champion Enterprises, demonstrating the Company’s innovation strength and industrial position in niche sectors.

附件

**2025年广西壮族自治区制造业单项冠军企业
入选及通过复核的企业名单**

序号	所在市	企业名称	产品名称	备注
15	柳州	广西七色珠光材料股份有限公司	珠光颜料	新申请

AWARDS AND RECOGNITIONS

- The project “Innovation and Application of Preparation Technology for Synthetic Mica-based Pearlescent Pigments” received the Science and Technology Progress Award granted by the China Petroleum and Chemical Industry Federation, representing authoritative industry recognition of the Group’s technological innovation strength and facilitating its high-end market penetration and profitability enhancement.



序号	项目及组别	获奖单位	奖项等级
145	25J0539 大型柔性化低压甲烷成粉技术	华瑞工程科技有限责任公司	三等奖
146	25J0541 海洋井筒压力安全控制钻井系统技术装备及工业应用	中国石油集团工程技术研究院有限公司, 中海石油(中国)有限公司天津分公司, 中国石油大学(北京), 常州大学	三等奖
147	25J0545 聚烯烃致密气藏随层保护关键技术及规模应用	西南石油大学, 中国石油天然气股份有限公司西南油气田分公司工程技术研究院, 中国石油冀东油田分公司采油工艺研究院, 中国石油天然气股份有限公司长庆油田长北作业分公司, 四川省非金属(盐业)地质调查研究所	三等奖
148	25J0553 电石法微乙炔无汞催化技术开发	内蒙古鄂尔多斯电力冶金集团股份有限公司, 鄂尔多斯市瀚博科技有限责任公司	三等奖
149	25J0555 合成云母基珠光颜料制备技术的创新及其应用	广西科技大学, 广西七色珠光材料股份有限公司, 魏赛七色珠光云母材料有限公司	三等奖
150	25J0557 科技之星 2025 效开发丛书	中国石化出版社有限公司	三等奖

- At the Hong Kong Global ESG Investment Annual Meeting, the Company was awarded the title of “Listed Company with Outstanding ESG Investment Value”, while Dr. Su Ertian, Chairman of the Board and Chief Executive Officer of the Company, received the title of “Business Leader with Outstanding ESG Influence”. The dual awards underscore the Company’s tangible achievements in ESG and high industry recognition.



CHAIRMAN'S STATEMENT



The past year has been a milestone year for Global New Material International.

Against the backdrop of a complex and volatile global economic environment and the ongoing reshaping of industrial and value chains, the Company has achieved a strategic leap with far-reaching implications for its long-term development – evolving from a materials enterprise distinguished by its regional advantages to a surface performance materials group driven by global capabilities. This year has not only witnessed a significant expansion of the Company's business footprint, but also marked a systemic upgrade in its strategic positioning, organizational capabilities and global responsibilities.

I. A STRATEGIC CHOICE SHAPING THE LONG-TERM LANDSCAPE

Competition in the new materials industry has never been a contest of short-term scale, but a long-term rivalry of technological accumulation, industrial insight and global synergy capabilities.

Based on an in-depth judgment of industry trends and a clear understanding of its own capability boundaries, Global New Material International has made a strategically pivotal choice for the Company's future development in this year – to push forward the acquisition and integration of the internationally leading surface performance materials business. This decision is not driven by considerations of short-term expansion, but a systemic layout centred on core technological capabilities, product structure upgrading and the global customer system.

Through this strategic initiative, the Company has achieved a notable enhancement in its technological depth, product breadth and global market coverage capabilities in the field of high-end pearlescent materials and related functional materials, laying a solid foundation for the Group to participate in higher-level international competition.

II. POST- ACQUISITION, GOVERNANCE AND INTEGRATION CAPABILITIES MATTER MORE

The real challenge does not end with the completion of the transaction itself.

The Group has always held the view that the criterion for the success of cross-border acquisition lies not in the transaction scale, but in the stable operation, organisational integration and sustained release of synergistic value subsequent to the acquisition. Accordingly, in advancing the integration process, the Company has adhered to the priority principles of business continuity, customer stability and team trust, and established a clear governance structure and a robust management mechanism.

Based on respect for diverse cultural backgrounds and professional systems, the Group has advanced technological synergy, market synergy and R&D synergy in a phased manner, striving to forge long-term cooperative relationships under a shared vision. This process emphasises orderly progress and advancement with stability, laying a solid organisational foundation for the Group's sustainable growth in the future.

III. TECHNOLOGY-CENTRIC LONG-TERMISM REMAINS UNCHANGED

Regardless of the stage of development the enterprise reaches, technology remains the most fundamental cornerstone of Global New Material International.

Over the past year, the Company has continued to increase investment in R&D and industrialisation in the fields of synthetic mica, high-end pearlescent materials and their related applications, and has consistently enhanced the performance stability, manufacturing efficiency and application adaptability of its products. Adhering to a customer demand-oriented approach, the Group drives the transformation of materials supply from a one-way provision model to collaborative development through in-depth participation in application-side innovation.

This long-term oriented development approach has enabled the Company to maintain strategic resolve amid a complex environment and also laid a solid foundation for expanding into more high-end application scenarios in the future.



CHAIRMAN'S STATEMENT

IV. GLOBAL CAPABILITIES ARE EMERGING AS A KEY ASSET OF THE COMPANY

As its business layout continues to deepen, Global New Material International is gradually building a global operation system covering R&D, production, sales and services.

The Group has a clear understanding that genuine globalisation is not a simple replication, but a profound comprehension of and respect for diverse markets, cultures and customer demands. The Company will continue to enhance its cross-regional synergy capabilities and optimise the efficiency of resource allocation, enabling the global network to become a key asset underpinning long-term development, rather than a source of management complexity.

V. RESPONSIBILITIES AND CONFIDENCE FOR THE FUTURE

As the Group stands at this new stage of development, it is more acutely aware that the growth in scale and influence also entails greater responsibilities.

Global New Material International will continue to adhere to the principles of prudent operation, cautious decision-making and sustainable development, and while creating commercial value, actively respond to the long-term requirements in terms of environmental, social and governance aspects. The Group believes that only on the basis of a clear governance structure and stable values can an enterprise truly navigate through cycles and earn long-term trust.

Looking ahead, the global materials industry will continue to evolve with both opportunities and challenges ahead. Building on the strategic leap achieved in this year as a new starting point, Global New Material International will continuously enhance its technological capabilities, global synergy capabilities and organisational resilience, and steadily advance the Company's long-term development goals on a broader international stage.

Finally, on behalf of the Board of Directors, I would like to express my sincere gratitude to our global customers for their trust and cooperation, to our partners for their support, and to all our employees for their professionalism and continuous dedication during this pivotal year. It is these joint efforts that have laid a solid foundation for the Company to step into a new phase of development.

Dr. SU Ertian

Chairman of the Board of Directors

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

As key transitional year for the conclusion of China's 14th Five-Year Plan and the preparation for the 15th Five-Year Plan, the year of 2025 is the year of transformation and upgrading in the manufacturing industries, with the continuous enhancement in the independent and controllable capability in the supply chains. As the cornerstone to support the high-quality development of the manufacturing industries, the new material industry, driven by the benefits of a sustainable and beneficial policy environment and steady expansion of the market demand, has maintained a strong development resilience. As an important segment of the new material industry, surface performance materials, under the combined drivers of policy support, technological innovation and increase in the downstream demand, are moving towards a new stage of high-quality development featuring high-end, green and worldwide coordinated developments, opening up an extended market space and development opportunities for the enterprises in the industry. The following will systematically analyse the industry development trends from the dimensions of industry development environment, competitive landscape, business model, core influencing factors and risk uncertainties and elaborate on the Group's response strategies and development prospects.

Empowered by both policies and market demand the standard system continues to improve

The PRC government has treated the new material industry as a strategic emerging industry, and various industrial policies and special arrangements have supported its development of high-performance functional materials. For example, the high-quality artificial crystal materials have been included in the encouraged category of the "Catalogue for the Guidance of Industrial Structure Adjustment (2024 Edition)". The synthetic mica is one of the Group's core products and a type of high-quality artificial crystal material which forms part of the above encouraged industries.

The industry standard system of the new material industry continues to improve and paves a solid foundation for the standardised development of the industry. At present, the surface performance material industry has established a standard system covering product quality, environmental protection and safety, application adaptation and other aspects. Among them, the industry standards for core products, such as synthetic mica and pearlescent materials, are formulated under the leadership of the Ministry of Industry and Information Technology of the People's Republic of China (the "MIIT"). The Group is deeply involved in the drafting and revision of a number of core industry standards and is committed to continuously optimising and upgrading the industry level.

In terms of policy implementation, projects related to synthetic mica are eligible for multiple policy benefits including special fund support, tax incentives and R&D subsidies. As a core entity responsible for the synthetic mica project – a key basic new material under the Industrial Strong Foundation Project of the MIIT, the Group has directly benefited from such policy support. Meanwhile, the continuous tightening of environmental policies has accelerated the elimination of outdated production capacity in the industry and further raised the threshold for compliant and green development of the industry. Guangxi Chesir Pearl Technology Co., Ltd. ("**Chesir Pearl**"), a subsidiary of the Company, has been included in the list of "National Green Factories" by the MIIT. With its compliant and green production system, it precisely aligns with the policy directions of the PRC government.

MANAGEMENT DISCUSSION AND ANALYSIS

The market demand has shown a steady expansion trend, and industry prosperity continues to rise. According to Frost & Sullivan's industry research report commissioned by the Group, the global pearlescent material market is forming a dual-engine pattern of "stable growth in the traditional sectors and high growth in the emerging sectors". From 2019 to 2025, the global market size grew from RMB17.16 billion to RMB30.43 billion, representing a compound annual growth rate ("**CAGR**") of 10.0%. The global market size is expected to exceed RMB50.0 billion by 2030. China's pearlescent material market has maintained a growth rate higher than the global industry average. From 2019 to 2025, the overall market size grew from RMB4.10 billion to RMB7.85 billion, representing a CAGR of 11.4%. The overall market size is expected to exceed RMB13.5 billion by 2030. From the perspective of the development trend of the global pearlescent material market, segmented sectors maintained a rapid growth from 2019 to 2025. Among them, driven by the demand for new energy vehicles and high-end automotive coatings, the demand for pearlescent materials in the automotive sector achieved a CAGR of 33.9%, becoming the key driver of market growth. Benefiting from policy guidance and increasing demand for green building materials, environmentally friendly coatings recorded a CAGR of 26.7%, demonstrating the market potential underpinned by the dual attributes of "low carbon + high aesthetics". Looking ahead to 2025–2030, as the base of previously high-growth sectors continues to expand, new growth engines of the global pearlescent material market will gradually extend to intelligent transportation, building-integrated photovoltaic (BIPV) and high-end cosmetics sectors, injecting new growth momentum into the industry.

Industry concentration is increasing, with the development of "one superpower and multiple strong players" taking place

At present, the superpower leadership impact on the global surface performance material industry continues to become prominent, and the industrial resources are accelerating to concentrate on enterprises with global R&D and production layout, full-category product matrix and full-chain technical capabilities. The industry concentration has been steadily increasing, forming an industrial pattern where the global platform-based leading enterprises, regional leading enterprises and segmented manufacturers develop together. Relying on its multi-dimensional competitive advantages, the Group has firmly maintained a leading position in the global surface performance materials industry. The core characteristics and comparison of various types of market participants are as follows:

First, the global platform-based leaders, with profound technological accumulation and the distribution networks covering global leading markets, such as the Group. These leaders can offer a full-range product portfolio and have significant competitive advantages in high-end sectors. They enjoy distinct advantages including a strong brand recognition and customer loyalty.

Second, the regional leading enterprises, which focus on the key regional markets such as Asia Pacific. With quick and responsive local services and cost control capability, these regional enterprises occupy a certain share of the mid-to-high-end market in the region. However, they face issues such as reliance on specific markets, narrow product coverage and relatively weak competitiveness in the global market.

Third, specialised manufacturers in segmented fields, which focus on the development of substrates or specific application scenarios and compete in the market with distinctive products or cost-performance advantages. Such enterprises are relatively small in scale and act as supplements in the industrial structure.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2025, by strategically acquiring and integrating the Surface Solutions business of Merck KGaA, the Group not only achieved leapfrog growth in its business scale, but also made a substantial breakthrough in its global industrial footprint and position in the value chain, becoming a leader in the global Surface Solutions business and effect materials and realising leapfrog development from a regional leader to a global pacesetter. As an integrator and advocate in the global pearlescent pigment industry, the Group's leading position in the industry has been continuously strengthened through its ongoing global footprint, forming a development closed loop of "integrating industry resources, formulating global standards, expanding overseas in line with the trend, strengthening the leading position, and further integrating resources (整合行業資源,制定全球標準,順勢出海拓展,強化龍頭地位,進一步整合資源)".

As a transnational enterprise of surface performance materials with a global footprint, the Group's core business model is an integrated operation model of "technology-driven + global network + full-chain services". Taking core products such as synthetic mica, pearlescent materials and cosmetic actives as carriers and relying on the global R&D, production and delivery system, the Group provides high-end, customised and green surface performance material solutions for customers in more than 150 countries and regions around the world, realising the full industrial chain value realisation from core substrate R&D to terminal application adaptation. The core advantage of this business model is in the combination of the domestic mature industrial supply capacity and core technological advantages with the global R&D and production network, effectively breaking through international trade barriers and regional market restrictions, and achieving in-depth coverage of the global market.

In respect of the operating model, the Group has a full-process operational system of "R&D-Production-Marketing-Service". Six R&D centres have been established across Germany, China, Japan, South Korea and the United States, which are focusing on the substrate innovation and the iteration of surface functional modification technologies, with core R&D directions including upgrading synthetic mica technology, expanding new material product lines, such as cosmetics and coatings, and developing colour schemes for high-performance substrates. In 2025, R&D investment accounted for 4.52% of the revenue of the Group. For production, six global manufacturing bases form a global supply chain system. The commencement of the production of the 100,000-tonne synthetic mica plant in Tonglu will further provide a stable supply of raw materials and enhance economies of scale. For marketing, the Group adopts a combined model of "direct sales plus distribution". Direct sales are applied to high-end customers, such as world-leading brands, to ensure an in-depth cooperation, while distribution is adopted for regional small and medium-sized customers to expand market coverage. For services, in response to customised requirements (such as material performance parameters, appearance effects and application adaptability), the Group provides full-process services from R&D design, sample testing to bulk delivery, and relies on the global warehousing, distribution and local service system to provide fast-response delivery support, achieving high-efficiency delivery capabilities in major markets.

MANAGEMENT DISCUSSION AND ANALYSIS

After years of in-depth cultivation, the Group has established four core moats:

- First, *technological advantage*: it has built a full-chain technological innovation platform, mastered core technologies for synthetic mica and pearlescent materials, and participated in the drafting of a number of industry standards, establishing solid technological barriers.
- Second, *customer certification and channel advantage*: through mergers and acquisitions, it has integrated global customer resources and built a global channel network, achieving efficient response and high customer loyalty.
- Third, *global manufacturing and delivery advantage*: relying on six R&D centres, six manufacturing bases and six application centres across Europe, Asia and the Americas, it has formed a global supply chain system, and the 100,000-tonne synthetic mica plant in Tonglu will further secure raw material supply.
- Fourth, *scale and cost advantage*: with world-leading production capacity scale, it has achieved economies of scale; through full-industry-chain integration and multi-dimensional synergy, it has reduced costs and improved efficiency, continuously consolidating its competitive strength.

GROUP RESULTS AND HIGHLIGHTS

In 2025, the Group actively responded to the national strategies of “Manufacturing Powerhouse” and “High-Quality Development”, and adhered to the dual-wheel drive of “Organic Growth and Acquisitive Expansion (內源式發展與外延式擴張)”, making key progress in establishing the global footprints and the upgrading of the industrial chain. Through the successful acquisition and integration of the internationally leading surface solutions business, the Group further consolidated its leading position in the global surface performance materials sector. With the practice of a Chinese enterprise integrating world-class resources, the Group fully demonstrated the competitiveness of “Smart Manufacturing in China” to the world, and steadily advanced towards the goal of becoming a global surface performance materials platform enterprise.

(1) Financial performance

In 2025, the Group recorded a total revenue of RMB2,917.2 million, representing an increase of 76.9% compared with the total revenue of RMB1,648.8 million in the corresponding period last year. In 2025, the revenue proportions of the three main business segments, namely PRC Business Operation, Korea Business Operation and Germany Business Operation, were 56.2%, 9.8% and 34.0%, respectively.

In 2025, the Group recorded cost of goods sold of RMB1,758.9 million, representing an increase of 130.2% as compared with the cost of goods sold of RMB764.1 million in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2025, the Group achieved gross profit of RMB1,140.1 million, representing an increase of 30.5% as compared with the gross profit of RMB873.7 million in 2024. The increase in gross profit was mainly attributable to the growth in revenue scale. The overall gross profit margin was 39.1%, representing a decrease of 13.9 percentage points as compared with the gross profit margin of 53.0% in 2024. On the one hand, it was due to the accounting impact arising from the acquisition (the fair value increment of inventories was recognised into cost of inventories in a single amount as at acquisition date, resulting in a reduction in gross profit of RMB159.1 million). On the other hand, the German Business Operation, with production bases located in high-cost countries such as Germany, the United States and Japan, had a lower gross profit margin than the Group's mature businesses in China and Korea. In 2025, the average gross profit margin of the Group's PRC Business Operation and Korea Business Operation remained stable with an increase, representing an increase of 0.2 percentage points as compared with 2024.

In 2025, the Group recorded a net loss of RMB306.4 million, representing a decrease of RMB626.7 million compared with the net profit of RMB320.3 million in 2024. Excluding the impact of one-off items such as acquisitions and fair value adjustments on assets, the adjusted net profit¹ was RMB254.7 million, representing a decrease of RMB65.2 million compared with RMB319.9 million in the same period of 2024.

In 2025, the Group recorded the adjusted EBITDA of RMB843.7 million, representing an increase of RMB231.1 million compared with the adjusted EBITDA of RMB612.6 million in 2024. Among them, German Business Operation acquired on 31 July 2025 contributed an incremental amount of RMB116.1 million to the Group's adjusted EBITDA during its five months of operation.

(2) Business review

In 2025, the Group continued with its established development strategy and maintained a steady operation pace. It continued to enhance its global influence in the field of surface performance materials, consolidated its leading position in the industry and achieved key strategic breakthroughs. In 2025, the Group successfully completed the strategic acquisition and relevant closing of the Surface Solutions business of Merck KGaA, marking an important step forward in global mergers and acquisitions and collaborative integration.

Note:

¹ To supplement our consolidated results prepared and presented in accordance with International Financial Reporting Standards, we also use adjusted EBITDA and adjusted net profit as additional financial measures, which are not required or presented under International Financial Reporting Standards. We believe that these non-IFRS measures facilitate the comparison of operating performance across periods by eliminating the potential impact of items that our management does not consider indicative of our operating performance, such as certain non-cash or one-off items and the effect of acquisition transactions. The use of these non-IFRS measures as an analytical tool has limitations, and they should not be considered in isolation from, or as a substitute for analysis of, our operating results or financial condition as reported under International Financial Reporting Standards. In addition, the definitions of these non-IFRS measures may differ from those of similar terms used by other companies.

Adjusted EBITDA refers to the profit/(loss) for the year excluding the following items: (i) changes in fair value of financial liabilities measured at fair value through profit or loss, finance costs, and tax credit/(expense); and (ii) certain non-cash or one-off items, including one-off transaction costs and professional fees relating to acquisitions, business integration costs, fair value adjustments arising from acquisitions, amortisation of intangible assets, depreciation of property, plant and equipment, and certain impairment and reversal of provisions/(provisions).

MANAGEMENT DISCUSSION AND ANALYSIS

This strategic acquisition has enabled the Group to achieve leapfrog growth in business scale and comprehensively enhanced its technological accumulation and brand influence in the high-end materials sector. Through integrating the technical system and research and development capabilities with over 60 years of experience in serving top global customers, the Group has further improved its research and development methodology, enriched its core customer resources and deepened long-term cooperative relationships. These factors have constructed high industry entry barriers and long-term value, significantly enhanced the Group's comprehensive competitiveness in the global high-end materials sector, and laid a critical foundation for building a world-class surface performance materials platform enterprise.

In 2025, with the integration of the German Business Operation, the Group's total revenue achieved significant growth, and its business structure demonstrated a more prominent high-end characteristic; overseas market expansion accelerated and the customer base became more diversified.

Affected by factors such as increased integration costs, financing costs and relevant one-off expenses arising from the large-scale acquisition, the Group's short-term profitability indicators were under certain pressure. Although profitability was temporarily affected in 2025, such strategic investments helped the Group to consolidate the foundation of its global competitiveness and strengthen its long-term sustainable development capabilities.

The Group closely seized the opportunities arising from global industrial development. Relying on the professional capabilities and efficient collaboration of its global team, the Group successfully established a global synergistic business structure covering high-end, mid-end and low-end product markets, and built a synergistic operating system covering all market segments and radiating globally. The Group achieved all-round upgrading from technological research and development, product portfolio and manufacturing delivery to marketing network. Through a series of solid measures, the Group strengthened its core competitiveness to navigate through cycles and achieve sustainable development.

The table below sets forth the Group's revenue by reportable segments:

	Year ended 31 December			
	2025		2024	
	Revenue RMB'000	%	Revenue RMB'000	%
PRC Business Operation	1,640,090	56.2	1,332,170	80.8
Korea Business Operation	285,488	9.8	316,593	19.2
Germany Business Operation	991,657	34.0	—	—
Total	2,917,235	100.0	1,648,763	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

In 2025, the revenue of the PRC Business Operation segment amounted to RMB1,640.1 million, representing an increase of 23.1% as compared with the revenue of RMB1,332.2 million in 2024; its proportion of total revenue was 56.2%. This growth was mainly attributable to the release of production capacity for pearlescent pigment products and the optimization of the product structure, resulting from the steady ramp-up of the Phase 2 production plant in Liuzhou with an annual capacity of 30,000 tonnes of pearlescent materials, which has now entered a critical phase of ramping up production. Meanwhile, revenue from natural mica-based and synthetic mica-based pearlescent pigment products has steadily increased.

In 2025, Korea Business Operation achieved revenue of RMB285.5 million. Korea Business Operation maintained steady development with an addition of 22 product types and an increase of 5.5% in the average selling price of principal products. However, affected by the US tariff policy and short-term pressure on demand in the high-end cosmetics market in the PRC, sales volume declined. Excluding the effect of the depreciation of KRW against the Renminbi, revenue decreased slightly by 6.0% as compared with the revenue of RMB316.6 million in 2024.

On 1 August 2025, Germany Business Operation were formally consolidated into the Group, contributing revenue of RMB991.7 million, accounting for 34.0% of the Group's total revenue in 2025. Following the completion of the acquisition, the principal businesses achieved a smooth and orderly transition, the cooperative relationships with core customers remained stable, and daily production and operation as well as market operations gradually returned to normal.

In 2025, the Group recorded a net reversal of impairment losses on trade receivables, bills receivable and other receivables of RMB0.4 million, compared with RMB6.6 million in 2024. Selling expenses amounted to RMB412.8 million, representing an increase of 332.3% from RMB95.5 million in 2024, mainly due to the selling expenses of RMB289.4 million incurred by the German Business Operation consolidated into the Group's consolidated financial statements in 2025 (for a consolidation period of five months); meanwhile, selling expenses, transportation expenses, employee remuneration and marketing expenses of the PRC Business Operation and Korea Business Operation increased correspondingly along with the growth in sales volume. Administrative and other operating expenses amounted to RMB595.2 million, representing an increase of 126.8% from RMB262.4 million in 2024, mainly due to the administrative and other operating expenses incurred by the German Business Operation consolidated into the Group's consolidated financial statements in 2025 (for a consolidation period of five months); fees for professional services engaged in connection with the acquisition; additional employee costs for the merger and acquisition team; and increased amortisation of intangible assets. Finance costs increased from RMB118.4 million in 2024 to RMB333.4 million in 2025, representing an increase of 181.5%, mainly due to increased bank loans and other borrowings, as well as increased interest expenses arising from lease liabilities and defined benefit pension plans. Income tax expense increased from RMB86.0 million in 2024 to RMB105.9 million in 2025, mainly due to the expansion of the Group's PRC Business Operation and the consolidation of the German Business Operation into the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

- Deepened global market synergy with remarkable results achieved in high-end penetration

The Group adheres to a customer value-centric approach and steadily promotes the sales expansion of medium-to-high-end products in core markets such as Europe and the United States through the optimal allocation of global resources. Benefiting from the expansion of the global sales network, in 2025, the Group's sales in Europe increased by 555.0% year-on-year, sales in North America increased by 1,047.5% year-on-year, and sales in Asia (excluding the PRC), Africa and South America all more than doubled.

The table below sets forth sales revenue by geographical region:

	Year ended 31 December			
	2025		2024	
	RMB'000	%	RMB'000	%
The PRC	1,809,932	62.1	1,363,588	82.7
Asia (other than the PRC)	350,107	12.0	169,225	10.3
Europe	409,607	14.0	62,534	3.8
North America	208,442	7.1	18,165	1.1
South America	92,092	3.2	25,224	1.5
Africa	43,141	1.5	10,027	0.6
Others	3,914	0.1	—	—
Total	2,917,235	100.0	1,648,763	100.0

The Group's customers are mainly trading company customers and end customers. The former resells products to customers with no direct contractual relationship with the Group. End customers refer to customers who use pearlescent pigment products for their own use and production purposes. In 2025, the Group's sales to trading company customers amounted to RMB1,748.5 million, representing a year-on-year increase of 27.1%; sales to global end customers amounted to RMB1,168.8 million, representing a substantial year-on-year increase of 328.6%, accounting for 40.1% of total sales, representing an increase of 23.6 percentage points compared with 16.5% in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth sales revenue by end-user customers and product category:

	Year ended 31 December			
	2025		2024	
	RMB'000	%	RMB'000	%
Trading company customers				
– Pearlescent pigment products	1,586,605	54.4	1,273,209	77.2
– Functional mica filler	91,444	3.1	83,854	5.1
– Cosmetic active ingredients	55,241	1.9	—	—
– Others	15,174	0.5	19,029	1.2
	1,748,464	59.9	1,376,092	83.5
End-user customers				
– Pearlescent pigment products	946,918	32.5	255,016	15.5
– Functional mica filler	84,622	2.9	8,928	0.5
– Cosmetic active ingredients	132,189	4.5	—	—
– Others	5,042	0.2	8,727	0.5
	1,168,771	40.1	272,671	16.5
Total	2,917,235	100.0	1,648,763	100.0

The Group has successfully entered the supply chain systems of the world's top luxury automobile brands and become a core supplier of leading international cosmetics groups. Such high-end collaborations are characterised by high certification barriers and strong customer loyalty, which not only help enhance the profitability and stability of the Group's revenue but also enable the Group to obtain brand premium and industry influence in the global high-end market. Currently, the Group has established an integrated "R&D-Manufacturing-Marketing" synergistic network covering more than 150 countries and regions globally. Relying on the customers in Europe, Asia (including the PRC) and the Americas as well as local operation teams, the Group has achieved rapid coverage and agile response to major global markets, precisely addressing the demands of regional customers, while maintaining industry-leading customer retention rate and repurchase rate.

The Group's global sales team is promoting joint solutions to key customers focusing on key industries including industrial coatings, new energy vehicles and cosmetics. The first batch of synergy orders has been implemented in various regions, and sample delivery and certification on a global basis are also underway. Meanwhile, the Group has successfully introduced global specialty materials technologies into the PRC market to support the products of a number of mainstream domestic automobile manufacturers and leading new energy vehicle enterprises, and provides innovative material solutions for the world's leading BIPV manufacturers.

MANAGEMENT DISCUSSION AND ANALYSIS

- Innovation-driven structure optimisation and diversified cultivation of growth engines

The Group has continued to advance its product iteration, innovation and high-end strategy, with the sales proportion of high-end products such as automotive coating applications and cosmetic products continuing to increase. As of the end of 2025, the Group provided a total of 5,056 products, with 2,884 new additions during the year, representing a continuous enrichment of product lines.

The table below sets forth revenue by the Group's major products:

	Year ended 31 December			
	2025		2024	
	RMB'000	%	RMB'000	%
Pearlescent pigment products	2,533,523	86.9	1,528,263	92.7
Functional mica filler ⁽¹⁾	176,066	6.0	92,782	5.6
Cosmetic active ingredients	187,430	6.4	—	—
Others	20,216	0.7	27,718	1.7
Total	2,917,235	100.0	1,648,763	100.0

Note:

- (1) The Group produces functional mica filler of different granule sizes, which can be used by the Group for the production of synthetic mica-based pearlescent pigment products. The functional mica filler can also be sold to the customers of the Group, in most cases upon the customers' requests, as their raw materials for the production of functional mica filler, insulating materials, refractory materials and nickel-hydrogen batteries.

The pearlescent pigment business is the foundation for the Group's steady development. In 2025, revenue from pearlescent pigment products amounted to RMB2,533.5 million, accounting for 86.9% of the total revenue, representing an increase of RMB1,005.3 million compared with the revenue of RMB1,528.3 million in 2024, with a growth rate of 65.8%. The increase in revenue from sales of pearlescent pigment products was mainly attributable to the growth in sales volume of pearlescent pigment products of the PRC Business Operation and the increase in average selling price of the Korea Business Operation, as well as the consolidation of the five-month revenue of the German Business Operation into the Group's accounts in 2025.

In 2025, the Group's mica functional fillers recorded revenue of RMB176.1 million, accounting for 6.0% of total sales, representing an increase of RMB83.3 million compared with the sales amount of RMB92.8 million in 2024, representing a growth of 89.8%. Such an increase was attributable to the rising demand for functional mica filler products as well as the increased production volume of functional mica filler products owing to technological improvements and the commercial operation of newly added equipment.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2025, the Group's cosmetic active ingredients products recorded revenue of RMB187.4 million, accounting for 6.4% of total revenue, representing a new business added during the year.

Leveraging the independently controlled global R&D system, the Group has successfully launched a number of innovative products and technologies tailored to market demands. In 2025, the Group successfully launched the next-generation RonaFlair® White Sapphire NXT high-performance white sapphire material, laser marking material Iriotec® 8214, and innovative color solutions for specific markets such as "Snow Leopard White". The Group has made a breakthrough in the field of weather-resistant pigments dedicated to BIPV, achieving key advancements in the long-standing industry challenge of coloring technology optimisation.

The Group's innovation capabilities have been repeatedly recognised. During the year, the project "Innovation and Application of Synthetic Mica-based Pearlescent Pigment Preparation Technology" was awarded the Science and Technology Progress Award by the China Petroleum and Chemical Industry Federation. The cutting-edge R&D projects participated by the Group (such as the smart material technology that perceives equipment abnormalities through colour changes) were rated "Excellent", and reached the practical application level, marking phased progress in the field of smart materials and sensing applications and laying a foundation for future growth.

Leveraging the advantages of its proprietary technology platform, the Group continues to expand the boundaries of its product portfolio and actively explore diverse application areas, expanding future growth space and fostering a second growth curve through the deployment of high value-added and high-growth potential products.

In the field of personal care active ingredients and functional materials, the Group has strong innovation capabilities and market competitiveness, and its core ingredients hold leading market shares and customer recognition in key efficacy segments including moisturising, whitening, sun protection and anti-aging, with flagship brands such as IR3535®, the gold standard for insect repellents, the potent antioxidant RonaCare® and the advanced UV filter Eusolex®; in the field of high-end effect pigments, relying on core patent protection and scale commercial production capacity, the Group's flake alumina technology platform constitutes the core professional barrier for the Xirallic® pigment series, establishing a sustainable competitive advantage in high value-added markets such as automotive and industrial coatings. These layouts unlock significant long-term growth space for the Group. With acute market insight, stable product quality control capabilities and resource integration capabilities, the Group actively seizes growth opportunities in emerging markets and segments. In the new energy vehicle sector, the Group not only provides customised coating solutions for a number of renowned automakers but also collaborates in the research and development of next-generation smart color-changing vehicle coating technologies, leading industry trends; in the green building sector, the eco-friendly pigments and functional materials launched by the Group have contributed to the dual enhancement of aesthetics and energy efficiency in BIPV projects, winning wide market acclaim. Through these forward-looking layouts and sustained innovation, the Group is gradually building a diversified and high value-added business ecosystem, laying a solid foundation for its sustainable growth in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

- Smart chain global presence enhances resilience, with focus on the volume and the quality to consolidate advantages

The Group has established six manufacturing bases, six R&D centers and six application centers across Europe, Asia and the Americas, forming a complementary global production network featuring “high-end customisation, special applications and scale manufacturing” to meet the global customers’ demands ranging from personalised solutions to scale supply. Each base has a clear positioning: the existing production facilities in Germany, the United States and Japan focus on serving the top global brand customers for functional coatings and cosmetic raw materials; the specialty materials produced in Korea specialise in the flexible production and cutting-edge color technologies; the high-efficiency production base in the PRC serves as the scale manufacturing hub, with the production of synthetic mica to ensure a constant supply of core substrates and strengthens cost advantages. Such a network helps improve cross-regional delivery efficiency and supply resilience, and can effectively respond to challenges arising from the complex international environment.

In 2025, through the global production capacity layout and in-depth integration of the entire industrial chain, the Group has continuously promoted the intelligent and automated transformation of the industrial chain, forming a certain scale economy effect. In 2025, the Group deployed a vertical AI application system for materials based on mainstream artificial intelligence large model technologies, established a global supply chain management system, and realised visualised management and control of the entire process from raw material procurement, production and manufacturing to logistics and distribution; the Group held an AI Application Competition and achieved phased results such as the transformation of organisational AI cognition, facilitating the digital transformation process.

In terms of production capacity upgrading, in 2025, the second-phase plant of Liuzhou with an annual output of 30,000 tonnes of pearlescent materials has been put into steady operation and entered the crucial stage of capacity ramp-up; the main construction of the Hangzhou Tonglu Asia Pacific Headquarters and the project with an annual output of 100,000 tonnes of surface performance materials has been completed, production equipment has been successively installed and commissioned, and the project was successfully commissioned and put into operation in February 2026. The commissioning of these production capacities will further enhance the Group’s independent supply capacity of high-end synthetic mica, effectively expand the supply capacity of the Group’s overall product portfolio and strengthen the delivery capacity of the vertical industrial chain.

The Group ranks among the global leaders in both pearlescent material and synthetic mica production capacities, effectively diluting unit costs in raw material procurement, production and manufacturing, logistics and distribution and other links through scale production, and enhancing product profitability and market competitiveness. Meanwhile, the Group has established a collaborative cost control mechanism covering the entire business chain: mastering the core technology of synthetic mica to achieve independent control and cost optimisation of raw materials; promoting the collaborative operation of global businesses to reduce comprehensive operating costs; strengthening the linkage between R&D and production to achieve the dual goals of green compliance and cost management and control, and continuously consolidating core competitive advantages.

MANAGEMENT DISCUSSION AND ANALYSIS

- Renewed corporate governance system to consolidate the foundation for global operations

Taking the completion of major international mergers and acquisitions as an opportunity, the Group has optimised the three-level governance structure of “Group-Business Division-Region” in accordance with the principle of “Global Coordination, Local Deep Cultivation”, clarified the boundaries of rights and responsibilities, and established an efficient and normalised cross-regional collaboration and decision-making mechanism to facilitate strategy implementation and execution closed-loop.

In terms of talent and cultural integration, the Group has steadily retained the core teams of the acquired businesses, implemented a global talent management system integrating performance appraisal and long-term incentives, respected regional cultural differences and promoted the in-depth integration of the Group’s core values. In 2025, through the establishment and implementation of the global governance system, the Group has steadily advanced the organisational and operational integration of various businesses, achieved a smooth transition of customers and business, and injected strong organisational momentum into long-term sustainable development.

(3) R&D and innovation

Research and development and innovation are the underpinnings for the Group to build long-term core competitiveness and consolidate its leading position in the global industry, as well as the core engine driving the Group’s strategic transformation into a “world-leading surface performance materials platform enterprise”.

In 2025, the Group firmly implemented the three-in-one R&D strategy of “University Collaboration, Independent R&D and Global Integration”, systematically promoted technological innovation, product upgrading and application expansion around key business areas such as synthetic mica, high-end flake alumina, pearlescent materials, active ingredients and industrial functional materials, ensuring that R&D achievements closely align with market demand and laying a solid technical foundation for the Group’s sustainable development.

In terms of R&D system construction, the Group has further improved the whole-chain innovation system of “substrate R&D-surface functional modification-terminal formulation adaptation”. Relying on the global R&D network covering China, Germany, Korea, Japan and the United States, the Group has deeply integrated global R&D resources and capabilities, realised cross-regional collaboration and efficient sharing of technologies, talents and achievements, formed an integrated innovation model of “global R&D, regional transformation”, and significantly improved R&D efficiency and industrialisation implementation speed.

In terms of R&D investment, the Group has continuously strengthened resource support to ensure the stability and sustainability of investment. Following the inclusion of the German Business Operation in the consolidation scope, the scale of the Group’s R&D investment has further expanded, with R&D expenditure increasing by 47.4% year-on-year in 2025, providing a solid guarantee for technological innovation. As of the end of 2025, the Group’s technological moat has been continuously broadened and its platform advantages have been continuously consolidated.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of supply chain and manufacturing collaboration, the Group has established a diversified and resilient supply chain system based on its global layout, realising full-process visual management and control, continuously promoting the independent control of key raw materials such as synthetic mica, and providing stable and efficient material support for R&D. Relying on the six manufacturing bases, six R&D centers and six application centers located in Europe, Asia and the Americas, the Group promotes close linkage between R&D and production, facilitates rapid alignment of technical requirements and process standards, forms a closed loop of “R&D-production-feedback-optimisation”, and accelerates achievement transformation and capacity improvement.

In terms of quality and compliance management and control, the Group has always adhered to its mission of “Creating Beautiful Colours for the World through Dedication of Premium Quality Products”, established a strict quality management system covering the entire process of R&D, procurement, production, testing and delivery, and ensured that product performance is stable and reliable and complies with global market standards. As of the end of 2025, the total number of the Group’s products reached 5,056, forming a full product portfolio with multiple substrates and full scenarios, which can meet the personalised needs of customers in various industries. The Group has deeply integrated the concept of compliance into the entire R&D process, achieving integrated high-quality development of “R&D-manufacturing-compliance”.

In terms of the focus of global R&D layout, in line with the development trends of high-end, green and globalised surface performance materials industry, the Group focuses on three core directions to achieve key breakthroughs:

1. Upgrade the core technology of synthetic mica, continuously optimise production processes, enhance core product performance and expand production capacity, with a focus on expanding its application scenarios in high-value-added sectors including high-end cosmetics, environmental coatings and new energy;
2. Promote the high-end development and multi-scenario application of pearlescent materials, develop high-value-added products with high weather resistance and high gloss, and concurrently expand into the BIPV coloured photovoltaic module sector to drive integrated innovation of “materials + construction + energy”; and
3. Optimise global collaborative manufacturing technologies, enhance the level of intelligent and automated production, facilitate cost reduction and efficiency enhancement, and consolidate the industry-leading position.

In terms of commercialisation, the Group has established a diversified transformation pathway featuring “technology empowerment, product support, channel penetration and ecological collaboration”, continuously translating R&D and innovation advantages into market advantages and operating benefits, driving the sustained improvement of global market share and brand influence, and achieving the two-way empowerment of innovation value and commercial value.

(4) Risks and responses

In the course of continuing operations, the Group is exposed to multi-dimensional risks and challenges arising from the operational level, the macro-environment and cross-border businesses, which may have an impact on production and operations, financial position and future development.

The Group's businesses are global in scope, and cross-border and cross-cultural business integration involves core segments including sales, research and development and supply chains. Any underperformance in the coordinated advancement of such segments may affect the pace of achievement of the Group's profit targets. The Group's core products are applied in industries including new energy vehicles, high-end cosmetics and green building materials, and the growth momentum of downstream industries directly affects the market demand scale of surface performance materials. A slowdown in growth or cyclical adjustment in downstream industries may exert certain constraints on the market demand for the Group's products, thereby adversely affecting the Group's operating results. Furthermore, the prices of key raw materials for the production of synthetic mica are affected by multiple factors including market supply and demand, international situations and regulatory policies, and are subject to uncertainties of fluctuations. Any changes in such prices will be directly passed on to production costs, affecting the stability of the Group's profitability.

The Group's sales to customers in more than 150 countries and regions globally with a high proportion of overseas revenue, and its daily operations involve multi-currency settlements. Exchange rate fluctuations, influenced by factors such as the global economic situation, geopolitics and adjustments to monetary policies of various countries, may give rise to exchange gains or losses upon the translation of the Group's foreign currency assets, liabilities and earnings into the reporting currency, thereby affecting the stability of the Group's financial results. Meanwhile, there are significant differences among countries and regions in laws and regulations, industry standards, environmental requirements and data security, with relevant policies subject to ongoing dynamic adjustments. Failure by the Group to promptly adapt to the regulatory requirements of various jurisdictions, or any compliance oversights in cross-border fund flows, intellectual property protection and product certification, may expose the Group to risks including administrative penalties, litigation or arbitration, hindering its global business layout. The current international economic and trade environment is complex and volatile, with a resurgence of trade protectionism. Some countries and regions may impose restrictions on cross-border trade through measures such as tariff hikes, the establishment of technical barriers or the implementation of export controls. In the event that major overseas markets are embroiled in trade frictions, the Group may face increased export costs and prolonged customs clearance procedures, affecting its overseas business expansion and profitability. Furthermore, global economic growth is subject to cyclical fluctuations. Downward pressures such as economic recession, high inflation or weak consumer demand will directly lead to reduced investment and shrinking market demand in downstream industries, and may trigger a chain reaction including supply chain disruptions and increased financing costs.



MANAGEMENT DISCUSSION AND ANALYSIS

In response to the above risks and challenges, the Group will adhere to the principle of “proactive prevention and control, systematic response and long-term management”, and focus on establishing a comprehensive risk prevention, control and capability enhancement system featuring “technology leadership, supply chain collaboration, in-depth customer engagement, compliance support and macro adaptation”, so as to continuously consolidate its core competitiveness in global operations.

In respect of technology, the Group will continue to advance research and development innovation, improve the establishment of a full-chain technological innovation platform, and establish a long-term incentive and retention mechanism for core technical personnel, accelerate the iteration of substrate innovation and surface functional modification technologies, and effectively hedge against the risk of demand fluctuations in downstream industries through differentiated product competition. In respect of supply chain, the Group will coordinate the optimisation and efficient release of production capacity at research and development and production bases in various regions, establish a global resilient supply chain system, and strengthen supply chain stability through digital management and control, multi-regional supplier layout and strategic inventory reserves; meanwhile, the Group will establish a real-time monitoring and early warning mechanism for raw material prices, and flexibly adopt tools such as long-term agreements and hedging to ensure global delivery efficiency and rapid market response capability.

In respect of markets and customers, the Group will take the initiative to advance service procedures, efficiently promote customer certification, continuously optimise the channel network covering more than 150 countries and regions, upgrade the global customer service system, and actively diversify customer portfolio and product application scenarios, so as to reduce reliance on a single industry and a single market and enhance the quality of market expansion and risk resistance capacity. In respect of compliance management, the Group will set up a professional compliance management team, establish a dynamic tracking mechanism for global compliance policies, keep abreast of changes in compliance requirements relating to environmental protection, product safety, data security and cross-border trade in various regions in real time, establish a rapid response mechanism for policy adaptation, and strengthen full-process compliance review of cross-border businesses, so as to ensure that products fully meet the market access standards of various regions and effectively prevent cross-border compliance risks.

In response to exchange rate and macroeconomic risks, the Group will establish a regular exchange rate monitoring and analysis mechanism, and flexibly adopt financial instruments such as foreign exchange hedging and multi-currency settlement optimization to reasonably hedge against exchange risks; meanwhile, the Group will strengthen dynamic analysis of global markets, optimize overseas market layout, expand diversified export channels, and fully tap the potential of the domestic demand market so as to reduce reliance on a single market. Through measures including lean operation, cost control and cash flow management, the Group will continuously enhance its overall anti-cyclical capability.

The Group will continue to monitor the evolution of various risks, dynamically optimize risk prevention and control measures, continuously enhance risk management capabilities and safeguard the sustainable, healthy and stable development of the Company.

(5) Green and low-carbon development and social responsibility

The Group has always adhered to the core mission of “Create Beautiful Colours for the World through Dedication of Premium Quality Products”, deeply integrated green and low-carbon development and social responsibility performance into its development strategy, upheld the philosophy of “Green Manufacturing and Ecological Enterprise Establishment (綠色製造、生態立企)” and the core values of “Integrity, Innovation, Leadership and Harmony”, built core competitiveness through scientific and technological innovation, and committed to fostering a sustainable development ecosystem for the high-performance surface performance materials industry. In 2025, the Group achieved a series of substantive progress in green and low-carbon practices, with simultaneous emergence of green benefits and commercial value.

In 2025, the Group empowered industrial upgrading through technology, promoting the dual enhancement of green benefits and economic benefits. The 5.9MWp rooftop distributed photovoltaic project of the Guangxi Phase I Factory was successfully connected to the grid for power generation. Adopting the innovative model of BIPV plus “self-consumption of generated power with surplus power connected to the grid (自發自用、餘電上網)”, the project has not only become a benchmark for green manufacturing, but also effectively reduced production and operation costs: it is expected to save 1,550 tonnes of standard coal and reduce carbon dioxide emissions by over 5,120 tonnes per annum, aligning with the global low-carbon policy trend; its average annual power generation can reach 6 million kWh, directly bringing millions of RMB in annual electricity cost savings. The new R&D building in Korea was inaugurated simultaneously, featuring coloured BIPV photovoltaic panels as its core characteristic, achieving the deep integration of green energy, intelligent manufacturing and cutting-edge R&D functions. It not only represents the tangible implementation of the “Materials + Innovation + Full-scenario” global high-end materials strategy, but also demonstrates the application potential of green materials to global customers through architectural demonstration effects, laying a tangible case foundation for market expansion.

Industry collaboration is pivotal to enhancing green value. The Group has strengthened cooperation with industry leaders including LONGi Green Energy Technology Co., Ltd. (隆基綠能科技股份有限公司) and CENTER International Group Co., Ltd. (森特士興集團股份有限公司), facilitating the integrated development of “materials, manufacturing, scenarios and ecology”. Through collaborative innovation, the dedicated pearlescent pigment solution has been successfully applied to new energy building scenarios such as BIPV, which not only breaks through the constraints of conventional materials and expands the application scope of green materials, but also provides vital support for creating a new profit growth curve by leveraging the channel resources and market influence of its partners.

The Group’s sustainable development practices have been widely recognised by authoritative institutions at home and abroad. In 2025, the Group was awarded the “Best Practice Award for Technological Innovation” at the 2nd Sino-European Corporate ESG Best Practice Conference; and won the title of “Listed Company with Outstanding ESG Investment Value” at the Hong Kong Global ESG Investment Annual Conference and Annual Outstanding ESG Value List, while Chairman Su Ertian was honoured as “Business Leader with Outstanding ESG Influence”. The Group will continue to optimise its ESG management system and fully integrate the ESG philosophy into all aspects of the Group’s operations, adhering to stringent environmental and social responsibility standards from raw material procurement, production and manufacturing to product sales and after-sales services.



MANAGEMENT DISCUSSION AND ANALYSIS

In 2025, a number of certifications and awards of the Group's subsidiaries directly empowered business expansion and profitability improvement. It was successfully awarded the EcoVadis Gold Certification for sustainable development in Korea. As a globally recognised assessment standard for corporate social responsibility, such certification serves as a "green passport" to access high-end international supply chains, and will continuously support the Group in maintaining a competitive edge in cross-border cooperation. The "Intelligentisation of Pearlescent Pigment Production Process" project was recognised as a "Korea K-Smart Lighthouse Factory", marking the comprehensive upgrade of the Group's global green and intelligent manufacturing capabilities, with simultaneous improvement in production efficiency and product quality stability, enhancing local competitiveness in the Korean and Southeast Asian markets. The "2025 High-Quality Supplier of Coating Raw Materials Award" and the "Science and Technology Progress Award" granted by the China Petroleum and Chemical Industry Federation (for the project "Innovation and Application of Synthetic Mica-based Pearlescent Pigment Preparation Technology") attest to the Group's technological innovation strength and product quality, providing important endorsement for the development of the high-end coating market and helping enhance product premium capacity and market share. The German factory successfully passed the annual Halal and Kosher certification audits, which not only demonstrates the stringent requirements for product quality and safety, but also meets the cultural and religious demands of customers in different regions across the globe, removes market access barriers, and lays a foundation for the expansion of segment markets in the Middle East, Europe, the United States and other regions.

Meanwhile, the Group actively engages in social welfare undertakings and fulfils its corporate social responsibility through concrete actions. In 2025, the Group and its subsidiaries initiated and participated in a number of environmental public welfare activities, including community service activities, Tree Planting Day events, plogging and environmental cleanup activities, committing to improving the quality of the ecological environment and public awareness of sustainable development, and contributing to the promotion of social sustainable development. Subsequent to the fire outbreak in Tai Po, Hong Kong, the Group donated a charitable sum of HK\$1,000,000 to the Tai Po Wang Fuk Court Relief Fund to assist the affected residents in overcoming difficulties, fulfilling the Group's public welfare responsibility in the residential communities. The Group was also conferred the title of "Community Charity Partner" by the Charity Association of Luohu District, Shenzhen, Guangdong Province, which not only recognises its public welfare initiatives but also strengthens its brand identity and credibility in the local community, fostering a favourable social environment for the development of regional businesses.

From the implementation and application of green technologies to the collaborative construction of the industrial ecosystem; from achieving commercial empowerment through authoritative certifications to actively fulfilling social responsibilities, the Group has comprehensively proven with solid actions and tangible results that green and low-carbon development and social responsibility are not cost burdens for enterprises, but one of the core competencies for sustainable corporate growth. Going forward, the Group will continue to deepen green innovation and strengthen its responsibility commitment, establish a sustainable development benchmark for the industry while creating commercial value, and achieve a win-win situation among the enterprise, society and the environment.

OUTLOOK AND FUTURE STRATEGY

I. Group's strategic objectives, positioning and core advantages

The future-oriented development strategy of the Group is built upon the clear positioning and verifiable advantages that the Group has established.

Following years of sustained development and strategic acquisitions in recent periods, the Group has gradually evolved from a single pearlescent pigment supplier into a surface performance materials platform enterprise with a global R&D system, multi-regional manufacturing footprint and a high-end customer base. Currently, the Group has established a prominent global leading position in the pearlescent materials sector, and built high market penetration and customer loyalty in a number of key markets and application areas.

On this basis, the Group's core strategic objective is to, while consolidating its existing leading advantages, continuously expand its established capabilities through parallel "organic growth and acquisitive expansion", and gradually build a high-performance surface materials and advanced functional materials platform covering a wider range of application scenarios, so as to achieve the coordinated improvement of scale, quality and efficiency.

In terms of strategic philosophy, the Group adheres to material science as the foundation and application value as the orientation, and adopts prudent operation and long-termism as the underlying principles for all strategic decisions. Meanwhile, the Group also clearly recognises that uncertainties remain in the global macro environment and industry cycles, and the aforementioned advantages need to be continuously consolidated and strengthened through sustained investment, prudent management and steady implementation.

II. Strategic priorities and phased implementation paths

(I) Short-term Strategic Priorities (1–2 years): Integration realisation and capability consolidation

In the coming one to two years, the Group will principally focus on converting its existing advantages into more stable and sustainable operating results.

1. *Drive the sustained realisation of M&A integration results*

Upon completion of the acquisitions of the Surface Solutions business of Merck KGaA and CQV, the Group has substantially established a unified governance structure and management system. In the short term, the Group will further deepen integration in respect of R&D collaboration, customer cooperation and global manufacturing layout, promote the sharing of technology platforms and optimisation of product portfolio, enabling the technological accumulation and high-end customer resources of the acquired targets to form closer and replicable synergies with the Group's engineering capabilities and cost advantages.



MANAGEMENT DISCUSSION AND ANALYSIS

2. *Optimise product and revenue structure based on the high-end customer base*

The Group currently serves a number of leading global industrial and consumer goods enterprises, which have high certification thresholds and strong cooperation stickiness. In the coming one to two years, the Group will continuously increase the proportion of high-value-added products, deepen long-term cooperative relationships with core customers through means such as joint development and customised solutions, and further improve the profit structure and income stability.

3. *Leverage the advantages of global manufacturing layout to enhance operational resilience*

The Group has formed a multi-regional production network covering China, Germany, the United States, Korea and Japan, which has distinctive advantages in enhancing delivery reliability, addressing regional uncertainties and serving multinational customers. In the short term, the Group will focus on improving capacity synergy efficiency and supply chain responsiveness, and further unlock the economies of scale and operational synergy potential.

4. *Strengthen cash generation capability and capital discipline*

Leveraging its relatively mature business model and stable customer base, the Group has established a solid operating cash flow foundation. In the short term, the Group will continue to adhere to a prudent capital allocation strategy, prioritise improving the efficiency of existing assets, ensure the financial structure remains stable following mergers and acquisitions, and continuously enhance capital return levels to accumulate sufficient financial flexibility for medium-to-long-term development.

(II) **Medium-term Strategic Priorities (3–5 years): Platform expansion and capability leapfrogging**

In the coming three to five years, the Group will, based on its existing capability system, promote the orderly expansion of business boundaries and value space.

1. *Expand applications of advanced functional materials based on core material capabilities*

The Group has established a solid foundation in material design, process engineering and application development. In the medium term, the Group will gradually expand into more application fields with long-term growth potential focusing on the directions of high performance, functionalisation and sustainability, and continuously enhance technological depth and product value-added.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Prudently promote acquisitive expansion to supplement key capability modules*

Building on endogenous development, the Group will selectively pursue outward expansion, with a focus on high-quality targets that can complement its technology platform, shorten research and development cycles or enhance customer and channel capabilities. All merger and acquisition as well as investment decisions will be strictly aligned with strategic synergy and long-term returns, and shall avoid scale expansion as the sole purpose.

3. *Build a global integrated R&D and innovation system*

Leveraging its existing cross-regional research and development resources, the Group will further promote the integrated operation of the research and development system, strengthen the linkage between basic research, application development and customer collaboration, enhance innovation efficiency and accelerate the commercialisation of technological achievements.

4. *Amplify the long-term advantages brought by scale and synergy, and consolidate the foundation of organisation and governance*

Upon the expansion of business scale and enhancement of platform capabilities, the Group's synergies across procurement, manufacturing, research and development and management will continue to accumulate, thereby boosting its overall cost competitiveness and capital return level and forging a long-term moat that strengthens over time. To underpin the sustained unlocking of such synergies, the Group will concurrently strengthen its global organisational capabilities and governance system, improve cross-cultural collaboration efficiency, and ensure the coordinated development of its global businesses under a unified strategic framework.

While advancing business and capability expansion, the Group will continue to embed compliance, environmental responsibility and sustainable development requirements into its strategic decision-making and daily operations, ensuring that long-term growth is built on a sound and sustainable foundation.

Looking ahead, the Group will continue to adhere to long-termism and prudent operations, steadily advance capability expansion and platform upgrading on the basis of existing strengths, strive to achieve sustainable growth, and create long-term value for shareholders, customers, employees and society.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF THE NET PROCEEDS

Use of the net proceeds from the Global Offering

The shares (the “**Shares**”) of the Company have been listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 16 July 2021. The Over-allotment Option (as defined and described in the prospectus (the “**Prospectus**”) of the Company dated 30 June 2021) was partially exercised on 5 August 2021. The total number of new Shares issued by the Company under the global offering (the “**Global Offering**”) was 319,742,000 and the amount of the net proceeds received by the Company from the Global Offering amounted to HK\$970.2 million. The Company received the amount of the net proceeds from the Global Offering in July 2021 and August 2021, respectively. On 31 March 2025, the Board resolved to change the use of the unutilised proceeds in the aggregate amount of HK\$330.8 million to finance the acquisition of the global surface solutions business of Merck KGaA. All the net proceeds from the Global Offering have been fully utilised in 2025.

The table below sets forth a summary of the original allocation of the net proceeds, the revised allocation of net proceeds and the actual utilisation amounts for 2025:

Prescribed usage	Original allocation of the net proceeds from the Global Offering HK\$' million	Revised allocation of the net proceeds from the Global Offering HK\$' million	Percentage to the total net proceeds %	Remaining balance as of 31 December 2024 HK\$' million	Amount utilised up to 31 December 2025 HK\$' million	Remaining balance as of 31 December 2025 HK\$' million	Expected timeline for the intended use
Construction of the Phase 2 Production Plant	539.5	539.5	55.6	—	—	—	Utilised
Construction of the Luzhai Synthetic Mica Plant	330.8	—	—	—	—	—	N/A
Increase investment in research and development facilities and testing equipment of the research and development centre	68.9	68.9	7.1	—	—	—	Utilised
Sales and marketing activities and building sales network	31.0	31.0	3.2	—	—	—	Utilised
Financing the acquisition of the global surface solutions business of Merck KGaA	—	330.8	34.1	330.8	330.8	—	Utilised
Total	970.2	970.2	100.0	330.8	330.8	—	

The Group remains committed to the construction of the Luzhai Synthetic Mica Plant and intends to finance its construction by internal resources as and when necessary and appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

Use of the net proceeds from the issue of the Tranche A Convertible Bond

On 28 December 2022, the Company entered into the subscription agreement (the “**2022 Subscription Agreement**”) with Hong Kong Boyue International Investment Fund Co., Limited (the “**2022 CB Subscriber**”), pursuant to which the Company conditionally agreed to issue, and the 2022 CB Subscriber conditionally agreed to subscribe and pay for, the 3.50% coupon convertible bonds (the “**2022 Convertible Bonds**”) in the aggregate principal amount up to CNH500.0 million, comprising the Tranche A Convertible Bond in the principal amount of CNH300.0 million and the Tranche B Convertible Bond in the principal amount of not more than CNH200.0 million. The 2022 Convertible Bonds have an initial conversion price of HK\$7.6 per Share and are convertible into Shares. The closing price of the Shares on 28 December 2022, being the date on which the terms of the 2022 Subscription Agreement were fixed, was HK\$4.00 per Share. Further details of the 2022 Convertible Bonds are disclosed in the announcement of the Company dated 28 December 2022.

On 30 December 2022, the Company completed the issue of the Tranche A Convertible Bond in the principal amount of CNH300.0 million to the 2022 CB Subscriber. The amount of the net proceeds received by the Company from the issue of the Tranche A Convertible Bond amounted to CNH300.0 million. Further details of which are disclosed in the announcement of the Company dated 30 December 2022.

On 31 July 2023, the 2022 CB Subscriber submitted to the Company that it was unable to complete the subscription for the Tranche B Convertible Bond on or before 31 July 2023. Therefore, the 2022 CB Subscriber will not proceed to subscribe for the Tranche B Convertible Bond. Further details of which are disclosed in the announcement of the Company dated 31 July 2023.

The net proceeds from the issue of the Tranche A Convertible Bond have been fully utilised in 2025.

The table below sets forth the intended use of the net proceeds from issue of the Tranche A Convertible Bond and the actual utilisation amount for 2025:

Prescribed usage	Allocation of the net proceeds from the issue of the Tranche A Convertible Bond		Remaining balance as of 31 December 2024	Amount utilised up to 31 December 2025	Remaining balance as of 31 December 2025	Expected timeline for the intended use
	Percentage to the total net proceeds	CNH' million	CNH' million	CNH' million	CNH' million	
Investment opportunities within the pearlescent pigments and synthetic mica industry	100.0	300.0	300.0	300.0	—	Utilised

REPORT OF DIRECTORS

In addition to the business and financial information set forth in this annual report, the following sets forth certain information of the Group and its business and other operational aspects for the purpose of complying with the disclosure requirements under The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the applicable laws and regulations:

DIRECTORS

The Directors of the Company in 2025 and up to the date of this annual report were:

Executive Directors

Dr. SU Ertian (*Chairman and Chief Executive Officer*)

Mr. JIN Zengqin

Mr. ZHOU Fangchao (*Joint company secretary*)

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

The updated biographical information on the Directors as of the date of this annual report is set forth in the paragraphs under “Biographical Information on Directors and Senior Management” of this annual report.

In accordance with article 83(3) of the articles of association (the “**Articles**”) of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with article 84 of the Articles, Mr. JIN Zengqin, Mr. HU Yongxiang, Mr. HUI Chi Fung and Professor HAN Gaorong shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and its subsidiaries are principally engaged in the business of production and sales of pearlescent pigment products and functional mica and related products.

RESULTS AND APPROPRIATIONS

The results of the Group for 2025 are set forth under the “Consolidated Statement of Profit or Loss” in this annual report.

FINAL DIVIDEND AND DIVIDEND POLICY

The Company has not adopted any fixed dividend pay-out ratio. Dividends may be paid out by way of cash or by such other means as the Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to the approval of the shareholders (the “**Shareholders**”) of the Company. A decision to declare or pay any dividend in the future, and the amount of any of such dividends, depends on a number of factors, including the Group’s results of operations, financial condition, amount of capital expenditures, payment by the subsidiaries of cash dividends to the Company and such other factors as the Directors may deem relevant.

Any declaration or proposed payment of dividend or distribution by the Company is also subject to any requirements and restrictions under the Companies Law of the Cayman Islands, the Articles and any other applicable laws, rules and regulations.

The Board has decided not to declare and pay any final dividend for 2025 (2024: Nil).

BUSINESS REVIEW AND PROSPECTS

Discussions and review on the business activities of the Group as required by Schedule 5 to the Companies Ordinance, including material events that have occurred since the year-end date and an indication of likely future development in the Group’s business are set forth in the paragraphs under “Management Discussion and Analysis” in this annual report. The relevant discussions form part of this Report of Directors.

SUBSIDIARIES

Further information on the Company’s principal subsidiaries is set forth in note 24 to the consolidated financial statements in this annual report.



REPORT OF DIRECTORS

FINANCIAL SUMMARY

A summary of the operating results and of the assets and liabilities of the Group for the last five years is set forth in the paragraphs under “Five-Year Financial Summary” in this annual report.

LIQUIDITY AND FINANCIAL RESOURCES

Liquidity and indebtedness

The Group’s business operations are generally financed by its internal financial resources and bank borrowings.

As of 31 December 2025 and 2024, the bank and cash balances amounted to RMB3,748.9 million and RMB3,411.4 million, respectively. These balances were maintained at a prudent level for the purpose of satisfying the requirements for daily business operations of the Group and the Tonglu Project. The increase in the bank and cash balances as of 31 December 2025 was mainly due to cash generated from operating activities and the increase in bank loans and other borrowings.

As of 31 December 2025 and 2024, the bank loans and other borrowings amounted to RMB7,489.2 million and RMB1,729.0 million, respectively. The increase in the borrowings was mainly attributable to the increase in new bank loans and other borrowings of RMB8,226.9 million, offset by the repayment of bank loans and other borrowings of RMB2,492.8 million in 2025.

As of December 31, 2025, the Group had borrowing from related company of RMB68.4 million (31 December 2024: Nil).

As of 31 December 2025, the Group had a liability component of the convertible bonds of RMB412.6 million (31 December 2024: RMB683.3 million).

Gearing ratio

The gearing ratio (calculated as total interest-bearing borrowings divided by total assets) of the Group was 56.8% as of 31 December 2025 (31 December 2024: 34.3%). The increase in the gearing ratio was mainly due to the increase of convertible bonds, bank loans and other borrowings.

Net asset value

As of 31 December 2025 and 2024, the net assets of the Group amounted to RMB4,473.5 million and RMB4,353.1 million, respectively. Net asset value per Share contributed to owners of the Company as of 31 December 2025 amounted to RMB2.54, as compared to RMB2.73 as of 31 December 2024.

Pledge of assets

As of 31 December 2025, certain property, plant and equipment, right-of-use assets and patents with aggregate net book value of RMB2,370.7 million, as compared to RMB531.1 million as of 31 December 2024, were pledged to financial institutions as collaterals for bank and other borrowings.

As of 31 December 2025, the restricted deposits and restricted bank deposits pledged as security for the Group's banking facility amounted to RMB218.6 million (31 December 2024: RMB32.1 million).

CAPITAL STRUCTURE

In 2025, there has been no material change in the capital structure of the Company. The capital of the members of the Group comprises ordinary shares.

Information about the share options of the Company and details of changes in the share options granted by the Company for 2025 is set forth in the paragraph under "Share Option Scheme" below.

As of 31 December 2025, the Company had issued:

- (i) the Tranche A Convertible Bond in the aggregate principal amount of RMB300.0 million in relation to the 2022 Convertible Bonds on 30 December 2022. The Tranche A Convertible Bond has an initial conversion price of HK\$7.6 per Share and are convertible into the maximum of 43,815,789 Shares; and
- (ii) the First Tranche Initial Bond in the principal amount of US\$40.0 million in relation to the 2023 Convertible Bonds on 8 November 2023. The First Tranche Initial Bond has an initial conversion price of HK\$7.6 per Share and are convertible into the maximum of 40,789,474 Shares. The First Tranche Initial Bond was redeemed in full upon maturity on 6 November 2025 and the First Tranche Initial Bond was cancelled and no First Tranche Initial Bond shall remain outstanding.

As of the date of this Report of Directors, the Company had issued the HKD-denominated convertible bonds in an aggregate principal amount of HK\$1,000,000,000 on 6 January 2026. Such convertible bonds have an initial conversion price of HK\$10.19 per Share and are convertible into the maximum of 98,135,410 Shares. Details of which are set forth in the paragraph under "Issuance of HKD-denominated convertible bonds" below.

REPORT OF DIRECTORS

The table below sets forth the summary of the convertible bonds in 2025. Further details of the convertible bonds in 2025 are set forth in note 37 to the consolidated financial statements in this annual report.

Date of issue	Principal amount as of 1 January 2025	Maturity date	Conversion price per share	Amount converted into Shares in 2025	Amount redeemed in 2025	Outstanding principal amount as of 31 December 2025	Number of shares to be issued upon full conversion as of 31 December 2025
30 December 2022	CNH300.0 million	fourth anniversary of the date of issue	7.6	—	—	CNH300.0 million	43,815,789
8 November 2023	US\$40.0 million	second anniversary of the date of issue	7.6	—	US\$40.0 million	—	—

As of 31 December 2025, no conversion into shares had occurred for the Tranche A Convertible Bond and the First Tranche Initial Bond. If the conversion rights attaching to the Tranche A Convertible Bond was fully exercised in accordance with relevant conditions, the Company would have issued 43,815,789 Shares, representing 3.54% of the total issued Shares as of 31 December 2025 and 3.42% of the total issued Shares as enlarged by the issue of such conversion shares.

The table below sets forth the dilution impact of the full conversion of the Tranche A Convertible Bond on the shareholding of the Shareholders (having referred to the Company's shareholding structure as of 31 December 2025 and assuming no further Shares would be issued by the Company):

Name of Shareholders	As of 31 December 2025		Immediately following the full conversion of the Tranche A Convertible Bond	
	No. of Shares	%	No. of Shares	%
Directors				
Dr. SU Ertian ^(Note 1)	439,636,948	35.48	439,636,948	34.27
Mr. LIM Kwang Su ^(Note 2)	13,481,181	1.09	13,481,181	1.05
Public Shareholders	785,752,003	63.43	785,752,003	61.26
The holder of the Tranche A Convertible Bond	—	—	43,815,789	3.42
Total	1,238,870,132	100.0	1,282,685,921	100.0

Notes:

- (1) Dr. SU Ertian is the Chairman and the Chief Executive Officer of the Company and an executive Director. As of 31 December 2025, Dr. SU Ertian was interested in an aggregate of 439,636,948 Shares, among which he was deemed to be interested in 413,203,948 Shares through certain corporations and he beneficially owned 26,433,000 Shares. Mr. JIN Zengqin, an executive Director, was deemed to be interested in 38,588,148 Shares through two corporations controlled by Dr. SU Ertian and him as of 31 December 2025.
- (2) Mr. LIM Kwang Su is an executive Director. As of 31 December 2025, Mr. LIM Kwang Su beneficially owned 13,481,181 Shares.
- (3) Certain percentage figures included in the above tables are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

RESERVES

Further information on the movements in the reserves of the Group and of the Company in 2025 is set forth in Consolidated Statement of Changes in Equity and note 31 to the consolidated financial statements in this annual report, respectively.

PROPERTY, PLANT AND EQUIPMENT

Further information on the movements in property, plant and equipment of the Group in 2025 is set forth in note 17 to the consolidated financial statements in this annual report.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital commitments represent the amount of capital expenditure contracted for as at a particular date but not yet incurred. As of 31 December 2025, the capital commitments amounted to RMB932.0 million (31 December 2024: RMB5,873.1 million), which represent the Consideration of the Proposed Transaction, as well as the commitments to purchase property, plant and equipment including in relation to (a) the modifications and expansions of the Phase 1 Production Plant; (b) the construction of the Phase 2 Production Plant and the Luzhai Synthetic Mica Plant; (c) the Tonglu Project; and (d) projects such as the ERP overhaul for the global Surface Solutions Business. It is estimated that the said commitments will be financed by internal resources and external financing.

FOREIGN EXCHANGE EXPOSURE

The Group primarily operates in the PRC, Germany and Korea different business units through acquisition. Most of the Group's business transactions, assets and liabilities are denominated in Renminbi, Euro, US\$ and Korean Won. Hence, the Group is exposed to foreign currency risks primarily in respect of transactions denominated in different currencies. To efficiently and effectively manage these risks, the Group's financing and treasury activities are co-ordinated at the corporate level. As a matter of policy, the management of the Group regularly and closely monitors the Group's foreign currency exposure and considers hedging against significant foreign currency exposure should there be any likely and significant foreign exchange risks arising from the performances of contracts or the financial position of the Group as a whole. In 2025, the Group was not engaged in any hedging activities on foreign currency risks, as the Directors are of the opinion that the related foreign currency risks affecting the Group's operations or liquidity and is manageable.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL

Disposal of equity interest in Chesir Luzhai

On 24 May 2025, Luzhai Chesir Pearl Mica Material Co., Ltd. ("**Chesir Luzhai**"), a non-wholly owned indirect subsidiary of the Company, and Chongqing International Trust Inc. ("**Chongqing International**"), acting for and on behalf of Chongqing Trust - Luzhai Chesir Singular Fund Trust, entered into a capital increase agreement for a consideration of RMB500,000,000. Upon completion, the Group's effective equity interest in Chesir Luzhai will be diluted from 52.22% to 47.48%. Further details of which are disclosed in the announcement of the Company dated 24 May 2025.



REPORT OF DIRECTORS

Completion of the acquisition of global surface solutions business

On 25 July 2024, the Company and its nominated subsidiaries entered into an agreement (the “**Agreement**”) with Merck KGaA (the “**Seller**”) and its affiliates for the purpose of acquiring from the Seller Group. Further information of the acquisition and the terms and conditions of the Agreement are set forth in the announcement of the Company dated 25 July 2024 and the Shareholders’ circular of the Company dated 25 June 2025.

Pursuant to the Agreement, the Seller Group agreed to sell, and the Company agreed to purchase, the global surface solutions business of the Seller at the aggregate consideration of EUR665,000,000, subject to adjustments in accordance with the terms and conditions of the Agreement. The acquisition was approved by the Shareholders at the extraordinary general meeting of the Company held on 21 July 2025. Completion of the acquisition took place on 31 July 2025.

Acquisition of minority interest of Chesir Pearl

On 28 November 2025, the Company and Hongzun Int Investment Group Ltd. (“**Hongzun International**”) entered into a Chesir Pearl minority interest purchase agreement (the “**Chesir Pearl Minority Interest Purchase Agreement**”) pursuant to which the Company has conditionally agreed to issue 9,571,649 consideration shares for the acquisition of 2.57% of the equity interest (the “**Chesir Pearl Minority Interest**”) of Guangxi Chesir Pearl Material Co., Ltd. (“**Chesir Pearl**”), a non-wholly owned subsidiary of the Company holding 97.19% of its equity interest, under a specific mandate. Further information on the above transaction is disclosed in the announcements of the Company dated 28 November 2025 and 20 January 2026 and the Shareholders’ circular of the Company dated 19 December 2025.

The acquisition was approved by the Shareholders at the extraordinary general meeting of the Company held on 5 January 2026. Completion of the acquisition took place on 20 January 2026.

Issuance of HKD-denominated convertible bonds

On 15 December 2025, the Company and The Hongkong and Shanghai Banking Corporation Limited and Deutsche Bank AG, Hong Kong Branch (the “**Managers**”) entered into the subscription agreement (the “**2025 Subscription Agreement**”), pursuant to which the Company has agreed to issue, and the Managers have conditionally agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the HKD-denominated convertible bonds (the “**2025 Convertible Bonds**”) in an aggregate principal amount of HK\$1,000,000,000. The 2025 Convertible Bonds have an initial conversion price of HK\$10.19 per Share and are convertible into Shares. The closing price of the Shares on 15 December 2025, being the date on which the terms of the 2025 Subscription Agreement were fixed, was HK\$9.48 per Share. The amount of the net proceeds received by the Company from the issue of the 2025 Convertible Bonds amounted to HK\$981.0 million on 6 January 2026. Further information on the 2025 Convertible Bonds is disclosed in the announcements of the Company dated 15 December 2025 and 6 January 2026.

Save as disclosed above, the Group did not have any significant investment, material acquisition or disposal for 2025.

MAJOR CUSTOMERS AND SUPPLIERS

The Group maintains effective communications with its customers and strives to satisfy customers' requirements from time to time, in order to provide high quality products to its customers.

The Group establishes good relationships with reputable suppliers within the industries and conducts a fair appraisal of its suppliers on a regular basis.

The percentage of purchases attributable to the five largest suppliers of the Group in aggregate in 2025 was 19.3% of the total purchases of the Group and the largest supplier included therein amounted to 5.3%.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's total number of issued shares, had a beneficial interest in any of the Group's five largest suppliers.

The percentage of revenue attributable to the five largest customers of the Group in aggregate in 2025 was 9.5% of the total revenue of the Group and the largest customer included therein amounted to 2.8%.

None of the Directors, their close associates or any Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's total number of issued shares, had a beneficial interest in any of the Group's five largest customers.

EMPLOYEES AND REMUNERATION POLICY

Employees' contribution and support are valuable to the business development of the Group. The Group would regularly review the employees' compensation and benefits packages to reward and recognise those with outstanding performance. Other fringe benefits, such as employees' provident fund and share options, if applicable, are provided to attract and retain talents helping the Group in success.

As of 31 December 2025, the Group had a total of 2,111 employees: 761 in the PRC, 700 in Germany, 201 in Korea, 182 in Japan, 144 in the United States and 123 in other countries and regions⁽¹⁾ (31 December 2024: the Group had a total of 901 employees, including 708 in the PRC and 193 in Korea). The Group encourages high productivity and remunerates its employees based on their qualifications, work experience, prevailing market rates and individual contribution to the Group. Incentives in the form of bonuses and share options may also be offered to eligible employees based on individual performance. Pursuant to applicable laws and regulations, the Group has (a) participated in relevant defined contribution retirement schemes administered by responsible government authorities in the PRC for its employees there; (b) participated in defined benefit and defined contribution retirement pension plans in Korea for its employees there; (c) provided the required social security and retirement contribution to employees in Europe and other countries; and (d) provided a mandatory provident fund scheme to employees in Hong Kong.

Note: (1) The 123 employees are located in Thailand, Malaysia, Singapore, India, France, the United Kingdom, Italy, Switzerland, the Netherlands, Poland, Spain, Brazil and Mexico, etc.

REPORT OF DIRECTORS

SHARE OPTION SCHEME

A share option scheme (the “**Share Option Scheme**”) of the Company was approved and conditionally adopted pursuant to the resolutions passed by the Shareholders on 2 June 2021 for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. In 2025, no share options of the Company have been granted, exercised, cancelled or lapsed under the Share Option Scheme.

The number of share options available for grant under the Share Option Scheme was 116,269,558 share options as of 1 January 2025 and 31 December 2025, respectively.

A summary of the Share Option Scheme is set forth below:

- | | | |
|---|--------------|---|
| 1 | Purpose | To enable the Company to grant options to the Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group. |
| 2 | Participants | <p>The Board may, at its absolute discretion, offer options to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme to:</p> <ul style="list-style-type: none">(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group (the “Executive”), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group (the “Employee”);(b) a director or proposed director (including an independent non-executive director) of any member of the Group;(c) a direct or indirect shareholder of any member of the Group;(d) a supplier of goods or services to any member of the Group;(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and(g) an associate of any of the persons referred to in paragraphs (a) to (c) above. <p>(collectively, the “Eligible Participants”)</p> |

- 3 Maximum number of Shares
- The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as of the date on which dealings in the Shares first commenced on the Stock Exchange, being 116,269,558 Shares. As of the date of this annual report, the total number of Shares available for issue under the Share Option Scheme was 116,269,558 Shares, representing 9.31% of the total number of issued Shares.
- 4 Maximum number of option to each participant
- No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period exceeds 1% of the Shares in issue from time to time. Any further grant of options above such limit shall be separately approved by the Shareholders in general meeting with such Eligible Participant and his close associates or associates, as applicable, abstaining from voting.
- 5 Offer period and amount payable for options
- An offer shall remain open for acceptance by an Eligible Participant for a period of 28 days from the offer date, provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme. The amount payable on acceptance of an option is HK\$1.0.
- 6 Exercise of option
- An option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the option period in the manner as set forth in the Share Option Scheme by the grantee by giving notice in writing to the Company stating that the option is thereby exercised and specifying the number of Shares in respect of which it is exercised. The exercise of any option may be subject to a vesting schedule to be determined by the Board in its absolute discretion at time of offering the grant of an option and shall be specified in the offer letter.

REPORT OF DIRECTORS

- 7 Subscription price
- As the Board may in its absolute discretion determine at the time of grant of the option but the subscription price shall not be less than whichever is the highest of:
- (a) the nominal value of a Share;
 - (b) the closing price of a Share in the Stock Exchange's daily quotation sheet on the date of grant; and
 - (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business days (as defined in the Listing Rules) immediately preceding the date of grant.
- 8 Life of the Share Option Scheme
- Subject to earlier termination by the Company in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, i.e. 16 July 2021, and will therefore expire on 16 July 2031, after which no further option will be granted or offered.

RELATED PARTY AND CONNECTED TRANSACTIONS

Details of related party transactions of the Group are set forth in the paragraphs under "Significant Investment, Material Acquisition and Disposal" and "Subsequent Events" in this Report of Directors and note 44 to the consolidated financial statements in this annual report.

Saved as disclosed above, in 2025, the Group has not entered into any connected transaction. The Company confirmed that it has complied with the disclosure requirement of a connected transaction in accordance with Chapter 14A of the Listing Rules.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries or consolidated affiliated entities purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) in 2025.

As of 31 December 2025, the Company did not hold any treasury shares.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, in 2025 and up to the date of this annual report, the Company has complied with the ongoing public float threshold, representing at least 25% of the ordinary Shares are held by the public as required under the Listing Rules. As of the date of this annual report, 62.94% of the ordinary Shares are held by the public.

The table below sets forth the Share ownership composition as of the date of this annual report:

Shareholders	No. of Shares	%
Directors		
Dr. SU Ertian ^(Note 1)	449,208,597	35.98
Mr. LIM Kwang Su ^(Note 2)	13,481,181	1.08
Public Shareholders	785,752,003	62.94
Total	1,248,441,781	100.0

Notes:

- (1) Dr. SU Ertian is the Chairman and the Chief Executive Officer of the Company and an executive Director. As of the date of this annual report, Dr. SU Ertian was interested in an aggregate of 449,208,597 Shares, among which he was deemed to be interested in 422,775,597 Shares through certain corporations and he beneficially owned 26,433,000 Shares. Mr. JIN Zengqin, an executive Director, was deemed to be interested in 38,588,148 Shares through two corporations controlled by Dr. SU Ertian and him as of the date of this annual report.
- (2) Mr. LIM Kwang Su is an executive Director. As of the date of this annual report, Mr. LIM Kwang Su beneficially owned 13,481,181 Shares.
- (3) Certain percentage figures included in the above tables are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

Details of the share capital structure is set forth in the paragraphs under "Capital Structure" in this Report of Directors.

REPORT OF DIRECTORS

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

DONATIONS

Donations by the Group for charitable in 2025 amounted to RMB0.93 million.

SUBSEQUENT EVENTS

- (i) On 6 January 2026, the Group completed the issuance of the 2025 Convertible Bonds in an aggregate principal amount of HK\$1,000,000,000. The initial conversion price of HK\$10.19 per Share and no other Shares are issued and are repurchased. The 2025 Convertible Bonds will be converted into 98,135,410 conversion shares.
- (ii) On 20 January 2026, the Group completed the acquisition of Chesir Pearl Minority Interest at the consideration of RMB69,021,350 which is settled by issue of 9,571,649 new Shares under a specific mandate at the issue price of HK\$8.01 per Share.
- (iii) On 2 February 2026, a wholly-owned subsidiary of the Company, namely Shenzhen Chesir Pearl Technology Co., Ltd. ("**Shenzhen Chesir**") and Tonglu Liuan Equity Investment Partnership (Limited Partnership) ("**Hongzun LLP**") set up Tonglu Junheng Equity Investment Partnership (Limited Partnership) (the "**Junheng LLP**") which is a limited partnership established in the PRC. The principal activities of Junheng LLP is investment in equities and other investment activities with registered capital of RMB700 million with 40% from Shenzhen Chesir and 60% from Hongzun LLP. Shenzhen Chesir acts as general partner for the Junheng LLP and is responsible for the daily operation.

On 6 February 2026, a conditional share transfer agreement has been entered between (a) Junheng LLP and (b) two major shareholders of Zhejiang Jihua Group Co., Ltd. ("**Zhejiang Jihua**"). Pursuant to the agreement, Junheng LLP has agreed to acquire, subject to the satisfaction of various conditions precedent, from the two major shareholders 202,308,716 ordinary shares of Zhejiang Jihua, representing 29.89% of the number of shares in issue of Zhejiang Jihua at the consideration of RMB1,494.5 million.

For information on the above transactions are disclosed in the announcement of the Company dated 11 February 2026.

Save as disclosed above, there was no significant event affecting the Group which occurred after 31 December 2025 and up to the date of this Report of Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The business of the Group is subject to various risks and uncertainties, and they are summarised as below:

Risk	Description	Key risk control measures
Macroeconomic risk	The sales are dependent on the PRC and global economy, and any significant economic downturn in the PRC and global economy could adversely affect our business, financial condition, results of operations and prospects.	<ul style="list-style-type: none"> continuously monitor the global and PRC economic situations and respond with appropriate strategies in a timely manner conduct regular performance review and perform stress test based on exposure and sensitivity in different scenarios clearly convey the Company's business development strategy and prospects to the capital market to understand the Company's core competitiveness and long-term investment value
Market risk	The levels of demand and supply of pearlescent pigment products and synthetic mica powder are not entirely within the Group's control and are generally affected by the paint, chemical and cosmetics industries, the overall macroeconomic factors in the pearlescent pigment and synthetic mica powder industries and the production capacity of other manufacturers.	<ul style="list-style-type: none"> enhance the sales and marketing strategy and management in order to expedite the return in contracted sales closely monitor market performance of paint, chemical and cosmetics industries, and the pearlescent pigment and synthetic mica powder industries including the Group's market competitors
Operation risk	The business and financial conditions of the Group depend on our ability to effectively manage our inventories and the turnover rate of our inventories is susceptible to the overall demand of customers and changes in consumer choice and preference which are beyond our control.	<ul style="list-style-type: none"> actively manage the product inventories to stabilise the supply of products and cash inflow actively develop new products to align with market demand collaboration amongst various departments within the Group to implement strong cost control

REPORT OF DIRECTORS

Risk	Description	Key risk control measures
Financial risks	The Group is exposed to a variety of financial risks due to its business operation and activities, including and without limitation, foreign currency risk, credit risk, liquidity risk and interest rate risk. Further information on the Group's exposure to foreign exchange risk and other financial risks is set forth in the paragraphs under "Foreign Exchange Exposure" above and note 6 to the consolidated financial statements in this annual report.	<ul style="list-style-type: none">• review and explore different financing tools to minimise the foreign exchange risk• continuously monitor the volatility of currency exchange rate• constantly optimise the ratio of RMB and foreign currency debt at appropriate time

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

In 2025, and up to date of this annual report, the Board was not aware of any non-compliance with the applicable laws and regulations, including the Articles, the laws of the Cayman Islands, the Listing Rules, other laws and regulations, which have a significant impact on the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group supports sustainable development by conducting its business in an environmentally responsible manner. Environmental, Social and Governance Report for the year ended 31 December 2025 of the Group will be published on the websites of the Company and the Stock Exchange at the same time as the publication of this annual report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. On this basis, all the independent non-executive Directors are considered to be independent for the purpose of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Further information on the Directors' and senior management's emoluments and of the five highest paid individuals in the Group is set forth in notes 14 and 13 to the consolidated financial statements in this annual report. The emolument policy of the employees of the Group is set up by the senior management of the Group on the basis of their merit, qualifications and competence. The emoluments of the Directors and senior management of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and prevailing market conditions.

DIRECTORS' INTERESTS IN CONTRACTS, TRANSACTIONS AND ARRANGEMENTS

Save as disclosed above in the paragraphs under "Related Party and Connected Transactions" above, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or his or her connected entity has or had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time in 2025.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of any business of the Group were entered into or existed in 2025.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed below in the paragraphs under "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company", at no time in 2025 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF DIRECTORS

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

As of 31 December 2025, the interests and short positions of the Directors and chief executives of the Company or any of their associates in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be (i) 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 under such provisions of the SFO); or (ii) recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix C3 of the Listing Rules, were as follows:

Name of Directors	Nature of interest and capacity	Number of the Shares or underlying Shares held	Approximate percentage of shareholding
Dr. SU Ertian ("Dr. SU")	Interest in controlled corporation ⁽¹⁾	301,155,800	24.31%
	Interest in controlled corporation ⁽²⁾	45,337,828	3.66%
	Interest in controlled corporation ⁽³⁾	27,234,172	2.20%
	Interest in controlled corporation ⁽⁴⁾	888,000	0.07%
	Interest in controlled corporation ⁽⁵⁾	19,129,200	1.54%
	Interest in controlled corporation ⁽⁶⁾	19,458,948	1.57%
Mr. JIN Zengqin ("Mr. JIN")	Beneficial owner	26,433,000	2.13%
	Interest in controlled corporation ⁽⁵⁾	19,129,200	1.54%
Mr. LIM Kwang Su	Interest in controlled corporation ⁽⁶⁾	19,458,948	1.57%
	Beneficial owner	13,481,181	1.09%

Notes:

- (1) The Shares are owned by Hongzun International, which is wholly-owned by Guangxi Hongzun Investment Group Co., Ltd. ("**Hongzhou 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.
- (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 21 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 167,000 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 12 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 2,465,000 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 10 individual equity holders of Chesir Pearl, who are limited partners and independent third parties, own 1,772,158 shares of Liuzhou Colorful LP. Therefore, Dr. SU and Mr. JIN are deemed to be interested in all the Shares held by 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.

Save as disclosed above, as of 31 December 2025, none of the Directors or the chief executives 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 (i) 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); or (ii) recorded into the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 31 December 2025, the persons or corporations (not being a Director or chief executive of the Company) who had an interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of shareholders	Nature of interest and capacity	Number of the Shares or underlying Shares held	Approximate percentage of shareholding
Hongzun International	Beneficial owner	301,155,800	24.31%
Hongzun Investment	Interest in controlled corporation ⁽¹⁾	301,155,800	24.31%
Ms. WANG	Spouse interest ⁽²⁾	439,636,948	35.48%

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.
- (2) Ms. WANG was deemed to be interested in in all the Shares held by her spouse, Dr. SU.

Save as disclosed above, as of 31 December 2025, 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.



REPORT OF DIRECTORS

PERMITTED INDEMNITY PROVISION

The Articles provide that every Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has maintained appropriate Directors' and officers' liability insurance in respect of relevant legal actions against the Directors and officers.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

In 2025, none of the Directors is interested in any business apart from the Company's business that competes or is likely to compete, either directly or indirectly, with the Company's business.

Deed of Non-Competition

Each of the Controlling Shareholders and the executive Director has entered into the Deed of Non-competition (the "**Deed of Non-Competition**") on 2 June 2021 in favour of the Company. Detailed information on the Deed of Non-Competition is set forth in the section headed "Relationship with our Controlling Shareholders - Deed of Non-Competition" in the Prospectus.

Each of the Controlling Shareholders (as defined in the Prospectus) has made an annual confirmation to the Company that in 2025, all the Controlling Shareholders have duly complied with the undertaking provisions under the Deed of Non-Competition. The Controlling Shareholders have also provided the independent non-executive Directors with information on their business activities for review.

The independent non-executive Directors have reviewed the confirmations and information provided by the Controlling Shareholders and are satisfied that the undertaking provisions under the Deed of Non-Competition were fully complied with and enforced in 2025.

The Company is not aware of any other matters regarding the compliance and enforcement of the Deed of Non-Competition.

AUDITOR

There has been no change of the auditor of the Company in 2025. A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Messrs. RSM Hong Kong as the auditor of the Company.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting (the “**AGM**”) of the Company will be held on Friday, 26 June 2026. The register of members of the Company will be closed from Tuesday, 23 June 2026 to Friday, 26 June 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 AGM is Friday, 26 June 2026. In order to determine the entitlement to attend and vote at the AGM, 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 Monday, 22 June 2026.

On behalf of the Board

Dr. SU Ertian

Chairman and Chief Executive Officer

Hong Kong, 27 March 2026



CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for 2025.

CORPORATE GOVERNANCE CULTURE AND STRATEGY

The Company understands that corporate culture is the intrinsic driving force for the Company to achieve sustainable development, and that it can unite consensus, give full play to the initiative and creativity of employees, create greater value for the Company, and lay a solid foundation for the Company's sustained and long-lasting development.

The Group's culture is based on four core values: integrity, innovation, leadership and harmony.

"Integrity" refers to honesty, trustworthiness and compliance with the law. The Group speaks of credit and commitment, respect the spirit of contract, follow fairness and justice, comply with professional ethics and corporate rules and regulations, so as to build quality and brand with integrity, win the trust of customers, win the trust of partners, and win social reputation with integrity.

"Innovation" refers to the courage to innovate and pursue excellence. The Group focuses on researching cutting-edge technologies, applying new technologies and equipment, deepening the integration of "industry-academia-research-application" cooperation with domestic and foreign research institutes and universities, accelerating the transformation and application of its innovations, continuing to promote product research and development, optimising product structure, deepening market expansion, and broadening the room for growth, so as to ensure that the Company's foundation is everlasting.

"Leadership" refers to leadership in talent, technology, market and scale. With the spirit of leadership in every aspect, the Group will improve the quality standard of our products in all aspects to create a better experience and higher quality value for the customers.

"Harmony" refers to solidarity, co-operation and win-win situation. The Group adheres to the "people-oriented" principle, respect and care for the employees, provide them with room for development, and realise a harmonious relationship with them. The Group actively fulfil its social responsibilities and contribute to the building of a harmonious society, so as to achieve a harmonious relationship with the society and a harmonious relationship between technological development and nature.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

The Group has identified and are satisfied with the vision, mission, values and strategies that are integral to the Group's culture and has instilled this culture throughout the Group to guide our daily operations and the behaviour of the employees. The Company believes that this will maximise returns to Shareholders in the long term and will also benefit employees, business partners and the communities in which the Company operates.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, in 2025, the Company has complied with the applicable code provisions as set out in the CG Code, except for code provision C.2.1 which is explained in the relevant paragraphs of this Corporate Governance Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, they have confirmed that they have complied with the Model Code in 2025.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.



CORPORATE GOVERNANCE REPORT

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

In 2025 and up to the date of this Annual Report, the Board comprised the following Directors:

Executive Directors:

Dr. SU Ertian (*Chairman and Chief Executive Officer*)

Mr. JIN Zengqin

Mr. ZHOU Fangchao (*Joint company secretary*)

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

The biographical information of the Directors is set forth in the section headed "Biographical Information on Directors and Senior Management" in this annual report. The relationships between the Directors are disclosed in the respective Director's biography. Save as disclosed above, there is no relationship (including financial, business, family or other material/relevant relationship(s)) among the members of the Board.

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance records of the Directors at the Board meetings held in 2025 are set forth in the paragraph under "Attendance Records of Directors and Board Committee Members" below.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Dr. SU Ertian, the Chairman of the Board and the Chief Executive Officer of the Company, currently performs these two roles.

Dr. SU has been responsible for formulating overall business development strategies and leading overall operations of the Group and has been instrumental to business growth of the Group. The Board therefore considers that vesting the roles of both chairman and chief executive officer in Dr. SU is beneficial to business development of the Group by ensuring consistent leadership and enabling more effective and efficient overall strategic planning. The senior management team and the Board will provide check and balance of power and authority.

The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate and suitable by weighting the circumstances of the Group as a whole.

Independent non-executive Directors

In 2025, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing one-third of the Board) with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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



CORPORATE GOVERNANCE REPORT

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism which sets forth the processes and procedures to ensure a strong independent element on the Board, which allows the Board to effectively exercise independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

In 2025, all Directors have completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

In 2025, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to renewal after the expiry of the then current term.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Articles also provides that all Directors appointed to fill a casual vacancy shall hold office until the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

CORPORATE GOVERNANCE REPORT

In 2025, the Company organised training sessions for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities, corporate governance and regulatory updates. In addition, relevant reading materials including compliance manual, legal and regulatory updates, seminar handouts have been provided to the Directors for their reference and studying.

The training records of the Directors in 2025 are summarised as follows:

Directors	Type of Training ^(Note)
Executive Directors	
Dr. SU Ertian	A/B
Mr. JIN Zengqin	A/B
Mr. ZHOU Fangchao	A/B
Mr. BAI Zhihuan	A/B
Ms. ZENG Zhu	A/B
Mr. LIM Kwang Su	A/B
Non-executive Director	
Mr. HU Yongxiang	A/B
Independent non-executive Directors	
Mr. HUI Chi Fung	A/B
Professor HAN Gaorong	A/B
Mr. LEUNG Kwai Wah Alex	A/B
Professor CHEN Fadong	A/B

Notes:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's websites and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set forth under "Corporate Information" in this annual report.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. HUI Chi Fung, Professor HAN Gaorong and Mr. LEUNG Kwai Wah Alex. Mr. HUI Chi Fung is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set forth in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held three meetings to review, in respect of 2025, the interim and annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the Executive Directors.

The attendance records of the Audit Committee are set forth in the paragraph under "Attendance Records of Directors and Board Committee Members" below.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. LEUNG Kwai Wah Alex, Professor HAN Gaorong and Mr. ZHOU Fangchao. Mr. LEUNG Kwai Wah Alex is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set forth in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee met once in 2025 to consider the relevant matters regarding the remuneration policy and the remuneration packages of the executive Directors and senior management.

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and discretionary bonus. Executive Directors shall receive options to be granted under the Company's share option scheme. The remuneration policy for non-executive Director and independent non-executive Directors is to ensure that non-executive Director and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Director and independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

The attendance records of the Remuneration Committee are set forth in the paragraph under "Attendance Records of Directors and Board Committee Members" below.

The remuneration paid to the members of the senior management (excluding executive Directors), whose biographical details are set forth in the section headed "Biographical Information on Directors and Senior Management" in this annual report, by band for 2025 is set forth below:

Remuneration Band	Number of Individuals
Nil to HK\$1,000,000	2
HK\$1,000,001 to HK\$2,000,000	1
HK\$2,000,001 to HK\$3,000,000	—
HK\$3,000,001 to HK\$4,000,000	3

Nomination Committee

The Nomination Committee consists of five members, namely Dr. SU Ertian, Professor HAN Gaorong, Mr. HUI Chi Fung, Ms. ZENG Zhu and Professor CHEN Fadong. Dr. SU Ertian is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set forth in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, assisting the Board in maintaining a board skill matrix, supporting the Company's regular evaluation of the Board's performance, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the board diversity policy of the Company (the "**Board Diversity Policy**") and the director nomination policy of the Company (the "**Director Nomination Policy**") and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set forth in the Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set forth in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met twice in 2025 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for re-election at the Annual General Meeting, to review the Board Diversity Policy and Director Nomination Policy. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The attendance records of the Nomination Committee are set forth in the paragraph under "Attendance Records of Directors and Board Committee Members" below.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets forth the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.



CORPORATE GOVERNANCE REPORT

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

- At least one member of the Board shall be female.
- At least one-third of the members of the Board shall be independent non-executive Directors.

An analysis of the Board's current composition based on the measurable objectives is set forth below:

Gender

Male: 10
Female: 1

Age Group

31-40: 2
41-50: 2
51-60: 3
61-70: 3
71-80: 1

Designation

Executive Directors: 6
Non-executive Director: 1
Independent Non-executive Directors: 4

Educational Background

Business Administration: 4
Account and Finance: 2
Other: 5

Nationality

Chinese: 10
Korean: 1

Business Experience

Accounting & Finance: 2
Experience related to the Company's business: 9

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set forth in the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets forth the gender ratio in the workforce of the Group, including the Board and senior management as of the date of this annual report:

	Female	Male
Board	9%	91%
	(1)	(10)
Senior Management	33%	67%
	(2)	(4)
Other employees	29%	71%
	(614)	(1,480)
Overall workforce	29%	71%
	(617)	(1,494)

The Board had targeted to have at least one female director and considers that the above current gender diversity is satisfactory.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report dated 28 April 2026 of the Company.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets forth the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.



CORPORATE GOVERNANCE REPORT

The nomination process set forth in the Director Nomination Policy is as follows:

Appointment of New Director

- (i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.
- (ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- (iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

- (i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.
- (ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.
- (iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets forth the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

In 2025, the Directors re-elected were subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set forth in the code provision A.2.1 of the CG Code.

In 2025, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Attendance Records of Directors and Board Committee Members

A summary of the attendance records of the Directors at the Board, Board Committee and general meetings held in 2025 is set forth below:

Name of Directors	Attendance/Number of Meetings					
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting	Extraordinary General Meeting
Dr. SU Ertian	4/4	–	2/2	–	1/1	1/1
Mr. JIN Zengqin	4/4	–	–	–	1/1	1/1
Mr. ZHOU Fangchao	4/4	–	–	1/1	1/1	1/1
Mr. BAI Zhihuan	4/4	–	–	–	1/1	1/1
Ms. ZENG Zhu ⁽¹⁾	4/4	–	0/2	–	1/1	1/1
Mr. LIM Kwang Su	4/4	–	–	–	1/1	1/1
Mr. HU Yongxiang	4/4	–	–	–	1/1	1/1
Mr. HUI Chi Fung	4/4	3/3	2/2	–	1/1	1/1
Professor HAN Gaorong	4/4	3/3	2/2	1/1	1/1	1/1
Mr. LEUNG Kwai Wah Alex	4/4	3/3	–	1/1	1/1	1/1
Professor CHEN Fadong ⁽²⁾	4/4	–	0/2	–	1/1	1/1

Notes:

- (1) Ms. ZENG Zhu was appointed as Nomination Committee member with effect from 27 June 2025.
- (2) Professor CHEN Fadong was appointed as Nomination Committee member with effect from 27 June 2025.

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors in 2025.

The independent non-executive Directors and non-executive Director have attended general meetings of the Company to gain and develop a balanced understanding of the view of the Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company adopted internal control system and risk management system which are designed and implemented to address the specific business needs and operating environment and to minimise the risk exposure of the Group. The Company have adopted different internal guidelines, along with written policies and procedures, to monitor and reduce the risks which are relevant to the control our daily business operations and the improvement in the corporate governance of the Company. The Group's senior management team is responsible for identifying and analysing the risks associated with business operations, preparing risk mitigation plans and assessing and reporting to the Board their effectiveness. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company established an internal audit department (the "**Internal Audit Department**") under the supervision of the Audit Committee. The Internal Audit Department is established to overseeing the daily and effective implementation of internal control measures and reporting to our Audit Committee on any compliance issue and the record of compliance in this respect.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for 2025.

Based on the results of the internal control review for 2025 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for 2025.



CORPORATE GOVERNANCE REPORT

ANTI-BRIBERY AND CORRUPTION RISK MANAGEMENT

The Company has implemented appropriate policies and procedures to address any potential bribery and corruption issues. All department heads and managers are required to report to the Internal Audit Department any bribery or corruption incidents. The Company has also established a whistle blower policy for reporting any alleged bribery and corruption. The internal anti-bribery and corruption policies and procedures include the following:

- (a) requiring the Company's employees to report any bribery and corruption incident when they became aware of such incident;
- (b) prohibiting the Company's employees and other engaged working parties from receiving bribes, either financial benefit or benefit-in-kind such as gift;
- (c) performing financial and internal audits by the Internal Audit Department and external audit agency on a regular basis to identify any risk of bribery and corruption;
- (d) evaluating the anti-bribery and corruption policies by Internal Audit Department to ensure the effectiveness; and
- (e) providing training to the Company's employees on how to identify and report misconduct.

In case the Internal Audit Department has identified a material risk of bribery and corruption, it will initiate investigation with the assistance from one of the Company's executive Directors. The investigation results will be reported to the Board (including independent non-executive Directors). The Internal Audit Department is required to keep all information about and related to the investigation, including the fact that an investigation has been filed, the nature of the complaint and the persons involved, in strict confidence. The Company also requires all new employees to go through anti-bribery training as part of their orientation training programmes.

Any staff who is in breach of the Company's anti-bribery and corruption policy would be dismissed, and the Company may report the matter to the relevant governmental authorities should there be a violation of the applicable laws and regulations.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for 2025 with the support of the accounting and finance team.

The Directors have prepared the financial statements in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set forth in the "Independent Auditor's Report" of this annual report.

AUDITORS' REMUNERATION

The remuneration paid and payable to the external auditors of the Company in respect of audit services and non-audit services for 2025 is set forth below:

	Amount (RMB'000)
Audit services	
– by RSM Hong Kong	4,330
– by RSM network firm	606
	4,936
Non-audit services	
– Review of interim financial information	3,160
Total	8,096



CORPORATE GOVERNANCE REPORT

JOINT COMPANY SECRETARIES

Mr. ZHOU Fangchao, an executive Director and a joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board's policies and procedures, as well as the applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engaged Ms. CHEUNG Ka Lun Karen, a manager of Tricor Services Limited (a company secretarial service provider), as the joint company secretary to assist Mr. ZHOU to discharge his duties as company secretary of the Company. Mr. ZHOU is the primary contact person at the Company which would work and communicate with Ms. CHEUNG on the Company's corporate governance and secretarial and administrative matters.

For 2025, Mr. ZHOU and Ms. CHEUNG have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting and Putting Forward Proposals

Pursuant to Article 58 of the Articles, extraordinary general meetings may be convened by the Board whenever it thinks fit. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal place of the meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 2703, 27/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong
(For the attention of the Board of Directors)

Telephone: (852) 3797 7882

Email: zhoufangchao@chesir.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has in place a shareholders' communication policy (the "**Shareholders' Communication Policy**"). The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.



CORPORATE GOVERNANCE REPORT

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

(a) Corporate Communication

“Corporate Communication” as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors’ report, annual accounts together with a copy of the auditor’s report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on its website (www.chesir.com) and the Stock Exchange’s website (www.hkexnews.hk) in a timely manner as required by the Listing Rules. A notice of publication of the Website Version of Corporate Communications, in both English and Chinese, will be sent by the Company to Shareholders by email or by post (only if the Company does not possess the functional email address of a Shareholder) on the publication date of the Corporate Communications.

For those Shareholders who wish to receive a printed version of all future Corporate Communications or, if for any reason, have difficulty in gaining access to the Company’s website, the Company will, upon receipt of request in writing by the Shareholder to the Company’s branch share registrar in Hong Kong at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or by email to 6616-ecom@vistra.com, send future Corporate Communications and/or the relevant Corporate Communications (as the case may be) to such Shareholders in printed form free of charge.

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles) on the Stock Exchange’s website in a timely manner in accordance with the Listing Rules.

(c) Corporate Websites

Any information or documents of the Company posted on the Stock Exchange’s website will also be published on the Company’s website (www.chesir.com) under the “Investor Relations” section. Other corporate information about the Company’s business developments, goals and strategies, corporate news, marketing events and press release in relation to community services will also be available on the Company’s websites.

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Shareholders' Enquiries

Enquiries about Shareholdings

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at <https://srhk.vistra.com>, or send email to is-enquiries@vistra.com or call its hotline at (852) 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Amendments to Constitutional Documents

In 2025, the Company has not made any changes to its Articles. An up-to-date version of the Company's Articles is also available on the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval. Such details have been disclosed in the section headed "Report of Directors" in this annual report.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Su Ertian (“**Dr. SU**”), aged 60, is the founder, executive Director, Chairman of the board, Chief Executive Officer, and one of the controlling shareholders of the Company. Dr. SU also serves as the Chairman of Guangxi Chesir Pearl Material Co., Ltd. (“**Chesir Pearl**”), a principal subsidiary of the Company, having held this position since the company’s incorporation on 29 March 2011. Prior to establishing Chesir Pearl, Dr. SU accumulated extensive experience in the mining and trading sectors.

Dr. SU was appointed as a Director of the Company on 8 June 2018, and was re-designated as an executive Director on 22 December 2020. Subsequently, Dr. SU was appointed as an executive director of CQV Co., Ltd. (“**CQV**”) (listed on Korea’s KOSDAQ, stock code: 101240), a non-wholly owned subsidiary of the Company on 23 August 2023; appointed as an executive director of Zhejiang Hongzun Technology Co., Ltd. on 15 November 2023; and acting as the of Chief Executive Officer of SUSONITY (formerly Merck Surface Solutions business), a subsidiary of the Company, effective from 1 August 2025.

Dr. SU is responsible for the Group’s overall strategic planning and major operational decisions, driving its international expansion and cross-border M&A integration. Under his leadership, the Group continuously refines its management systems and talent development mechanisms, enhancing global operational capabilities and synergies.

Dr. SU actively participates in social affairs, currently serving as Vice Chairman of Liuzhou General Chamber of Commerce (柳州市總商會) and Standing Committee Member of Liuzhou Federation of Industry and Commerce (柳州市工商業聯合會). He also holds positions including President of the 5th Guangxi University (廣西大學) EMBA Alumni Network, Founding President of the East China Alumni Network of HKU Business School (香港大學經管學院華東校友會), MBA Alumni Mentor at Peking University Guanghua School of Management (北京大學光華管理學院), Honorary Special President of Hangzhou Wenzhou Chamber of Commerce (杭州市溫州商會), and Life Honorary President of Liuzhou Wenzhou Chamber of Commerce (柳州市溫州商會). Dr. SU previously served as Vice Chairman of the Liuzhou Federation of Industry and Commerce (for two terms) and as a Liuzhou Municipal People’s Congress Deputy (柳州市人大代表) for two terms.

Dr. SU has received numerous social honors and recognitions, including: “Outstanding Contributor to the Cause of Socialism with Chinese Characteristics in Guangxi (廣西優秀中國特色社會主義事業建設者)” (2015), “Best Corporate Leader Award (最佳企業領袖獎)” (2021), “Outstanding Private Entrepreneur of Guangxi (廣西優秀民營企業家)” (2022), inclusion in the “Forbes China Greater Bay Area ESG Entrepreneurs (福布斯中國大灣區ESG企業家)” list (2023), and the “Liuzhou May 1st Medal (柳州五一獎章)” (2023). In 2025, Dr. SU was recognised as a “Hangzhou High-Level Talent (杭州市高層次人才)”, honored as one of “China’s Top Ten MBA Elite Figures (中國MBA十大精英人物)”, and awarded the “ESG Outstanding Influence Business Leader Award (ESG卓越影響力商界領袖獎)”.

Dr. SU obtained an Executive Master of Business Administration degree from Guangxi University in December 2012 and earned a Doctoral Degree in Business Administration from The University of Hong Kong in July 2025. He served as an adjunct professor at Hubei University of Technology (湖北工業大學) from September 2017 to September 2020.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr. JIN Zengqin (“**Mr. JIN**”), aged 57, is currently an executive Director and one of the controlling shareholders of the Company. Mr. JIN has been an executive director and Deputy General Manager of Chesir Pearl since May 2011, primarily responsible for supervising the sales business and driving the implementation of business strategies and related plans. In 2025, Mr. JIN was appointed as General Manager of Zhejiang Hongzun Technology Co. Ltd, with overall responsibility for the operation and management of the company, specifically including the implementation of group strategies, achievement of operational goals, risk management and control, building of the core team and improvement of organisational efficiency, etc.

Mr. JIN has many years of practical experience in manufacturing management and sales, and is proficient in sales strategy formulation, sales channel expanding, brand planning, customer negotiation and team management. Since he took on the position of Deputy General Manager in charge of sales at Chesir Pearl, he has quickly built a marketing team, successfully opened up the market and established a sales network covering both domestic and international markets.

Mr. JIN also serves as a member of the 10th Chinese People’s Political Consultative Conference of Luzhai County (鹿寨縣第十屆政協委員) and Vice Chairman of the Federation of Industry and Commerce of Luzhai County (鹿寨縣工商業聯合會). Mr. JIN obtained a bachelor’s degree in economics from Hangzhou College of Commerce (杭州商學院), the PRC in July 1991, a bachelor’s degree in business management from Guangxi University (廣西大學), the PRC in June 1996, a bachelor’s degree in arts and design from Wuchang University of Technology (武昌理工學院), the PRC in December 2013, and a master of Business Administration degree for Senior Executives from Guangxi University (廣西大學), the PRC in June 2020.

Mr. ZHOU Fangchao (“**Mr. ZHOU**”), aged 43, graduated from Nanchang Hangkong University (南昌航空大學), the PRC in July 2005 with a bachelor’s degree in Materials Forming and Control Engineering. He also holds a Doctoral degree in Materials and Chemical Engineering at Zhejiang University (浙江大學). He has successively received honorary titles including “Outstanding Communist Party Member of Liuzhou (柳州市優秀共產黨員)”, “Outstanding Young Professional of Liuzhou (柳州市傑出青年崗位能手)”, “Outstanding Worker for Party Affairs of Liuzhou (柳州市優秀黨務工作者)”, “First Batch of Enterprise Chief Technology Officers Selected and Registered by the Science and Technology Department of Guangxi (廣西科學技術廳遴選入庫並備案首批企業首席技術官)” and “Advanced Manufacturing Technology Talent of Guangxi (廣西先進製造技術人才)”.

From July 2005 to July 2008, he served as an engineer, workshop director, GMS manager and member of The Communist Youth League of China at company level at SAIC-GM-Wuling Automobile (上汽通用五菱汽車股份有限公司). From July 2008 to February 2010, he ran his own business. From March 2010 to March 2013, he served as project director and general manager of Guangxi Branch of Guangxi Liugong Luchuang Manufacturing Technology Co., Ltd (廣西柳工路創製造科技有限公司). He joined Chesir Pearl in April 2014 as assistant to the Chairman of Chesir Pearl and was promoted to Deputy General Manager in April 2015. Since September 2018, he has concurrently served as secretary of the board of directors of Chesir Pearl. He was appointed as a director of Chesir Pearl in October 2020. From December 2020 to date, he has served as an executive Director, Vice President and joint company secretary of the Company. From January 2024 to date, he has concurrently served as General Manager of Chesir Pearl.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr. BAI Zhihuan (“**Mr. BAI**”), aged 42, graduated with a bachelor’s degree in Business Administration from Guangxi University of Science and Technology (廣西科技大學) and holds a master’s degree of Business Administration from Shenandoah University, USA (美國雪蘭多大學). Mr. BAI joined the Group in 2014 and is a director of Chesir Pearl. He is currently an executive Director and Vice President of the Company. He has been an executive director of CQV since August 2023.

Mr. BAI is actively involved in social affairs and has been recognized as a person belonging to new social groups in Luzhai county. He is currently a Director of the Wenzhou Chamber of Commerce and Vice Chairman of the Luzhai County Federation of Industry and Commerce (鹿寨縣工商聯).

Ms. ZENG Zhu (“**Ms. ZENG**”), aged 35, is an executive Director. Ms. ZENG has joined Chesir Pearl since her graduation in 2014. She graduated from Guangxi University (廣西大學) with a bachelor’s degree in Chemical Engineering and Technology. Ms. ZENG initially served as a raw material procurement inspector at Chesir Pearl, and with gradual promotion over the years, she was promoted to team leader of quality inspection and supervisor of quality inspection in 2016 and 2019 respectively. In September 2021, Ms. ZENG was promoted to the Chief Quality Officer of the Group, responsible for managing the quality control affairs of the Group.

Mr. LIM Kwang Su (“**Mr. LIM**”), aged 62, is an executive Director, Vice President and Chief Technology Officer of the Group, and majored in industrial chemistry at Hongik University of Technology (弘益工業專科學校), South Korea.

Mr. LIM served as R&D Team Leader at SEMO Chemical Company from 1986 to 1998 and R&D Team Leader at Engelhard Korea from 1998 to 2000.

Mr. LIM co-founded CQV with Mr. Chang Gil-wan in 2000 and has been responsible for the overall operation and management of CQV for approximately 24 years, including research and development, production and daily management of the company; he was elected as the Representative Director of CQV on 22 August 2023.

Mr. LIM has been engaged in the effect pearlescent pigment business for 40 years to date and is one of the few top experts in the research and development and production of the pearlescent pigment industry.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. HU Yongxiang (“**Mr. HU**”), aged 59, is a non-executive Director. Mr. HU has also been a director of Chesir Pearl since October 2020. Mr. HU is primarily responsible for formulating the overall business implementation plan of Chesir Pearl.

Mr. HU graduated from Tongji University (同濟大學), the PRC in November 1998 with a master’s degree of Business Administration. Mr. HU has over 20 years of experience in venture capital investment. Mr. HU is currently the General Manager of Zhejiang Venture Capital Group Co., Ltd. (浙江省創業投資集團有限公司), and has experience in the successful listing of companies in the new materials industry, including Western Metal Materials Co., Ltd. (西部金屬材料股份有限公司), (a company listed on the Shenzhen Stock Exchange, stock code: 002149) and Rutai Materials Tech Co., Ltd. (瑞泰科技股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 002066). Mr. HU served as a judge and entrepreneurship instructor for the new materials finals of the China Innovation and Entrepreneurship Competition (中國創新創業大賽新材料總決賽) from 2017 to 2019. Mr. HU is currently the Vice President of Zhejiang Venture Capital Association (浙江省創業投資協會).

Mr. HU has been a director of Zhejiang Qinglian Food Co., Ltd (浙江青蓮食品股份有限公司) since 28 June 2018. The company was listed and traded on the National Equities Exchange and Quotations on 17 March 2016 and was subsequently delisted on 21 July 2017 due to changes in strategic development plans with effect from 28 June 2018.

Mr. HU has been appointed as the chairman of the supervisory committee of Hangzhou Huaguang Welding New Material Co., Ltd. (杭州華光焊接新材料股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 688379) since September 2017. Mr. HU has served as a director of Hangzhou On Honest Tech. Corp., Ltd. (杭州安鴻科技股份有限公司) (a company listed and traded on the National Equities Exchange and Quotations and subsequently delisted in February 2021) since January 2019. Mr. HU has served as a supervisor of Dongyang Qingyu Media Co., Ltd., (東陽青雨傳媒股份有限公司) (a company listed and traded on the National Equities Exchange and Quotations, stock code: 832698) since March 2018.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HUI Chi Fung (“**Mr. HUI**”), aged 67, is an independent non-executive Director. Mr. HUI is currently the sole proprietor of Hui Chi Fung Certified Public Accountant, a practicing accountant. Mr. HUI is an executive council member of the Hong Kong Independent Non-Executive Directors Association, and Vice Chairman of the Corporate Governance Committee and the Membership & Talent Committee. Mr. HUI holds a master’s degree of Business Administration from The University of Western Ontario (西安大略大學). Mr. HUI is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of the Chartered Professional Accountants of Canada.

Mr. HUI is an experienced business executive with a solid accounting and financial background and has more than 30 years of working experience in the information and communications technology and consumer services industries. Mr. HUI retired from Fuji Xerox (Hong Kong) Limited (“**Fuji Xerox HK**”) in October 2019. Fuji Xerox HK is a subsidiary of FUJIFILM Holdings Corporation (a company listed on The Tokyo Stock Exchange (stock code: TYO: 4901)) and a subsidiary of Xerox Holdings Corporation (a company listed on NASDAQ (stock code: NASDAQ: XRX)). Prior to his retirement, Mr. HUI served as the Managing Director of Fuji Xerox HK. During his 30 years of working experience at Fuji Xerox HK, Mr. HUI was involved in the operations of Fuji Xerox HK, including equipment leasing, corporate finance and monitoring, legal affairs and internal audit in Hong Kong and China. Mr. HUI also assisted Fuji Xerox HK in implementing the enterprise risk management system and environmental, social and governance initiatives and the establishment of internal audit team in both Hong Kong and China.

Professor HAN Gaorong (“**Professor HAN**”), aged 63, is an independent non-executive Director. Professor HAN will provide independent advice and opinion on our strategy, performance, resources and financial operations. Professor HAN is currently a Qushi Distinguished Professor and Dean of Zhejiang University (浙江大學), the PRC.

Professor HAN is primarily engaged in research on inorganic functional nano-materials and new energy-saving coated glass. Professor HAN has published numerous articles covering the preparation, structure, performance and application of nano-semiconductor thin film materials. Professor HAN has participated in teaching and research projects under the National Natural Science Foundation of China (國家自然科學基金委員會), the National Key R&D Program (國家重點研發計劃) and the National Science and Technology Support Program (國家科技支撐計劃) of the Ministry of Science and Technology of China. Professor HAN was awarded the Second Class Prize of the State Scientific and Technological Progress Award (國家科技進步二等獎) in 2008, and the First Class Prize of the Zhejiang Scientific and Technological Progress Award (浙江省科技進步一等獎) in 2004 and 2013 respectively. In 2004, Professor HAN was also granted the special government allowance by the State Council of the PRC (國務院政府特殊津貼).

Professor HAN obtained his bachelor’s degree and doctoral degree in Materials Science and Engineering from Zhejiang University (浙江大學), the PRC in July 1983 and December 1989, respectively. Professor HAN received overseas doctoral training at Tokyo Institute of Technology, Japan from April 1988 to July 1989.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Mr. LEUNG Kwai Wah Alex ("Mr. LEUNG"), aged 73, is an independent non-executive Director. Mr. LEUNG has over 30 years of experience in banking and finance. Mr. LEUNG is a fellow member of the Governance Institute of Australia, The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), Hong Kong Institute of Directors and Hong Kong Securities and Investment Institute. Mr. LEUNG is also a full member of Hong Kong Treasury Markets Association.

Mr. LEUNG worked in various multinational banks. From March 1982 to May 1986, Mr. LEUNG served at Hong Kong branch of Manufacturers Hanover Trust Company, with his last position as a manager. From June 1986 to July 1988, Mr. LEUNG was assistant vice president at the Hong Kong branch of National Westminster Bank USA. Mr. LEUNG served as product manager at the headquarters of Canadian Imperial Bank of Commerce from March 1992 to January 1995, and relationship manager at Credit Suisse, Hong Kong Branch from September 2006 to January 2008. Mr. LEUNG has been an independent non-executive Director of New City Development Group Limited (a listed company on the Stock Exchange, stock code: 00456) since June 2016.

Mr. LEUNG obtained a Diploma in Business Administration from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in 1979 and a master's degree of Business Administration from Illinois State University (伊利諾伊州立大學), USA in 1981.

Professor CHEN Fadong ("Professor CHEN"), aged 38, is an independent non-executive Director.

Professor CHEN has been a professor in the Department of Data Science and Management Engineering, School of Management, Zhejiang University, the PRC since January 2024. Professor CHEN served as ZJU100 Young Professor (百人計劃研究員) at Zhejiang University, the PRC from August 2017 to December 2023. In the meantime, Professor CHEN is (i) a core member of the provincial key laboratory of philosophy and social sciences; and (ii) a deputy secretary-general of the neuroeconomic management professional committee of the Chinese Society of Technology Economics (中國技術經濟學會神經經濟管理專業委員會).

Professor CHEN obtained his Doctoral degree in Economics from the University of Konstanz, Germany (德國康斯坦茨大學) in 2017, his Master's degree in Management Science and Engineering from Northeastern University (東北大學), the PRC in 2011 and his Bachelor's degree in Information Management and Information Systems from Northeastern University, the PRC in 2009.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. DONG Wenta (“**Mr. DONG**”), aged 59, joined Chesir Pearl in January 2013 as Finance Manager and was promoted to Chief Financial Officer of Chesir Pearl in April 2016. He was appointed as Deputy General Manager of Chesir Pearl in February 2018. Mr. DONG is responsible for monitoring the corporate finance matters of the Group.

Mr. DONG has over 35 years of experience in accounting and financial management. Mr. DONG is a Certified Public Accountant and Certified Internal Auditor in the PRC. From August 1985 to July 2005, Mr. DONG served in local government authorities in Zhejiang Province for 20 years, with his last position being the finance principal of Zhejiang Pingyang Salt Management Bureau (浙江省平陽縣鹽務局). From August 2005 until joining the Group in January 2013, Mr. DONG served as a member of the senior management in companies of various industries in the PRC, including coal mining, investment and financial services companies.

Professor FU Jiansheng (“**Professor FU**”), aged 71, joined the Group as Chief Engineer upon his retirement as Professor of Hubei University of Technology (湖北工業大學) in May 2015. Professor FU is responsible for overseeing the research and development and production activities of the Group. Professor FU served as a Professor of Hubei University of Technology from 2010 to April 2015.

Professor FU has extensive experience in the research and development of pearlescent pigment materials and is the inventor of 18 registered patents in the PRC and one registered patent in Japan.

Professor FU obtained his Bachelor’s degree in Chemical Engineering from Hubei Institute of Light Industry (湖北輕工業學院) (currently known as Hubei University of Technology (湖北工業大學)), the PRC in July 1982.

Ms. ZHU Chunlin (“**Ms. ZHU**”), aged 48, joined the Group in July 2024 and is currently the Vice President and Chief Integration Officer of the Group.

Prior to joining the Group, Ms. ZHU was a Partner of Mergers & Acquisitions Consulting at Deloitte Consulting (Shanghai) Co., Ltd. (德勤管理諮詢(上海)有限公司), focusing on industries including advanced manufacturing, automotive and TMT. She has over 20 years of experience in cross-border transactions and integration, and has led and completed a number of major and internationally influential merger and acquisition projects across jurisdictions in Europe, Asia and the Americas.

Since joining Deloitte in 2004, Ms. ZHU has served successively as Associate Director of Mergers and Acquisitions Transaction Services, Director of Quality and Risk Control, Partner of Mergers and Acquisitions Advisory and National Head of Industrial Products and Construction Sector. She has led the provision of services to a number of globally leading enterprises and funds, including Citic Pacific Special Steel (中信泰富特鋼), GAC (廣汽), SAIC Motor (上汽), Temasek (淡馬錫), Sequoia Capital (紅杉資本) and Cathay Capital (凱輝基金), covering the full process of mergers and acquisitions due diligence, valuation, transaction structure design, post-investment integration and synergy achievement.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Major cross-border mergers and acquisitions transactions led by Ms. ZHU at Deloitte include: Singapore's RGE Group's (新加坡金鷹集團) acquisition of Vinda International (維達國際) for HKD28.3 billion, Ganfeng Lithium's (鎳鋒鋰業) acquisition of Argentina's Lithea lithium salt lake assets with a transaction value of up to USD960 million, post-investment financial integration services for Wingtech Technology's (聞泰科技) acquisition of Netherlands-based Nexperia (安世半導體), Geely's (吉利) acquisition of Volvo (富豪) for USD1.8 billion and Bright Food's (光明) acquisition of Weetabix (維他麥) for £ 1.2 billion, and she has extensive practical experience in international mergers and acquisitions as well as integration.

Ms. Zhu graduated from Shanghai University of Finance and Economics (上海財經大學) in 1999 with a Bachelor degree of Economics (major in Investment Economics and Management) and holds various professional qualifications including Certified Public Accountant, Certified Public Valuer and Certified Internal Auditor in the PRC.

Ms. HAN Jixiu ("Ms. HAN"), aged 49, is the Chief Financial Officer of the Group. Ms. HAN has over 20 years of working experience in global financial management, investment mergers and acquisitions and post-investment management, and possesses profound international vision and cross-border practical capabilities in cross-cultural management roles. During her 7-year tenure at the Mergers and Acquisitions Transaction Services department of PricewaterhouseCoopers (普華永道), she participated in and led more than 100 cross-border merger and acquisition transactions, and accumulated extensive experience in transaction structure design, negotiation and implementation.

Ms. HAN obtained her Bachelor's degree in Accounting from Shanghai University of Finance and Economics (上海財經大學) in May 1998 and her Master's degree of Business Administration from the University of Toronto, Canada in December 2005. Ms. HAN holds the qualifications of Chinese Institute of Certified Public Accountants (CICPA), Certified General Accountants of Canada (CGA) and American Institute of Certified Public Accountants (AICPA).

Prior to joining Global New Material International, Ms. HAN has held various important positions including CFO of the International Financial Center of Sanhua Intelligent Controls (三花智控), CFO of Argon Medical Devices (愛琅醫療器械) USA, CFO and Global CEO of Sylvania Lighting Group (喜萬年照明集團). She has successfully promoted the implementation of a number of the Group's strategic projects, including the integration of financial shared service centers in the United States, Mexico and Europe, the preparation for Hong Kong listing and syndicated unsecured financing, global tax planning, cross-border tax negotiations, corporate digital transformation, as well as the relocation of the European headquarters and the restructuring of business models. In early 2019, Ms. HAN was promoted to Global CEO of Sylvania Lighting Group, during which she led negotiations with various parties and successfully restructured the European operations, achieving a debt waiver of more than 90% for the German factory, optimizing the layout of European factories, and significantly improving the cost structure and profitability.

BIOGRAPHICAL INFORMATION ON DIRECTORS AND SENIOR MANAGEMENT

Dr. Carsten Plueg (“**Dr. PLUEG**”), aged 57, has been Global Head of Innovation and Application of Susonity Commercial GmbH, when appointed as the co-CTO of the Group on 1 January 2026 and hold proxy power for the German branches of the company group Susonity that were acquired by the company on 1 August 2025. Dr. PLUEG has about 30 years of work experience in research and development functions in the chemical industries. In September 1992, Dr. PLUEG obtained a diploma degree of chemistry followed by a PhD degree in Organic Chemistry in June 1995 from University of Kiel, Germany.

Dr. PLUEG held various senior technology and R&D management positions at Merck Electronics KGaA, BU Surface Solutions, Germany during the period from November 2014 to July 2025 and was Senior Manager Electronic Materials at Samsung Cheil Industries, Germany during the period from January 2012 to October 2014. Before that, Dr. PLUEG had various technology management positions global at Clariant from September 1998 to December 2011. Dr. PLUEG conducted postdoctoral research at the University of Queensland, Brisbane, Australia during October 1995 and September 1996 and June 1997 to July 1997.

Mr. Linné, Stephan (“**Mr. LINNÉ**”), aged 40, is the Head of Global Supply Chain of the Group. Before joining the Group in August 2025, Mr. LINNÉ has 20 years’ working experience in Supply Chain Management with a focus on establishing a wholistic Supply Chain as a competitive advantage in Healthcare, Life Science, Fine Chemicals and Electronics industry. He started his career in 2005 as Supply Chain Manager at Merck KGaA, Darmstadt, Germany within the Liquid Crystals division until 2012. After a two-year assignment to the Life Science business of Merck KGaA, he returned to the Liquid Crystal Division of Merck KGaA, Darmstadt, Germany as Head of Supply Chain Life Cycle Management and Supply Chain Strategy. Starting in 2016 he worked as Head of Integrated Supply Chain Management – Region DACH, at Merck Selbstmedikation GmbH and with that expanded his industry knowledge to healthcare. In 2018, he joined the Surface Solutions division of Merck Electronics KGaA, Darmstadt, Germany as Head of Global Supply Chain.

Mr. LINNÉ obtained a bachelor’s degree in business administration from the University of Applied Science Darmstadt and an MBA degree from the University of Applied Science Darmstadt.

INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF

GLOBAL NEW MATERIAL INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Global New Material International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 111 to 203, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment of trade and bills receivables</i></p> <p><i>Refer to note 27 to the consolidated financial statements.</i></p> <p>As at 31 December 2025, the Group had gross trade and bills receivables of approximately RMB1,083,290,000 and allowance for doubtful debts of approximately RMB4,993,000.</p> <p>In general, the credit terms granted by the Group to customers ranged between 30 days to 180 days. Management performed periodic assessments of the recoverability of trade receivables and the sufficiency of allowance for doubtful debts based on information including credit profile of different customers, ageing of the trade debtors, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going trading relationships with the relevant customers. Management also considered forward-looking information that may impact the customers' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.</p> <p>The inherent risk in relation to the impairment assessment of trade and bills receivables is considered significant because the impairment assessment of trade and bills receivables under the expected credit losses model involved the use of significant management judgements and estimates which were subjective. Therefore, we identified the impairment assessment of trade and bills receivables as a key audit matter.</p>	<p>Our procedures in relation to management's impairment assessment of trade and bills receivables included:</p> <ul style="list-style-type: none">• Understanding and evaluating key internal controls over the Group's impairment assessment of trade and bills receivables;• Assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors including subjectivity;• Evaluating the outcome of prior period assessment of impairment of trade receivables and bills receivables to assess the effectiveness of management's estimation process;• Assessing whether trade debtors had been appropriately grouped by management based on their shared credit risk characteristics;• Assessing the external valuer's qualifications, experience and expertise and considering their objectivity;• Testing the accuracy and completeness of the data used by external valuer to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data;



INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment of trade and bills receivables included (continued):

- Testing, on a sample basis, the accuracy of the ageing of trade and bills receivables to supporting documents;
 - With the assistance of our engaged valuation experts, testing the calculation of the historical loss rate and evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic conditions; and
 - Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade and bills receivables outstanding at the reporting date.
-

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Impairment assessment of goodwill

Refer to note 22 to the consolidated financial statements.

As at 31 December 2025, the Group had gross goodwill of approximately RMB1,317,700,000 arising of acquisition of Korea business operation ("CQV Co., Ltd.") and German business operation ("Susonity") in 2023 and 2025, respectively. No impairment loss has been provided during the year.

Goodwill is tested for impairment annually, and whenever indications of impairment were identified.

Management assessed the recoverable amounts of the separately identifiable cash-generating units ("CGUs") to which the goodwill and other relevant assets were allocated, based on value in use calculated by using discounted cash flow forecasts. An independent appraiser was engaged by management to prepare the valuation report in order for management to assess the impairment. The preparation of discounted cash flow forecasts involves the exercise of significant management's judgement, in particular the forecast revenue growth rates, the forecast operating expenses levels, the terminal growth rate and the discount rates applied.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment of goodwill included:

- Understanding and evaluating the key controls over management's impairment assessment and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes, susceptibility to management bias of fraud;
- assessing management's identification of the CGUs and, with the assistance of our engaged valuation specialists, the impairment assessment methodology adopted by management with reference to the requirements of the prevailing accounting standards;
- evaluating the competence, capabilities and objectivity of the independent appraiser engaged by management to assist management to determine the value in use of the CGUs;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Impairment assessment of goodwill (continued)

The inherent risk in relation to the impairment assessment of goodwill is considered significant because the impairment assessment and forecast future cash flows associated with the CGUs, involved the use of significant management judgements and estimates which were subjective. Therefore, we identified the impairment assessment of goodwill as a key audit matter.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's impairment assessment of goodwill included *(continued)*:

- obtaining the independent valuation report from the independent appraiser engaged by management and comparing key inputs in the calculations, which include forecast sales growth rates, and operating expenses levels, with the financial budget approved by the directors of the Company, available relevant external data and our own views based on our experience and knowledge of the industry in which the CGUs operate;
 - utilising our engaged valuation expert to assist us in evaluating the assumptions and judgements adopted in the discounted cash flow forecasts relating to the terminal growth rate beyond the forecast period and the discount rates applied to derive the recoverable amount of the CGUs. This evaluation included researching public information and independently recalculating the discount rates applied with reference to those of other comparable companies in the same industries; and
 - challenging the adequacy of disclosure in the consolidated financial statements in respect of impairment assessments of goodwill.
-

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter

Purchase price allocation ("PPA") for business combinations

We identified the acquisition of Susonity during the year ended 31 December 2025 as a key audit matter given the magnitude of the identified intangible assets and goodwill recognised arising from the business combination, and the significant judgments and estimates involved in the fair value assessment of the identified intangible assets and the recognition of goodwill arising from the business combination.

As disclosed in Note 43(a) to the consolidated financial statements, goodwill arising from this acquisition was approximately RMB 1,235,170,000, which represented the excess of the consideration paid over the Group's share of the fair value of the identifiable net assets of the acquired subsidiaries. Intangible assets at the acquisition date amounted to RMB659,669,000.

The fair value assessment of intangible assets at the acquisition date was made with reference to a valuation performed by an independent valuation firm and was based on key assumptions and estimates adopted by the management of the Group including discount rates, revenue growth rate and forecast gross profit margin.

How our audit addressed the Key Audit Matter

Our procedures in relation to acquisition of Susonity included:

- Obtaining an understanding of management's assessment process of the purchase price allocation ("PPA") for the business combination;
 - Evaluating the competence, capabilities and objectivity of the independent valuation firm engaged by management;
 - Checking the arithmetical accuracy of the calculations underlying the PPA with the assistance of our engaged valuation specialists;
 - Assessing the appropriateness of the valuation model and methodology adopted by management and the reasonableness of the discount rates used by management with the assistance of our valuation specialists;
 - Challenging the reasonableness of the revenue growth rate and gross profit margin adopted in the discounted cash flows for the PPA, by comparing to historical results and management's expectations for the future growth of the business acquired and other sources of external information; and
 - Assessing the reasonableness of the disclosures in relation to the business combination with reference to the requirements of the prevailing accounting standards.
-

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.



INDEPENDENT AUDITOR'S REPORT

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Tak Man, Stephen (Practicing certificate number: P01727).

RSM Hong Kong

Certified Public Accountants

Hong Kong

27 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
Revenue	7	2,917,235	1,648,763
Cost of goods sold		(1,758,881)	(764,105)
Sales related tax and auxiliary charges		(18,211)	(10,999)
Gross profit		1,140,143	873,659
Other income, other gains and losses	8	342	2,437
Reversal of impairment losses on trade, bills and other receivables, net		356	6,607
Selling expenses		(412,751)	(95,534)
Administrative and other operating expenses		(595,206)	(262,441)
Profit from operations		132,884	524,728
Finance costs	10	(333,384)	(118,436)
(Loss)/profit before tax		(200,500)	406,292
Income tax expense	11	(105,858)	(86,020)
(Loss)/profit for the year	12	(306,358)	320,272
Attributable to:			
Owners of the Company		(381,254)	242,176
Non-controlling interests		74,896	78,096
		(306,358)	320,272
(Loss)/earnings per share	16		
– Basic (RMB)		(0.31)	0.19
– Diluted (RMB)		(0.31)	0.19

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

	2025 RMB'000	2024 RMB'000
(Loss)/profit for the year	(306,358)	320,272
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement gains/(losses) on defined benefit pension plan, net of tax	47,377	(3,815)
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(103,553)	(48,403)
Other comprehensive income for the year, net of tax	(56,176)	(52,218)
Total comprehensive income for the year	(362,534)	268,054
Attributable to:		
Owners of the Company	(432,545)	220,006
Non-controlling interests	70,011	48,048
	(362,534)	268,054

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	4,044,521	1,447,877
Right-of-use assets	18	667,464	144,324
Intangible assets	19	661,655	15,003
Prepayments for construction in progress	20	113,332	401,418
Deposits paid for acquisition of property, plant and equipment	21	—	70,000
Goodwill	22	1,317,700	94,160
Restricted deposits	23	33,847	2,050
Defined benefit assets, net	38	3,053	723
Deposits and other receivables	28	56,338	1,551
Escrow deposit		—	496,427
Long term time deposit	25	50,000	50,000
Deferred tax assets	36	18,606	8,367
Total non-current assets		6,966,516	2,731,900
Current assets			
Inventories	26	2,322,651	310,264
Trade and bills receivables	27	1,078,297	512,473
Deposits, prepayments and other receivables	28	496,932	57,420
Derivative component of convertible bonds	37	—	733
Tax recoverable		3,042	317
Restricted bank deposit	25	184,754	30,000
Bank and cash balances	25	3,748,921	3,411,401
Total current assets		7,834,597	4,322,608
TOTAL ASSETS		14,801,113	7,054,508

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	29	103,701	103,701
Reserves	31	3,048,026	3,272,796
		3,151,727	3,376,497
Non-controlling interests		1,321,744	976,628
Total equity		4,473,471	4,353,125
LIABILITIES			
Non-current liabilities			
Bank loans and other borrowings	32	5,065,192	1,126,800
Convertible bond	37	—	333,715
Loan from a related company	33	68,430	—
Lease liabilities	34	391,959	5,103
Other payables	40	60,954	1,748
Deferred revenue	35	107,494	7,487
Defined benefit liabilities, net	38	312,905	—
Provisions	41	106,071	—
Deferred tax liabilities	36	123,956	11,431
Total non-current liabilities		6,236,961	1,486,284
Current liabilities			
Bank loans and other borrowings	32	2,423,972	602,212
Convertible bonds	37	412,610	349,574
Derivative component of convertible bonds	37	38,114	13,080
Lease liabilities	34	50,272	3,842
Trade payables	39	376,767	89,013
Accruals and other payables	40	627,908	127,885
Provisions	41	98,828	—
Contract liabilities	42	14,696	21
Deferred revenue	35	1,021	8,770
Current tax liabilities		46,493	20,702
Total current liabilities		4,090,681	1,215,099
TOTAL EQUITY AND LIABILITIES		14,801,113	7,054,508

Approved by the Board of Directors on 27 March 2026 and are signed on its behalf by:

SU Ertian
Director

ZHOU Fangchao
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Merger reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024	103,701	886,372	1,157,853	137,549	243	82,981	787,791	3,156,490	928,655	4,085,145
Profit for the year	—	—	—	—	—	—	242,176	242,176	78,096	320,272
Other comprehensive income	—	—	—	—	(20,550)	—	(1,619)	(22,169)	(30,049)	(52,218)
Total comprehensive income for the year	—	—	—	—	(20,550)	—	240,557	220,007	48,047	268,054
Transactions with owners in their capacity as owners:										
Dividend paid to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	(74)	(74)
	—	—	—	—	—	—	—	—	(74)	(74)
At 31 December 2024	103,701	886,372	1,157,853	137,549	(20,307)	82,981	1,028,348	3,376,497	976,628	4,353,125
At 1 January 2025	103,701	886,372	1,157,853	137,549	(20,307)	82,981	1,028,348	3,376,497	976,628	4,353,125
Loss for the year	—	—	—	—	—	—	(381,254)	(381,254)	74,896	(306,358)
Other comprehensive income	—	—	—	—	(99,294)	—	48,003	(51,291)	(4,885)	(56,176)
Total comprehensive income for the year	—	—	—	—	(99,294)	—	(333,251)	(432,545)	70,011	(362,534)
Conversion of convertible bond of non-controlling interest	—	—	—	—	—	—	—	—	8,405	8,405
Deem disposal of non-controlling interest	—	—	—	—	—	—	200,258	200,258	299,742	500,000
Purchase of non-controlling interest	—	—	—	—	—	—	7,517	7,517	(33,042)	(25,525)
Transfer of statutory reserve	—	—	—	—	—	12,884	(12,884)	—	—	—
	—	—	—	—	—	12,884	194,891	207,775	275,105	482,880
At 31 December 2025	103,701	886,372	1,157,853	137,549	(119,601)	95,865	889,988	3,151,727	1,321,744	4,473,471

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(200,500)	406,292
Adjustments for:			
Finance costs	10	333,384	118,436
Interest income	8	(16,011)	(17,161)
Depreciation on:			
– property, plant and equipment	17	149,524	76,783
– right-of-use assets	18	32,933	4,474
Amortisation of:			
– intangible assets	19	47,595	6,947
– deferred revenue		(2,040)	(3,297)
Reversal of impairment losses on trade, bills and other receivables, net	12	(356)	(6,607)
Allowance for inventories	12	25,251	2,968
Property, plant and equipment written off	8	17	3
Gain on termination of a lease contract	8	—	(14)
Fair value loss/(gain) on derivative component of convertible bonds	8	27,390	(3,643)
Additional provisions	12	10,049	—
Reversal of provisions	8	(15,419)	—
Operating profit before working capital changes		391,817	585,181
Increase in inventories		(127,035)	(87,081)
Increase in trade and bills receivables		(389,246)	(147,244)
Increase in deposits, prepayments and other receivables		(263,154)	(29,584)
Increase in defined benefit assets		(3,608)	(568)
Increase in trade payables		81,345	56,351
Increase in defined benefit liabilities		7,937	—
(Decrease)/increase in deferred revenue		(5,702)	9,487
Increase in accruals and other payables		357,609	42,424
Decrease in provision		(35,655)	—
Increase/(decrease) in contract liabilities		13,684	(145)
Cash generated from operations		27,992	428,821
Tax paid		(93,124)	(74,489)
Interest expenses of lease liabilities		(11,910)	(323)
Interest paid		(218,354)	(81,921)
Net cash (used in)/generated from operating activities		(295,396)	272,088

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Note	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of:			
– property, plant and equipment		(1,425,921)	(441,817)
– intangible assets		(38,291)	(69)
– leasehold land		—	(76,034)
– subsidiaries	43(a)	(3,716,158)	—
Payments for:			
– prepayments for construction in progress		—	(401,418)
– deposit for acquisition of property, plant and equipment		—	(70,000)
– escrow deposit		—	(496,427)
Receipt of government grants related to assets		100,000	—
Payments for right-of-use assets		(816)	—
(Placement)/withdrawal of restricted deposits		(154,754)	375
Placement of time deposits		(31,797)	(80,000)
Interest received		13,836	16,436
Net cash used in investing activities		(5,253,901)	(1,548,954)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from bank loans and other borrowings raised		8,226,943	1,699,063
Repayment of bank loans and other borrowings		(2,492,812)	(272,200)
Principal elements of lease payments		(20,238)	(2,384)
Repayment of the convertible bonds		(324,758)	—
Loan from a related company		100,000	—
Repayment of loan from a related company		(31,570)	—
Payment for the acquisition of non-controlling interests in a subsidiary	43b(i)	(25,525)	—
Proceeds from:			
– deemed disposal of partial interest in a subsidiary	43b(ii)	500,000	—
– issuance of convertible bonds, net		—	77,502
Dividend paid to non-controlling interests of a subsidiary		—	(74)
Net cash generated from financing activities		5,932,040	1,501,907
NET INCREASE IN CASH AND CASH EQUIVALENTS		382,743	225,041
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(45,223)	(17,116)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		3,411,401	3,203,476
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		3,748,921	3,411,401
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	25	3,748,921	3,411,401

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

Global New Material International Holdings Limited (the “Company”) was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Pearlescent Industrial Park, No. 380, Feilu Road, Luzhai Town, Luzhai County, Liuzhou City, Guangxi Zhuang Autonomous Region, the People’s Republic of China (the “PRC”). The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 24 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”). IFRS Accounting Standards comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with the disclosure requirements of the Companies Ordinance (Cap. 622).

The IASB has issued certain new and revised IFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

(a) Application of new and revised IFRS Accounting Standards

The Group has adopted all of the new or amended IFRS Accounting Standards and Interpretations issued by the IASB that are mandatory for the current reporting period. There was no material impact to the consolidated financial statements as a result of the adoption of these standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS *(continued)*

(b) Revised IFRS Accounting Standards in issue but not yet effective

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of new standards and amendments to standards and interpretation, which are not effective for the year ended 31 December 2025 and which have not been early adopted by the Group for the annual reporting period ended 31 December 2025. The Group's assessment of the impact of these new or amended IFRS Accounting Standards and Interpretations, most relevant to the Group, are set out below:

	Effective for accounting periods beginning on or after
Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards - Volume 11	1 January 2026
Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity	1 January 2026
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

The directors of the Company are 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 them is unlikely to have a significant impact on the consolidated financial statements except for the following.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS *(continued)*

(b) Revised IFRS Accounting Standards in issue but not yet effective *(continued)*

IFRS 18 "Presentation and Disclosure in Financial Statements"

IFRS 18 will replace IAS 1 "Presentation of financial statements", introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the consolidated financial statements, IFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in IFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information.

The directors of the Company are currently assessing the impact of applying IFRS 18 on the presentation and the disclosures of the consolidated financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(a) Consolidation *(continued)*

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Separate financial statements

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss. Cost includes direct attributable cost of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(b) Separate financial statements *(continued)*

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from this investment if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are, with limited exceptions, measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGUs containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

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

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(d) Foreign currency translation *(continued)*

(iii) Translation on consolidation *(continued)*

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

With the exception of freehold land which is not depreciated, depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The useful lives are as follows:

Buildings	10 - 40 years
Plant and machinery	6 - 15 years
Motor vehicles	5 years
Office equipment	3 - 10 years
Leasehold improvements	3 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less impairment losses. Cost comprises direct costs of construction capitalised during the periods of construction. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. Depreciation begins when the relevant assets are available for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(e) Property, plant and equipment *(continued)*

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Leases

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

(i) The Group as a lessee

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

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(f) Leases *(continued)*

(i) The Group as a lessee *(continued)*

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group entities, which do not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(f) Leases *(continued)*

(i) The Group as a lessee *(continued)*

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as other borrowings within the scope of IFRS 9.

(g) Intangible assets

(i) Internally-generated intangible assets - research and development cost

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs that are attributable to the design and testing of identifiable and unique products and techniques controlled by the Group are recognised only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(g) Intangible assets *(continued)*

- (ii) Intangible assets acquired separately - trademark, customer relationships, industrial property rights, software and development costs

Trademarks, customer relationships, industrial property rights, software and development costs acquired in a business combination are recognised separately from goodwill and initially recognised at fair value at the acquisition date (which is recognised as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives as follows:

Trademark	10 years
Customer relationships	15 years
Software	1 - 7 years
Industrial property rights	5 - 10 years
Technical know how	15 years
Development costs	5 years
Patent	Over the remaining useful period

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Contract assets and contract liabilities

Contract assets are recognised when the Group recognises revenue before being unconditionally entitled to consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(y) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(i) Contract assets and contract liabilities *(continued)*

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(j) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at financial asset at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(k) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from investment is calculated using the effective interest method.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(m) 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. Cash and cash equivalents are assessed for ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRS Accounting Standards. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless, at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

(p) Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consisting of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; this amount is carried as a derivative liability that is subsequently measured at FVTPL until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The liability component is classified as a current liability when the conversion option, which is classified as a liability derived, can be exercised at the option of the holder at any time or within 12 months from the end of the reporting date.

Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components on initial recognition. The portion related to the derivative component is expensed immediately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(p) Convertible bonds *(continued)*

If the notes are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivatives and liability components are recognised in profit or loss. If the notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(q) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(s) Revenue and other income

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

Revenue from the sale of goods is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees in Hong Kong and PRC. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

For the defined benefit retirement plans, the liability (asset) recognised in the consolidated statement of financial position is the present value of the defined benefit obligation less the fair value of plan assets. When there is a surplus in a defined benefit plan, the net defined benefit asset is measured at the lower of the surplus in the defined benefit plan and the asset ceiling. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation. If there is no deep market in such bonds, the market rates on government bonds denominated in that currency are used.

Remeasurements of the net defined benefit liability (asset) - which include actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)), and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)) - are recognised in other comprehensive income in the period in which they arise and will not be reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(t) Employee benefits *(continued)*

(ii) Pension obligations *(continued)*

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reduction in future contributions to the plan.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(t) Employee benefits *(continued)*

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(v) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(w) Taxation *(continued)*

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends either to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

Certain companies within the Group may be entitled to claim special tax deductions in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in PRC). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

(x) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(x) Impairment of non-financial assets *(continued)*

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the management at the end of each reporting period.

(y) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and other receivables, restricted deposits and bank and cash balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(y) Impairment of financial assets *(continued)*

Significant increase in credit risk *(continued)*

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

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

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(y) Impairment of financial assets *(continued)*

Significant increase in credit risk *(continued)*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(y) Impairment of financial assets *(continued)*

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in note 4, the directors are 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.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Consolidation of entity with less than 50% equity interest holding

鹿寨七色珠光雲母材料有限公司("Chesir Luzhai") is a subsidiary of the Group although the Group has only 47.48% ownership interest and voting rights in Chesir Luzhai. During the year ended 31 December 2025, the Group effectively disposed 4.74% equity interest in Chesir Luzhai (note 43 (b) (ii)) diluting its equity interest from 52.22% to 47.48%.

The directors of the Company have reassessed whether the Group has control over Chesir Luzhai. The Group continues to have control over the board composition and management of Chesir Luzhai. The directors of the Group concluded that the Group is able to direct the relevant activities of Chesir Luzhai and therefore the Group has control over Chesir Luzhai. Chesir Luzhai remains a non-wholly owned subsidiary of the Company.

(b) Significant increase in credit risk

As explained in note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

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) Deferred tax asset

As at 31 December 2025, no deferred tax asset has been recognised on the tax losses of approximately RMB13,174,000 (2024: RMB6,860,000) for certain subsidiaries due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

(b) Capitalisation of borrowing costs

It is the Group's policy to capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying assets. Capitalisation of the borrowing costs relating to the construction of the Group's factories in PRC since the start of construction.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than the expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of goodwill at the end of the reporting period was approximately RMB1,317,700,000 (2024: RMB94,160,000) and no impairment loss was recognised during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(d) Impairment of property, plant and equipment and right-of-use assets

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

The carrying amount of property, plant and equipment and right-of-use assets as at 31 December 2025 were approximately RMB4,044,521,000 (2024: RMB1,447,877,000) and RMB667,464,000 (2024: RMB144,324,000) respectively.

(e) Impairment of trade and bills receivables

The Group uses practical expedient in estimating ECL on trade and bills receivables using a provision matrix. The provision rates are based on ageing of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31 December 2025, the carrying amount of trade and bills receivables was approximately RMB1,078,297,000 (net of allowance for doubtful debts of RMB4,993,000) (2024: RMB512,473,000 (net of allowance for doubtful debts of RMB4,582,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(f) Allowance for slow-moving inventories and net realisable value of inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. As at 31 December 2025, the carrying amount of inventories was approximately RMB2,322,651,000 (2024: RMB310,264,000) and the allowance for slow-moving inventories of approximately RMB432,617,000 was made (2024: RMB2,968,000).

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of a similar nature. It could change significantly as a result of changes in customers' taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

(g) Fair value of derivative component

As disclosed in note 37 to the consolidated financial statements, the fair value of the derivative component of the convertible bonds at the date of issue and the end of the reporting period were determined using option pricing models. Application of option pricing models requires the Group to estimate the prominent factors affecting fair value, including but not limited to, the expected life of the derivative component, the expected volatility of the share prices of the Company and the potential dilution in the share prices of the Company. Where the estimation of these factors is different from those previously estimated, such differences will impact the fair value gain or loss on the derivative component in the period in which such determination is made.

The carrying amount of the derivative financial liabilities, net as at 31 December 2025 was approximately RMB38,114,000 (2024: RMB12,347,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty *(continued)*

(h) Actuarial assumptions on defined benefit retirement plans

Accounting for defined benefit plans may be complex because actuarial assumptions are required to measure the obligation and the expense, with the possibility that actual results differ from the assumed results. These differences are known as actuarial gains and losses. Defined benefit obligations are measured using the Projected Unit Credit Method ("PUCM"), according to which the Group has to make a reliable estimate of the amount of benefits earned in return for services rendered in current and prior periods, using actuarial techniques. In addition, in cases where defined benefit plans are funded, the Group has to estimate the fair value of plan assets. As a result, the use of the PUCM involves a number of actuarial assumptions. These assumptions include demographic assumptions such as mortality, turnover and retirement age and financial assumptions such as discount rates, salary and benefit levels. Such assumptions are subject to judgements and may develop materially differently than expected and therefore may result in significant impacts on defined benefit obligations.

The carrying amount of defined benefit assets, net and defined benefit liabilities, net as at 31 December 2025 were approximately RMB3,053,000 (2024: RMB723,000) and RMB312,905,000, respectively.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as its business transactions, assets and liabilities are principally denominated in Korean Won ("KRW"), Hong Kong dollars ("HK\$"), United States dollars ("US\$"), Japanese Yen ("JPY"), and Euro ("EUR"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Foreign currency risk *(continued)*

The impact to the Group's consolidated loss (2024: profit) after tax that might be resulted from the reasonable possible changes in the foreign exchange rates against the RMB to which the Group has significant exposure as at the end of the reporting date is summarised below.

	2025		2024	
	Increase in foreign exchange rate	Increase/ (decrease) in loss after tax RMB'000	Increase in foreign exchange rate	Increase/ (decrease) in profit after tax RMB'000
EUR	5%	(211,995)	5%	(6,751)
US\$	5%	(10,988)	5%	(9,183)
HK\$	5%	(987)	5%	(1,588)
JPY	5%	291	5%	267

Decrease in the above foreign exchange rates by 5% (2024: 5%) would affect the loss (2024: profit) after tax by the same amount but in the opposite direction.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks with acceptable credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which expose the Group to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Trade and bills receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 - 180 days from the date of billing. Debtors with balances that are more than 90 - 180 days past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 59% (2024: 89%) of the total trade receivables as at 31 December 2025. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals.

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables as at 31 December 2025:

	2025		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.04%	861,666	334
1 - 90 days past due	0.73%	218,029	1,593
91- 365 days past due	46.34%	986	457
Over 1 year past due	100.00%	2,609	2,609
		1,083,290	4,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Trade and bills receivables *(continued)*

	2024		
	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.42%	511,147	2,150
1 - 90 days past due	6.85%	1,329	91
91 - 365 days past due	8.73%	2,452	214
Over 1 year past due	100.00%	2,127	2,127
		517,055	4,582

Expected loss rates are based on actual loss experience over the past 1 (2024: 1) year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance for trade receivables during the year is as follows:

	2025 RMB'000	2024 RMB'000
At 1 January	4,582	12,100
Impairment losses recognised for the year	2,072	34,104
Reversal of impairment losses for the year	(2,428)	(40,711)
Written off during the year	—	(717)
Exchange differences	767	(194)
At 31 December	4,993	4,582

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(continued)*

Financial assets at amortised cost

All of the Group's financial instruments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Financial assets at amortised cost include deposits and other receivables.

Movement in the loss allowance for other receivables during the year is as follows:

	2025 RMB'000	2024 RMB'000
At 31 December	309	309

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the Directors of the Company when the borrowing exceeds certain predetermined level of authority.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(continued)*

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000	Undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2025					
Trade payables	376,767	—	—	376,767	376,767
Accruals and other payables	627,908	60,954	—	688,862	688,862
Bank loans and other borrowings (note)					
– fixed rate	1,505,674	1,863,717	2,172,103	5,541,494	4,582,420
– variable rate	1,197,907	1,050,000	1,167,251	3,415,158	2,906,744
Convertible bonds	393,427	82,829	—	476,256	412,610
Loan from a related company	—	68,604	—	68,604	68,430
Lease liabilities	74,713	237,128	317,248	629,089	442,231
	4,176,396	3,363,232	3,656,602	11,196,230	9,478,064
At 31 December 2024					
Trade payables	89,013	—	—	89,013	89,013
Accruals and other payables	127,885	1,748	—	129,633	129,633
Bank loans and other borrowings (note)					
– fixed rate	452,235	979,295	—	1,431,530	1,161,777
– variable rate	244,428	344,602	—	589,030	567,235
Convertible bonds	331,311	478,521	—	809,832	683,289
Lease liabilities	4,169	5,338	—	9,507	8,945
	1,249,041	1,809,504	—	3,058,545	2,639,892

Note:

Bank and other borrowings with a repayment on demand clause are included in the 'on demand or less than 1 year' time band in the above maturity analysis. As at 31 December 2025 and 31 December 2024, the aggregate undiscounted principal amounts of these bank and other borrowings amounted to approximately RMB82,130,000 and RMB31,900,000 respectively. Taking into account the Group's financial position, the directors do not believe that it is probable that the counterparties will exercise their discretionary rights to demand immediate repayment. The directors believe that such other borrowings will be repaid one to four years (2024: one to three years) after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately RMB85,763,000 (2024: RMB33,963,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(continued)*

(d) Interest rate risk

Certain of the Group's bank loans and other borrowings bear interest at fixed interest rates and therefore are subject to fair value interest rate risk.

The Group's exposure to interest-rate risk arises from its bank loans and bank deposits. These bank loans and deposits bear interests at variable rates that varied with the then prevailing market condition.

At 31 December 2025, it is estimated that a general increase/(decrease) of 100 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's loss (2024: profit) after tax for the year as follows:

	2025 RMB'000	2024 RMB'000
Increase/(decrease) in interest rates		
100 basis points	3,164	29,979
(100) basis points	(3,164)	(29,979)

The sensitivity analysis above indicates the impact on the Group's loss (2024: profit) for the year and retained earnings that would have arisen assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. FINANCIAL RISK MANAGEMENT *(continued)*

(e) Categories of financial instruments at 31 December

	2025 RMB'000	2024 RMB'000
Financial assets		
Derivative component of convertible bonds	—	733
Financial assets measured at amortised cost	5,371,519	4,563,837
Financial liabilities		
Derivative component of convertible bonds	38,114	13,080
Financial liabilities measured at amortised cost	9,021,350	2,630,947
Lease liabilities	442,231	8,945

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

Disaggregation of revenue from contracts with customers by major products for the year is as follows:

	2025 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major products:		
– Pearlescent pigment	2,533,523	1,528,263
– Functional mica filler and related products	176,066	98,689
– Cosmetic Actives	187,430	—
– Others	20,216	21,811
	2,917,235	1,648,763

The Group derives revenue from the transfer of goods at a point in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. OTHER INCOME, OTHER GAINS AND (LOSSES)

	2025 RMB'000	2024 RMB'000
Agent income	—	78
Fair value (loss)/gain on derivative component of convertible bonds	(27,390)	3,643
Gain on termination of a lease contract	—	14
Government grants (note)	22,833	4,613
Interest income on bank deposits	15,985	17,161
Interest income on rental deposits	26	—
Net foreign exchange losses	(26,444)	(23,553)
Property, plant and equipment written off	(17)	(3)
Reversal of provision	15,419	—
Sundry (expenses)/income	(70)	484
	342	2,437

Note: Government grants are mainly related to the subsidies and rewards received from the local government authority for research and development accomplished by the Group.

9. SEGMENT INFORMATION

The chief operating decision maker has been identified as executive directors of the Company.

The Group has identified three reportable segments as follows:

- PRC business operation — manufacturing and sales of pearlescent pigment and functional mica filler in the PRC
- Korea business operation — manufacturing and sales of pearlescent pigment in Korea
- German business operation — development, manufacturing, and commercialisation of global surface solution products

The Group's reportable segments are strategic business units that are managed by separate management. They are managed separately because each business requires different marketing strategies.

The accounting policies of the reportable segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include unallocated administrative expenses, other income, other gains and losses, finance costs and income tax credit or expenses. Segment assets do not include unallocated right-of-use assets, property, plant and equipment, escrow deposit, tax recoverable and bank and cash balances. Segment liabilities do not include unallocated accruals and other payables, convertible bonds, derivative component of convertible bonds, borrowings, lease liabilities and current tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. SEGMENT INFORMATION *(continued)*

Information about reportable segment profit or loss, assets and liabilities:

	PRC Business Operation RMB'000	Korea Business Operation RMB'000	German Business operation RMB'000	Total RMB'000
Year ended 31 December 2025				
Revenue from external customers	1,640,090	285,488	991,657	2,917,235
Intersegment revenue	17,084	—	—	17,084
Total revenue of reportable segments	1,657,174	285,488	991,657	2,934,319
Segment profit/(loss)	492,674	31,892	(410,035)	114,531
Interest income				6,483
Interest expense				126,101
Depreciation and amortisation				228,523
Other material items of income and expense:				
– Cost of inventories sold				1,758,881
– Staff costs				614,740
Income tax expense				105,858
Additions to segment non-current assets	1,691,819	17,070	159,691	1,868,580
As at 31 December 2025				
Segment assets	7,785,897	517,951	6,477,142	14,780,990
Segment liabilities	3,307,891	130,175	4,917,249	8,355,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. SEGMENT INFORMATION *(continued)*

Information about reportable segment profit or loss, assets and liabilities: *(continued)*

	PRC Business Operation RMB'000	Korea Business Operation RMB'000	Total RMB'000
Year ended 31 December 2024			
Revenue from external customers	1,332,170	316,593	1,648,763
Intersegment revenue	2,012	—	2,012
Total revenue of reportable segments	1,334,182	316,593	1,650,775
Segment profit	425,535	38,362	463,897
Interest income			8,122
Interest expense			64,026
Depreciation and amortisation			86,322
Other material items of income and expense:			
– Cost of inventories sold			764,105
– Staff costs			187,827
Income tax expense			86,020
Additions to segment non-current assets	981,272	14,810	996,082
As at 31 December 2024			
Segment assets	5,409,519	557,957	5,967,476
Segment liabilities	1,456,012	155,793	1,611,805

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. SEGMENT INFORMATION *(continued)*

Reconciliations of segment revenue and profit or loss:

	2025 RMB'000	2024 RMB'000
Revenue		
Total revenue of reportable segments	2,934,319	1,650,775
Elimination of intersegment revenue	(17,084)	(2,012)
Consolidated revenue	2,917,235	1,648,763
Profit or loss		
Total profit or loss of reportable segments	114,531	463,897
Unallocated amounts:		
Administrative expenses	(158,645)	(73,787)
Depreciation and amortization	(1,529)	—
Interest income	9,528	9,033
Interest expenses	(207,283)	(54,409)
Others	(62,960)	(24,462)
Consolidated (loss)/profit after tax	(306,358)	320,272

Reconciliations of segment assets and liabilities:

	2025 RMB'000	2024 RMB'000
Assets		
Total assets of reportable segments	14,780,990	5,967,476
Unallocated assets:		
Right-of-use assets	1,083	2,613
Property, plant and equipment	404	759
Escrow deposit	—	496,427
Bank and cash balances	13,269	585,322
Restricted bank deposit	4,210	—
Others	1,157	1,911
Consolidated total assets	14,801,113	7,054,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. SEGMENT INFORMATION *(continued)*

Reconciliations of segment assets and liabilities: *(continued)*

	2025 RMB'000	2024 RMB'000
Liabilities		
Total liabilities of reportable segments	8,355,315	1,611,805
Unallocated liabilities:		
Borrowing	1,483,926	740,358
Convertible bond	356,462	333,715
Derivative component of convertible bond	35,284	5,900
Lease liabilities	1,216	—
Others	95,439	9,605
Consolidated total liabilities	10,327,642	2,701,383

Geographical information:

The Group's revenue from external customers from location of operations is detailed below:

	2025 RMB'000	2024 RMB'000
The PRC	1,809,932	1,358,357
Europe	409,607	—
Asia other than the PRC	350,107	111,841
North America	208,442	25,088
Others	139,147	153,477
Consolidated total	2,917,235	1,648,763

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. SEGMENT INFORMATION *(continued)*

Geographical information: *(continued)*

The Group's information about its non-current assets, other than restricted deposits, defined benefit assets, net, deposits and other receivables, escrow deposit and deferred tax assets, by location of assets are detailed below:

	2025 RMB'000	2024 RMB'000
The PRC	3,164,073	1,902,746
Europe	2,873,030	—
Korea	299,463	316,665
Others	468,106	3,371
Consolidated total	6,804,672	2,222,782

Revenue from major customers:

There was no customer that contributed over 10% of the Group's revenue during the years ended 31 December 2025 and 2024.

10. FINANCE COSTS

	2025 RMB'000	2024 RMB'000
Interest expenses of:		
– bank loans and other borrowings	236,290	44,599
– convertible bonds (note 37)	75,517	73,514
– lease liabilities (note 34)	11,910	323
– loan from a related company (note 33)	42	—
– unwinding discount on provision	4,170	—
– defined benefit plan	5,455	—
	333,384	118,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. INCOME TAX EXPENSE

	2025 RMB'000	2024 RMB'000
Current tax		
Provision for the year		
- PRC Enterprise Income Tax	79,664	70,038
- Other Corporate Income Tax	35,344	8,978
	115,008	79,016
Under-provision in prior year		
- PRC Enterprise Income Tax	2,879	513
- Other Corporate Income Tax	—	5,404
	2,879	5,917
	117,887	84,933
Deferred tax (note 36)	(12,029)	1,087
	105,858	86,020

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable for both years.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to the relevant laws and regulations in the PRC, Chesir Pearl and Luzhai Chesir Pearl Mica Material Co., Ltd. ("Chesir Luzhai"), subsidiaries of the Company, obtained the high and new technology enterprise certificate to entitle to a preferential tax rate of 15% (2024: 15%) during the year, subject to annual review by the relevant authority. The other subsidiaries of the Company in the PRC are subject to the PRC Enterprise Income Tax ("EIT") at a rate of 25% (2024: 25%) for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. INCOME TAX EXPENSE *(continued)*

The reconciliation between the income tax expense and the product of (loss)/profit before tax multiplied by the PRC Enterprise Income Tax rate is as follows:

	2025 RMB'000	2024 RMB'000
(Loss)/profit before tax	(200,500)	406,292
Tax at the PRC Enterprise Income Tax rate of 25%	(50,125)	101,573
Tax effect of:		
– income that is not taxable	(12,521)	(4,948)
– expenses that are not deductible	100,170	35,796
– tax concession	(55,346)	(44,056)
– super-deduction of research and development costs	(25,913)	(23,856)
– unrecognised tax losses	111,443	2,255
– utilisation of tax losses not previously recognised	593	—
– temporary difference not recognised	1,114	(3,143)
– different tax rates of subsidiaries operating in other jurisdictions	34,447	16,482
Other	(883)	—
Under-provision in prior year	2,879	5,917
Income tax expense	105,858	86,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

12. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging and crediting the following:

	2025 RMB'000	2024 RMB'000
Auditor's remuneration		
– audit service	4,936	3,458
– non-audit service	3,160	680
Cost of inventories sold (note)	1,758,881	764,105
Allowance for inventories (included in cost of sales)	25,251	2,968
Costs in relation to acquisition of Susonity (included in selling expenses, administrative expenses and finance costs)	211,467	—
Amortisation of intangible assets	47,595	6,947
Depreciation on:		
– property, plant and equipment	149,524	76,783
– right-of-use assets	32,933	4,474
Research and development expenditures	131,994	89,540
Reversal of impairment losses on trade, bills and other receivables, net	(356)	(6,607)
Property, plant and equipment written off	17	3

Note:

The following costs are included in the cost of inventories sold disclosed separately above:

	2025 RMB'000	2024 RMB'000
Staff costs	288,941	101,000
Depreciation on property, plant and equipment	84,736	39,353
Additional provisions	10,049	—
Operating lease charges	51	51

13. EMPLOYEE BENEFITS EXPENSE

	2025 RMB'000	2024 RMB'000
Employee benefits expense:		
Salaries, bonuses and allowances	604,142	174,125
Retirement benefit - defined contribution plans	26,712	23,254
Retirement benefit - defined benefit plans	23,495	4,695
	654,349	202,074

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

13. EMPLOYEE BENEFITS EXPENSE *(continued)*

(a) Five highest paid individuals

The five highest paid individuals in the Group during the year included two (2024: one) directors of the Company whose emoluments are reflected in the analysis presented in note 14.

The emoluments of the remaining three (2024: four) individuals are set out below:

	2025 RMB'000	2024 RMB'000
Salaries and allowances	6,638	6,191
Discretionary bonuses	1,816	55
Retirement benefit scheme contributions	594	114
	9,048	6,360

The emoluments fell within the following band:

	Number of individuals	
	2025	2024
HK\$1,000,001 to HK\$1,500,000	—	2
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$2,000,001 to HK\$2,500,000	—	1
HK\$3,000,001 to HK\$3,500,000	2	—
HK\$3,500,001 to HK\$4,000,000	1	—
	3	4

During the year, there was no arrangement under which a director of the Company waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2024: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Housing allowance RMB'000		
For the year ended 31 December 2025									
Executive directors:									
Mr. SU Ertian (苏尔田先生) (Chief executive)	2,365	830	179	—	65	—	—	—	3,439
Mr. JIN Zengqin (金增勤先生)	—	408	135	—	85	—	—	—	628
Mr. ZHOU Fangchao (周方超先生)	—	647	55	—	50	—	—	—	752
Ms. ZENG Zhu (曾殊女士)	—	151	49	—	53	—	—	—	253
Mr. BAI Zhihuan (白植煥先生)	—	220	—	—	11	—	—	—	231
Mr. LIM Kwang Su (林光水先生)	2,225	732	—	17	44	—	—	—	3,018
Non-executive directors:									
Mr. HU Yongxiang (胡永祥先生)	—	—	—	—	—	—	—	—	—
Independent Non-executive directors:									
Professor CHEN Fadong (陈发东教授)	151	—	—	—	—	—	—	—	151
Mr. HUI Chi Fung (許之豐先生)	165	—	—	—	—	—	—	—	165
Professor HAN Gaorong (韩高荣教授)	165	—	—	—	—	—	—	—	165
Mr. LEUNG Kwai Wah Alex (梁貴華先生)	165	—	—	—	—	—	—	—	165
	5,236	2,988	418	17	308	—	—	—	8,967

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' emoluments (continued)

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonus RMB'000	Estimated money value of other benefits RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Housing allowance RMB'000		
For the year ended 31 December 2024									
Executive directors:									
Mr. SU Ertian (苏尔田先生) (Chief executive)	—	3,110	—	—	65	—	—	—	3,175
Mr. JIN Zengqin (金增勤先生)	—	409	135	—	83	—	—	—	627
Mr. ZHOU Fangchao (周方超先生)	—	645	—	—	50	—	—	—	695
Ms. ZENG Zhu (曾殊女士)	—	151	49	—	53	—	—	—	253
Mr. BAI Zhihuan (白植煥先生)	—	260	—	—	16	—	—	—	276
Mr. LIM Kwang Su (林光水先生) (note i)	—	749	—	—	5	—	—	—	754
Non-executive directors:									
Mr. HU Yongxiang (胡永祥先生)	—	—	—	—	—	—	—	—	—
Independent Non-executive directors:									
Professor CHEN Fadong (陈发东教授) (note i)	41	—	—	—	—	—	—	—	41
Mr. HUI Chi Fung (许之丰先生)	164	—	—	—	—	—	—	—	164
Professor HAN Gaorong (韩高荣教授)	164	—	—	—	—	—	—	—	164
Mr. LEUNG Kwai Wah Alex (梁贯华先生)	164	—	—	—	—	—	—	—	164
	533	5,324	184	—	272	—	—	—	6,313

Neither the chief executive nor any of the directors waived any emoluments during the year (2024: Nil).

Note: (i) Appointed on 26 September 2024

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. DIVIDENDS

The board of directors has decided not to declare and pay any final dividend for the year ended 31 December 2025 (2024: Nil).

16. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2025 RMB'000	2024 RMB'000
Earnings		
(Loss)/profit for the purpose of calculating basic earnings per share	(381,254)	242,176
	2025 '000	2024 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,238,870	1,238,870

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2025 and 2024 in respect of a dilution as the impact of the conversion of convertible bonds had an anti-dilutive effect on the basic earnings per share amounts presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
Cost							
At 1 January 2024	548,663	226,031	3,485	36,625	467,895	61,784	1,344,483
Reclassification	—	1,841	—	(1,841)	—	—	—
Additions	—	1,970	1,161	891	437,795	—	441,817
Transfers	241,497	38,566	—	310	(280,373)	—	—
Disposals	—	—	—	(28)	—	—	(28)
Written off	—	(1)	—	(2)	—	—	(3)
Exchange differences	(13,231)	(7,700)	(89)	(2,131)	(1,033)	—	(24,184)
At 31 December 2024 and 1 January 2025	776,929	260,707	4,557	33,824	624,284	61,784	1,762,085
Acquisition of subsidiaries	165,941	560,351	107,316	—	161,204	—	994,812
Reclassification	—	—	—	(9,412)	—	9,412	—
Additions	2,003	2,817	1,398	7,835	1,761,694	8,260	1,784,007
Transfers	9,773	127,096	1,583	506	(227,713)	88,755	—
Written off	—	(82)	(13)	—	—	—	(95)
Exchange differences	(26,054)	(47,007)	(4,672)	(620)	(4,165)	—	(82,518)
At 31 December 2025	928,592	903,882	110,169	32,133	2,315,304	168,211	4,458,291
Accumulated depreciation							
At 1 January 2024	116,295	72,302	2,381	11,295	—	37,044	239,317
Charges for the year	29,669	27,908	351	3,579	—	15,276	76,783
Disposals	—	—	—	(28)	—	—	(28)
Exchange differences	(471)	(1,157)	(11)	(225)	—	—	(1,864)
At 31 December 2024 and 1 January 2025	145,493	99,053	2,721	14,621	—	52,320	314,208
Charges for the year	43,514	67,607	11,742	2,792	—	23,869	149,524
Written off	—	(65)	(13)	—	—	—	(78)
Exchange differences	(13,432)	(33,463)	(2,854)	(135)	—	—	(49,884)
At 31 December 2025	175,575	133,132	11,596	17,278	—	76,189	413,770
Carrying amount							
At 31 December 2025	753,017	770,750	98,573	14,855	2,315,304	92,022	4,044,521
At 31 December 2024	631,436	161,654	1,836	19,203	624,284	9,464	1,447,877

At 31 December 2025, the carrying amount of property, plant and equipment pledged as security for the Group's bank loans and other borrowings amounted to approximately RMB2,220,329,000 (2024: RMB449,036,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18. RIGHT-OF-USE ASSETS

	Leased vehicles RMB'000	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
At 1 January 2024	311	61,612	4,342	66,265
Additions	1,340	76,034	5,403	82,777
Depreciation	(339)	(2,035)	(2,100)	(4,474)
Termination of lease contracts	(66)	—	(80)	(146)
Exchange differences	(82)	—	(16)	(98)
At 31 December 2024 and 1 January 2025	1,164	135,611	7,549	144,324
Additions	999	2,544	42,739	46,282
Acquisition of subsidiaries	4,857	102,315	405,630	512,802
Depreciation	(1,473)	(6,697)	(24,763)	(32,933)
Exchange differences	(46)	(695)	(2,270)	(3,011)
At 31 December 2025	5,501	233,078	428,885	667,464

As at 31 December 2025, the carrying amount of right-of-use assets pledged as security for the Group's bank loans amounted to RMB132,689,000 (2024: RMB Nil).

Lease liabilities of approximately RMB442,231,000 (2024: RMB8,945,000) are recognised with related right-of-use assets of approximately RMB434,386,000 (2024: RMB8,713,000) as at 31 December 2025. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2025 RMB'000	2024 RMB'000
Depreciation on right-of-use assets	32,933	4,474
Interest expense on lease liabilities (included in finance costs)	11,910	323
Expenses relating to short-term lease (included in selling expenses)	21	4,083
Expenses relating to leases of low value assets (included in cost of sales)	51	51
Expenses relating to leases of low value assets (included in selling expenses)	40	2
Expenses relating to leases of low value assets (included in administrative expenses)	19	44

Details of total cash outflow for leases is set out in note 43(e).

For both years, the Group leases various vehicles, offices, warehouses and staff quarter for its operations. Lease contracts are entered into for fixed term of 12 months to 180 months (2024: 12 months to 48 months). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. INTANGIBLE ASSETS

	Trademark RMB'000	Customer relationships RMB'000	Software RMB'000	Industrial property rights RMB'000	Technical know-how RMB'000	Development costs RMB'000	Patent RMB'000	Total RMB'000
Cost								
At 1 January 2024	7,025	489	29	2,162	—	17,083	—	26,788
Additions	7	—	—	62	—	—	—	69
Exchange differences	(676)	(47)	(3)	(211)	—	(1,642)	—	(2,579)
At 31 December 2024 and 1 January 2025	6,356	442	26	2,013	—	15,441	—	24,278
Acquisition of subsidiaries	—	173,163	—	—	486,506	—	—	659,669
Additions	—	1,607	—	279	19,137	—	17,268	38,291
Exchange differences	(166)	(1,009)	(1)	(64)	(3,418)	(404)	—	(5,062)
At 31 December 2025	6,190	174,203	25	2,228	502,225	15,037	17,268	717,176
Accumulated amortisation								
At 1 January 2024	234	11	9	233	—	2,514	—	3,001
Amortisation for the year	677	31	16	640	—	5,583	—	6,947
Exchange differences	(59)	(3)	(2)	(58)	—	(551)	—	(673)
At 31 December 2024 and 1 January 2025	852	39	23	815	—	7,546	—	9,275
Amortisation for the year	651	6,457	1	496	35,860	3,757	373	47,595
Exchange differences	(50)	(52)	—	(42)	(726)	(479)	—	(1,349)
At 31 December 2025	1,453	6,444	24	1,269	35,134	10,824	373	55,521
Carrying amount								
At 31 December 2025	4,737	167,759	1	959	467,091	4,213	16,895	661,655
At 31 December 2024	5,504	403	3	1,198	—	7,895	—	15,003

The remaining amortisation period of the intangible assets are as follows:

	2025	2024
Trademark	7.6 years	8.6 years
Customer relationships	12.6 to 14.5 years	13.6 years
Software	1 year	2 years
Industrial property rights	0.1 to 6.7 years	0.1 to 6.7 years
Technical know-how	6.5 to 14.5 years	N/A
Development costs	0.4 - 4.5 years	0.2 to 3.1 years
Patent	8.6 to 17.4 years	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

20. PREPAYMENTS FOR CONSTRUCTION IN PROGRESS

As of 31 December 2025, the Group has made prepayments of RMB113,332,000 (2024: RMB401,418,000) for construction in progress, primarily relating to advance contractor fees and material deposits for the construction of a new production facility in Tonglu, Hangzhou. These amounts are capitalised as part of construction in progress once construction work certified and are assessed for recoverability periodically.

21. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2025, the Group has paid deposits totalling RMB Nil (2024: RMB70,000,000) for the purchase of production equipment to be installed in the new production facility in Tonglu, Hangzhou. These amounts are capitalised as part of property, plant, and equipment upon delivery and commissioning.

22. GOODWILL

	2025 RMB'000	2024 RMB'000
Cost		
At 1 January	94,160	104,171
Arising from acquisition of subsidiaries (note 43(a))	1,235,170	—
Exchange differences	(11,630)	(10,011)
At 31 December	1,317,700	94,160
Carrying amount		
At 31 December	1,317,700	94,160

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination.

The carrying amount of goodwill has been allocated as follows:

	2025 RMB'000	2024 RMB'000
Susonity	1,226,004	—
CQV Co., Ltd.	91,696	94,160
	1,317,700	94,160

In addition to goodwill, property, plant and equipment, right-of-use assets and other intangible assets that generate cash flows together with the related goodwill are also included in the respective CGUs for the purpose of impairment assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. GOODWILL (continued)

	Discount rate		Terminal value growth rate	
	2025	2024	2025	2024
	%	%	%	%
CQV Co., Ltd.	14.9%	14.8%	2%	2%
Susonity	12%	N/A	1.8%	N/A

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method, which uses cash flow projections based on financial budgets approved by the directors covering a five-year period and a pre-tax discount rate calculated by using weighted average cost of capital. The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

- Forecast sales growth rates - based on past experience adjusted for the expected growth in the pearlescent pigment market.
- Operating expenses levels - based on historical experience of operating expenses, adjusted for the impact of economics of scale.
- Cash flows beyond five-year period have been extrapolated using a steady growth rate, which is estimated by the directors of the Company based on past performance of the CGUs and their expectations of market development and the rate does not exceed the average long-term growth rate for the relevant markets.

The recoverable amount of CQV Co., Ltd. and Susonity calculated based on value in use exceeded carrying value by approximately RMB44,919,000 (2024: RMB13,025,000) and RMB451,000,000, respectively. The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount of Susonity to which goodwill is allocated. A 11% underperformance against forecast sales growth rates of Susonity would reduce the headroom to nil but would not result in an impairment charge.

23. RESTRICTED DEPOSITS

As at 31 December 2025, the restricted deposits amounted to approximately RMB33,847,000 (2024: RMB2,050,000) and were classified as non-current assets. Of this amount, RMB6,250,000 (2024: RMB2,050,000) was pledged as security for other borrowings. The remaining balance was pledged for the Group's lease and rental guarantees, and for other purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment/ principal country of operation	Authorised capital	Issued/ paid up capital	Attributable effective equity interest of the Group	Principal activities
Generous Fortune Limited (盛富有限公司)	British Virgin Islands	HK\$80,000,000,000	HK\$12,590,725.2	100% (Direct)	Investment holding
Global New Material (China) Limited (環球新材(中國)有限公司)	Hong Kong	N/A	HK\$30,000	100% (Indirect)	Investment holding
廣西七色珠光材料股份有限公司 (Chesir Pearl) (note a)	The PRC	RMB149,561,191	RMB149,561,191	97.19% (Indirect)	Manufacturing and sales of pearlescent pigment and functional mica filler
上海萬紫千紅珠光效應材料有限公司 (Shanghai Multicolor) (note a)	The PRC	RMB10,000,000	RMB10,000,000	97.19% (Indirect)	Trading of pearlescent pigment and functional mica filler
鹿寨七色珠光雲母材料有限公司 (Chesir Luzhai) (note a)	The PRC	RMB104,927,076	RMB104,927,076	47.48% (Indirect)	Manufacturing and sales of functional mica filler and related products
浙江鴻尊科技有限公司 (Zhejiang Hongzun Technology Co., Ltd.) (note a)	The PRC	US\$128,000,000	US\$128,000,000	100% (Indirect)	Under construction
Chesir International Holdings Limited	British Virgin Islands	US\$50,000	US\$1	100% (Direct)	Investment holding
Star Cheer Corporation Limited	Hong Kong	N/A	HK\$1	100% (Indirect)	Investment holding
CQV (note b)	Korea	KRW10,000,000,000	KRW5,430,695,000	50.75% (11.60% Direct; 39.15% Indirect)	Manufacturing and sales of pearlescent pigment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ principal country of operation	Authorised capital	Issued/ paid up capital	Attributable effective equity interest of the Group	Principal activities
Chesir Global Holdings Limited	British Virgin Islands	US\$50,000	US\$50,000	100% (Direct)	Investment holding
Wealth Max Corporation Limited	Hong Kong	N/A	HK\$1	100% (Indirect)	Investment holding
SUSONITY Production GmbH	Germany	EUR1,000,000	EUR1,000,000	100% (Indirect)	Manufacturing and sales of pearlescent pigment and functional mica filler
SUSONITY LLC	United States	US\$4,500,000	US\$4,500,000	100% (Indirect)	Manufacturing and sales of pearlescent pigment and functional mica filler
SUSONITY Japan G.K.	Japan	JPY400,000,000	JPY400,000,000	100% (Indirect)	Manufacturing and sales of pearlescent pigment and functional mica filler
Surface Solutions S.A.S	France	EUR5,510,000	EUR5,510,000	100% (Indirect)	Trading of pearlescent pigment and functional mica filler
SUSONITY Commercial GmbH	Germany	EUR1,000,000	EUR1,000,000	100% (Indirect)	Trading of pearlescent pigment and functional mica filler
Surface Materials (Thailand) Ltd.	Thailand	THB262,000,000	THB262,000,000	100% (Indirect)	Trading of pearlescent pigment and functional mica filler
Surface Solutions Materials (Shanghai) Co., Ltd. (note a)	The PRC	RMB 245,000,000	RMB 245,000,000	100% (Indirect)	Trading of pearlescent pigment and functional mica filler

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Note:

- (a) These subsidiaries are established under the laws of the PRC with limited liability.
- (b) As at 31 December 2024, the Group had 42.45% effective equity interest in CQV. Based on the Group's absolute size of holding in CQV and the relative size of and dispersion of the shareholdings of the other shareholders, the directors of the Company concluded that the Group had a sufficiently dominant voting interest to give it the practical ability to direct the relevant activities of CQV and therefore the Group had control over CQV.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group.

The following table shows information on Chesir Pearl and its subsidiaries ("Chesir Pearl Group") and CQV that has non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Chesir Pearl Group*		CQV	
	2025	2024	2025	2024
Principal place of business/ country of incorporation	The PRC		Korea	
% of ownership interests/voting rights held by NCI	2.81%	2.81%	49.25%	57.55%
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December:				
Non-current assets	1,312,915	1,230,485	303,835	326,116
Current assets	5,427,118	4,126,661	248,720	231,841
Non-current liabilities	(302,885)	(389,643)	(13,334)	(21,352)
Current liabilities	(1,977,478)	(1,525,390)	(110,398)	(134,441)
Net assets	4,459,670	3,442,113	428,823	402,164
Accumulated NCI	1,146,059	789,968	175,969	186,734

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Chesir Pearl Group*		CQV	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Revenue	1,656,192	1,334,418	285,488	316,593
Profit	517,545	483,141	31,891	38,362
Total comprehensive income	517,556	483,135	22,165	8,664
Profit allocated to NCI	56,349	51,360	18,547	26,736
Net cash generated from/ (used in) operating activities	391,582	538,298	(55,800)	72,397
Net cash (used in)/generated from investing activities	(717,266)	(372,849)	(10,427)	64,553
Net cash generated from/ (used in) financing activities	873,180	(154,537)	(14,719)	(21,592)
Net increase/(decrease) in cash and cash equivalents	547,496	10,912	(80,946)	115,358

* Chesir Pearl Group includes Chesir Luzhai, in which the Group held an effective equity interest of 47.48% (2024: 52.22%) as of 31 December 2025.

As at 31 December 2025, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately RMB3,168,816,000 (2024: RMB2,848,923,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

25. BANK, CASH BALANCES AND TIME DEPOSITS

	2025 RMB'000	2024 RMB'000
Long term time deposit with maturity over one year (note (a))	50,000	50,000
Restricted time deposits with maturity over three months but less than one year (note (b))	184,754	30,000
Cash and cash equivalents	3,748,921	3,411,401
	3,983,675	3,491,401

Note:

- (a) This time deposit was made for 36 months at interest rates of 2.90% per annum and denominated in RMB.
- (b) These time deposits were made for twelve months at interest rates from 0.10% to 1.85% per annum and denominated in RMB. Approximately RMB183,977,000 (2024: RMB 30,000,000) are pledged to the bank for securing the issuing of the bank loans and letter of credit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

25. BANK, CASH BALANCES AND TIME DEPOSITS *(continued)*

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
RMB	3,439,256	2,774,063
EUR	154,942	579,339
US\$	66,962	11,590
JPY	31,515	5,343
KRW	23,521	40,164
Others	32,725	902
	3,748,921	3,411,401

As at 31 December 2025, the bank and cash balances and time deposits of the Group denominated in RMB amounted to approximately RMB3,417,584,000 (2024: RMB2,854,063,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. INVENTORIES

	2025 RMB'000	2024 RMB'000
Raw materials	357,154	26,651
Work in progress	617,817	120,957
Finished goods	1,347,680	162,656
	2,322,651	310,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

27. TRADE AND BILLS RECEIVABLES

	2025 RMB'000	2024 RMB'000
Trade receivables	1,078,875	513,019
Bills receivables	4,415	4,036
	1,083,290	517,055
Less: Allowance for doubtful debts	(4,993)	(4,582)
	1,078,297	512,473

The Group generally allows a credit period from 30 to 180 days for its customers. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors of the Company.

The ageing analysis of trade and bills receivables based on the invoice date (or date of revenue recognition, if earlier), and net of allowance, is as follows:

	2025 RMB'000	2024 RMB'000
0 to 90 days	795,028	446,931
91 to 180 days	282,664	65,376
181 to 365 days	605	166
	1,078,297	512,473

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
RMB	628,859	444,013
EUR	195,691	—
US\$	150,309	54,498
JPY	27,111	—
KRW	21,578	13,962
Other	54,749	—
	1,078,297	512,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2025 RMB'000	2024 RMB'000
Deposits	29,927	1,000
Prepayments	73,778	39,036
Value-added tax recoverable	260,130	17,835
Other receivables	189,435	1,100
	553,270	58,971
Analysed as:		
Current assets	496,932	57,420
Non-current assets	56,338	1,551
	553,270	58,971

29. SHARE CAPITAL

	Number of shares issued	Authorised HK\$'000	Issued and fully paid RMB'000
Share capital of the Company in ordinary shares of HK\$0.1 each			
At 1 January, 2024, 31 December 2024, 1 January 2025 and 31 December 2025	1,238,870,132	8,000,000	103,701

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Total debt comprises bank loans and other borrowings, convertible bonds and lease liabilities. Adjusted capital comprises all components of equity (i.e. share capital, retained earnings and other reserves etc.) except for non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. SHARE CAPITAL *(continued)*

During 2025, the Group's strategy, which was unchanged from 2024, was to maintain the debt-to-adjusted capital ratio at a level of industry average.

The debt-to-adjusted capital ratios as at 31 December 2025 and 2024 were as follows:

	2025 RMB'000	2024 RMB'000
Total debt	8,412,435	2,421,246
Less: cash and cash equivalents	(3,748,921)	(3,411,401)
Net debt/(cash)	4,663,514	(990,155)
Total equity	3,151,727	3,376,497
Debt-to-adjusted capital ratio	148%	N/A

The increase in the debt-to-adjusted capital ratio during 2025 resulted primarily from increase of bank and other borrowings as a result of the acquisition of subsidiaries and construction in progress during the year.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrar monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

Breaches in meeting the financial covenants would permit the lenders to immediately call borrowings. There were no breaches of financial covenants of any interest-bearing borrowings for the years ended 31 December 2025 and 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2025 RMB'000	2024 RMB'000
Non-current assets			
Property, plant and equipment		405	759
Right-of-use assets		1,083	2,613
Investments in subsidiaries		1,387,384	782,029
Escrow deposit		—	496,427
Total non-current assets		1,388,872	1,281,828
Current assets			
Prepayments and other receivables		839	1,255
Derivative component of convertible bond		—	733
Amounts due from subsidiaries		3,068,103	1,122,052
Tax recoverable		317	317
Restricted bank deposit		4,210	—
Bank and cash balances		13,214	580,186
Total current assets		3,086,683	1,704,543
TOTAL ASSETS		4,475,555	2,986,371
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	29	103,701	103,701
Reserves	30(b)	468,481	939,109
Total equity		572,182	1,042,810
Non-current liabilities			
Other borrowings		68,430	740,358
Convertible bond		—	333,715
Lease liabilities		—	1,216
Total non-current liabilities		68,430	1,075,289

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

30. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(continued)

(a) Statement of financial position of the Company (continued)

	2025 RMB'000	2024 RMB'000
Current liabilities		
Bank and other borrowings	1,415,040	41,963
Convertible bond	356,462	284,489
Derivative component of convertible bonds	35,284	5,900
Lease liabilities	1,216	1,635
Amounts due to subsidiaries	1,931,647	527,420
Accruals and other payables	95,294	6,865
Total current liabilities	3,834,943	868,272
TOTAL EQUITY AND LIABILITIES	4,475,555	2,986,371

Approved by the Board of Directors on 27 March 2026 and are signed on its behalf by:

SU Ertian
Director

ZHOU Fangchao
Director

(b) Reserve movement of the Company

	Share premium RMB'000	Special reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2024	886,372	284,381	(72,767)	1,097,986
Total comprehensive income for the year	—	—	(158,877)	(158,877)
At 31 December 2024 and 1 January 2025	886,372	284,381	(231,644)	939,109
Total comprehensive income for the year	—	—	(470,628)	(470,628)
At 31 December 2025	886,372	284,381	(702,272)	468,481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

31. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

The share premium represents the differences between the proceed from issue of shares and the nominal amount of the shares issued by the Company.

(ii) Merger reserve

Merger reserve arose as a result of the group reorganisation upon incorporation of the Company on 8 June 2018. The share capital of Chesir Pearl was transferred to merger reserve and share capital reflected that of the Company.

(iii) Other reserve

Other reserve arose as a result of excess of capital contribution over the share capital of the subsidiaries and the gain/(loss) on disposal of interest in a subsidiary without loss of control.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(v) Statutory surplus reserve

The statutory surplus reserve, which is non-distributable, is appropriated from the profit after tax of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

(vi) Special reserve

Special reserve represents the difference between the consideration and the share capital of a subsidiary acquired under common control pursuant to the group reorganisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. BANK LOANS AND OTHER BORROWINGS

	2025 RMB'000	2024 RMB'000
Bank loans:		
– Secured	6,956,325	490,369
– Secured - supplier finance arrangement (note (g))	85,000	68,000
– Unsecured	300,870	363,856
Other borrowings:		
– Secured	126,739	762,848
– Unsecured	20,230	43,939
	7,489,164	1,729,012

(a) The bank loans and other borrowings are repayable as follows:

	2025 RMB'000	2024 RMB'000
Within one year	2,374,774	570,312
More than one year, but not exceeding two years	350,957	206,512
More than two years, but not exceeding five years	1,770,129	920,288
More than 5 years	2,944,106	—
	7,439,966	1,697,112
Portion of other borrowings that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	49,198	31,900
	7,489,164	1,729,012
Less: Amount due for settlement within 12 months (shown under current liabilities)	(2,423,972)	(602,212)
Amount due for settlement after 12 months	5,065,192	1,126,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. BANK LOANS AND OTHER BORROWINGS *(continued)*

- (b) The carrying amounts of the Group's bank loans and other borrowings are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
EUR	4,266,116	740,358
RMB	2,899,212	914,882
US\$	279,852	8,166
KRW	24,210	29,833
HK\$	19,774	35,773
	7,489,164	1,729,012

- (c) The average interest rates as at 31 December 2025 and 2024 were as follows:

	2025	2024
Bank loans:		
– Secured	2.11% to 8% per annum	3.69% per annum
– Secured - supplier finance arrangement	0.51% to 3% per annum	2.4% per annum
– Unsecured	2.11% to 4.5% per annum	3.43% per annum
Other borrowings:		
– Secured	5.27% to 6.8% per annum	8.94% per annum
– Unsecured	2% - 5% per annum	2.82% per annum

Bank loans and other borrowings of approximately RMB4,582,420,000 (2024: RMB1,161,777,000) as at 31 December 2025 are arranged at fixed interest rates and expose the Group to fair value interest rate risk.

- (d) The fair value of the Group's borrowings is as follows:

The fair value of other borrowings was approximate to their carrying amounts due to their short-term nature or carrying interest at variable rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

32. BANK LOANS AND OTHER BORROWINGS *(continued)*

(e) **The details of pledged assets and collaterals to the Group's borrowings are as follows:**

The Group's secured bank loans of approximately RMB6,956,325,000 (2024: RMB490,369,000) are secured by the Group's restricted deposits (note 23 and note 25), property, plant and equipment (note 17) and right-of-use assets (note 18), and also secured by land and buildings owned by a substantial shareholder (who also is an executive director of the Company) of the Company and the close family members of this substantial shareholder of the Company, the corporate guarantees from a corporate substantial shareholder of the Company, together with personal guarantees of this substantial shareholder and an executive director of the Company and the close family members of this substantial shareholder of the Company.

The Group's secured other borrowings of approximately RMB126,739,000 (2024: RMB762,848,000) are secured by the Group's property, plant and equipment (note 17) in the PRC, restricted deposits (note 23) in the PRC and share mortgage of the subsidiaries of the Company.

(f) **The details of loan covenants of the Group's borrowing are as follows:**

Certain of the Group's bank loans and other borrowings facilities are subject to the fulfillment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the related borrowings would become payable on demand.

The Group has complied with the financial covenants of its borrowing facilities during the year ended 31 December 2025 (2024: Same).

(g) **Bank loans arising from supplier finance arrangements:**

The Group has entered into certain reverse factoring arrangements with banks, under which the Group obtained extended credit in respect of the invoice amounts owed to certain contractors and suppliers. Under these arrangements, the banks pay contractors and suppliers the amounts owed by the Group on the original due dates, which are normally 30 to 60 days after the invoice date for the comparable payables that are not part of the supplier finance arrangement within the same business line. The Group then settles with the banks 365 days after the original due dates with suppliers, with interest.

In the consolidated financial statement of financial position, the Group has presented the payables to the banks under these arrangements as "borrowings", in view of the nature and function of such liabilities when compared with the Group's trade payables. As at 31 December 2025, the carrying amount of financial liabilities under these arrangements amounted to RMB85,000,000 (2024: RMB68,000,000).

In the consolidated statement of cash flows, payments to the banks are included within financing cash flows based on the nature of the arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

33. LOAN FROM A RELATED COMPANY

As at 31 December 2025, the loan from a related company is non-trade in nature, unsecured, interest-bearing ranged from 0.1% per annum and repayable on or before 14 July 2028. The related company has common substantial shareholder with the Company.

34. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2025 RMB'000	2024 RMB'000	2025 RMB'000	2024 RMB'000
Within one year	74,713	4,169	47,989	3,842
More than one year, but not exceeding five years	237,128	5,338	157,090	5,103
More than five years	317,248	—	237,152	—
	629,089	9,507	442,231	8,945
Less: Future finance charges	(186,858)	(562)	N/A	N/A
Present value of lease obligations	442,231	8,945	442,231	8,945
Less: Amount due for settlement within 12 months (shown under current liabilities)			(50,272)	(3,842)
Amount due for settlement after 12 months			391,959	5,103

The incremental borrowing rates applied to lease liabilities range from 2.04% to 17.92% (2024: from 2.04% to 6.92%).

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
EUR	361,945	—
RMB	52,228	4,799
KRW	1,201	1,296
HK\$	1,035	2,850
Others	25,822	—
	442,231	8,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

35. DEFERRED REVENUE

The deferred revenue arises in respect of the Group's government grants.

	2025 RMB'000	2024 RMB'000
Analysed as:		
Current liabilities	1,021	8,770
Non-current liabilities	107,494	7,487
	108,515	16,257

The deferred revenue arises as a result of the benefits received from government grants received. The revenue is recognised according to the useful life of the property, plant and equipment and intangible assets.

36. DEFERRED TAX

The following are the deferred tax liabilities and assets recognised by the Group:

Deferred tax liabilities:

	Accelerated tax depreciation RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2024	14,154	3,827	17,981
Credit to profit or loss for the year	(1,442)	—	(1,442)
Amount paid during the year	—	(3,827)	(3,827)
Exchange differences	(1,281)	—	(1,281)
At 31 December 2024 and 1 January 2025	11,431	—	11,431
Acquisition of subsidiaries	120,465	—	120,465
Credit to profit or loss for the year	(7,256)	—	(7,256)
Exchange differences	(684)	—	(684)
At 31 December 2025	123,956	—	123,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

36. DEFERRED TAX *(continued)*

Deferred tax assets:

	Retirement benefit obligations RMB'000	Deferred revenue RMB'000	Allowance for inventories RMB'000	Others RMB'000	Decelerated tax depreciation RMB'000	Doubtful debts RMB'000	Total RMB'000
At 1 January 2024	(170)	1,024	8,289	981	302	1,409	11,835
(Charge)/credit to profit or loss for the year	3	(369)	647	(2,874)	(25)	89	(2,529)
Exchange differences	16	(78)	(833)	10	(28)	(26)	(939)
At 31 December 2024 and 1 January 2025	(151)	577	8,103	(1,883)	249	1,472	8,367
Acquisition of subsidiaries	(1,526)	—	4,661	6,220	(2,904)	4	6,455
(Charge)/credit to profit or loss for the year	2,047	(204)	(66)	(1,355)	4,269	82	4,773
Exchange differences	(167)	(7)	(262)	(520)	(22)	(11)	(989)
At 31 December 2025	203	366	12,436	2,462	1,592	1,547	18,606

At the end of the reporting period the Group has unused tax losses of approximately RMB13,174,000 (2024: RMB6,860,000) available for offset against future profits. No deferred tax assets have been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately RMB13,174,000 (2024: RMB6,860,000) that will expire in 2030. Other tax losses may be carried forward indefinitely.

37. CONVERTIBLE BONDS

	2025 RMB'000	2024 RMB'000
Liabilities component:		
2022 Convertible bond	356,462	333,715
2023 Convertible bond	—	284,489
CQV Convertible bonds	56,148	65,085
	412,610	683,289
Derivative component:		
2022 Convertible bond	35,284	5,900
2023 Convertible bond	—	(733)
CQV Convertible bonds	2,830	7,180
	38,114	12,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. CONVERTIBLE BONDS *(continued)*

2022 Convertible bond

On 28 December 2022, the Company entered into a subscription agreement with an independent third party in relation to the issue of 3.5% coupon convertible bonds in the aggregate principal amount up to RMB500.0 million in two tranches. The unlisted, guaranteed and unsecured convertible bond in the principal amount of RMB300.0 million ("Tranche A Convertible Bond") was issued by the Company on 30 December 2022. The interest will be paid in arrears annually until the settlement date.

Tranche A Convertible Bond is convertible at the option of the holder into fully paid ordinary shares with HK\$0.1 each of the Company on or after the later of (i) the first day of the fortieth month from the date of issue; and (ii) the date on which the listing of, and permission to deal in, the conversion shares falling to be issued upon exercise of the conversion rights attached to Tranche A Convertible Bond having been granted by the Listing Committee of the Stock Exchange up to and including ending on the date immediately before the maturity date (i.e. 30 December 2026) at an initial conversion price of HK\$7.6 per share.

If Tranche A Convertible Bond is not converted during the conversion period, the Company shall redeem Tranche A Convertible Bond by repaying to the holder of the Tranche A Convertible Bond on the maturity date (the "Maturity Date") the aggregate of (i) the outstanding principal amount of RMB300,000,000; (ii) the interest accrued but unpaid up to and including the Maturity Date; and (iii) the additional amount which could make up an internal rate of return ("IRR") of 9% per annum on the aggregate principal amount of Tranche A Convertible Bond if the sum of the amounts referred in (i) and (ii) above, plus any amount already paid by the Company on such outstanding principal amount of Tranche A Convertible Bond, falls short of making up the IRR of 9% per annum on the relevant aggregate principal amount calculated from the issue date up to the Maturity Date.

Tranche A Convertible Bond is guaranteed by a substantial shareholder of the Company and a subsidiary of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. CONVERTIBLE BONDS *(continued)*

2022 Convertible bond *(continued)*

The net proceeds received from the issue of Tranche A Convertible Bond have been split between the liability and derivative components and movement during the year, as follows:

	Liability component RMB'000	Derivative component RMB'000
At 1 January 2024	313,029	3,822
Interest charged for the year	31,186	—
Interest paid	(10,500)	—
Fair value gain for the year	—	2,078
At 31 December 2024 and 1 January 2025	333,715	5,900
Interest charged for the year	33,247	—
Interest paid	(10,500)	—
Fair value loss for the year	—	29,384
At 31 December 2025	356,462	35,284

The interest charged for the year is calculated by applying an effective interest rate of 9.96% per annum to the liability component.

The directors estimate the fair value of the liability component of Tranche A Convertible Bond as at 31 December 2025 to be approximately RMB366,283,000 (2024: RMB342,480,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using binomial option pricing model (level 3 fair value measurements). The key assumptions used are as follows:

	At 31 December 2025	At 31 December 2024
Weighted average share price	HK\$10.34	HK\$4.35
Weighted average exercise price	HK\$7.60	HK\$7.60
Expected volatility	50.76%	36.69%
Expected life	1 year	2 years
Risk free rate	1.36%	1.10%
Expected dividend yield	0.00%	0.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. CONVERTIBLE BONDS *(continued)*

Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range	Effect on fair value for increase of inputs
Derivative component embedded in Tranche A Convertible Bond	Binomial option pricing model	Expected volatility	50.76 % (2024: 36.69%)	Increase

The fair value of derivative component embedded in Tranche A Convertible Bond is determined using binomial option pricing model and the significant unobservable input in the fair value measurement is expected volatility.

As at 31 December 2025, it is estimated that with all other variables held constant, an increase or decrease in the expected volatility by 10% would have decreased or increased the Group's loss (2024: profit decreased or increased) by approximately RMB79,000 (2024: RMB2,067,000) or RMB275,000 (2024: RMB2,599,000) respectively.

2023 Convertible bond

On 5 November 2023, the Company entered into agreement with an independent third party in relation to issue 9% coupon convertible bonds in the aggregate principal amount up to US\$80,000,000 in two tranches. The unlisted, and unsecured convertible bonds with a nominal value of US\$40,000,000 ("First Tranche Initial Bond") was issued by the Company on 8 November 2023.

First Tranche Initial Bond is convertible at the option of the holder thereof, at any time from the later of (a) the date on or after the relevant issue date of such bonds and (b) the date on which the listing of, and permission to deal in, the shares falling to be issued upon exercise of the conversion rights attached to the applicable convertible bonds having been granted by the Listing Committee of the Stock Exchange, to the close of business on the date falling seven days prior to the maturity date or, if such bond shall have been called for redemption by the Company before the maturity date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof at an initial conversion price of HK\$7.6 per share.

On giving not less than 30 nor more than 60 days' notice by the Company to the bondholders, First Tranche Initial Bond may be redeemed by the Company in whole or in part, on the date specified in the option redemption notice at their optional redemption amount together with interest accrued but unpaid on such date (if any) at any time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. CONVERTIBLE BONDS *(continued)*

2023 Convertible bond *(continued)*

The net proceeds received from the issue of First Tranche Initial Bond have been split between the liability and derivative components and movement during the year, as follows:

	Liability component RMB'000	Derivative component RMB'000
At 1 January 2024	263,113	1,884
Interest charged for the year	38,169	—
Interest paid	(26,032)	—
Fair value gain for the year	—	(2,639)
Exchange differences	9,239	22
At 31 December 2024 and 1 January 2025	284,489	(733)
Interest charged for the year	34,113	—
Repayment during the year	(312,743)	—
Fair value loss for the year	—	733
Exchange differences	(5,859)	—
At 31 December 2025	—	—

The interest charged for the year is calculated by applying an effective interest rate of 14.85% per annum to the liability component.

The 2023 Convertible bond was fully repaid on 6 November 2025.

The directors estimate the fair value of the liability component of First Tranche Initial Bond as at 31 December 2024 to be approximately RMB297,809,000. This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

The derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using binomial option pricing model (level 3 fair value measurements). The key assumptions used are as follows:

	At 31 December 2025	At 31 December 2024	At date of issue
Weighted average share price	N/A	HK\$4.35	HK\$3.82
Weighted average exercise price	N/A	HK\$7.60	HK\$7.6
Expected volatility	N/A	40.48%	36.69%
Expected life	N/A	0.9 years	2 years
Risk free rate	N/A	4.18%	4.98%
Expected dividend yield	N/A	0.00%	0.35%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. CONVERTIBLE BONDS *(continued)*

Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range	Effect on fair value for increase of inputs
Derivative component embedded in First Tranche Initial Bond	Binomial option pricing model	Expected volatility	N/A (2024: 40.48%)	Increase

The fair value of derivative component embedded in First Tranche Initial Bond is determined using binomial option pricing model and the significant unobservable input in the fair value measurement is expected volatility.

CQV Convertible bonds

On 26 June 2024, CQV, a subsidiary of the Company, entered into an underwriting agreement (the "Underwriting Agreement") and a supplementary agreement (the "Supplementary Agreement") with independent third parties in relation to the issue of unlisted and unsecured 2% coupon convertible bonds in an aggregate principal amount of KRW15,000,000,000 ("CQV Convertible Bonds") which was issued on 28 June 2024 with maturity date of 28 June 2027. The interest will be paid in arrears every three months until the maturity date.

CQV Convertible Bonds are convertible at the option of the holder into common stock of CQV on or after one year from the issue date of CQV Convertible Bonds and to the first business day within the month preceding the maturity date at an initial conversion price of KRW5,760 per share. The conversion price may be adjusted every seven months from the issue date based on the stock price of CQV common stock prevailing in the preceding month.

CQV Convertible Bonds may be redeemed at the option of the holders one year from the issue date of CQV Convertible Bonds and every three months thereafter in the relevant outstanding principal amount multiplied by the early redemption rate stipulated in the Underwriting Agreement.

CQV shall reserve a right to purchase up to 40% of the principal amount of CQV Convertible Bonds during the exercise period stated in the Supplementary Agreement, in which case the purchase price shall ensure yield to call at an annual compound interest rate of 7% (calculated quarterly).

If CQV Convertible Bonds are not converted during the conversion period or redeemed during the option period, CQV shall redeem CQV Convertible Bonds by repaying to the holder of CQV Convertible Bonds on the maturity date at 113.04% of the outstanding principal amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. CONVERTIBLE BONDS *(continued)*

CQV Convertible bonds *(continued)*

The net proceeds received from the issue of CQV Convertible Bonds have been split between liability and derivative components and movement during the year, as follows:

	Liability component RMB'000	Derivative component RMB'000
At the date of issuance	69,425	10,864
Transaction cost	(2,787)	—
Interest charged for the year	4,159	—
Interest paid	(790)	—
Fair value gain for the year	—	(3,082)
Exchange differences	(4,922)	(602)
At 31 December 2024 and 1 January 2025	65,085	7,180
Interest charged for the year	8,157	—
Interest paid	(1,515)	—
Derecognition on conversion	(8,405)	(1,615)
Fair value gain for the year	—	(2,728)
Exchange differences	(7,174)	(7)
At 31 December 2025	56,148	2,830

The interest charged for the year is calculated by applying an effective interest rate of 13.20% per annum to the liability component.

The directors estimate the fair value of the liability component of the CQV Convertible Bonds as at 31 December 2025 to be approximately RMB61,251,000 (2024: RMB72,476,000). This fair value has been calculated by discounting the future cash flows at the market interest rate (level 2 fair value measurements).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. CONVERTIBLE BONDS *(continued)*

CQV Convertible bonds *(continued)*

The derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using binomial option pricing model (level 3 fair value measurements). The key assumptions used are as follows:

	At 31 December 2025	At 31 December 2024	At date of issue
Weighted average share price	KRW4,215	KRW3,840	KRW4,770
Weighted average exercise price	KRW4,270	KRW5,760	KRW5,760
Expected volatility	32.63%	48.02%	31.80%
Expected life	1.5 years	2.5 years	3 years
Risk free rate	2.38%~2.73%	2.73%	3.17%
Expected dividend yield	0.00%	0.00%	0.00%

Information about level 3 fair value measurements

	Valuation techniques	Significant unobservable input	Range	Effect on fair value for increase of inputs
Derivative component embedded in CQV Convertible Bonds	Binomial option pricing model	Expected volatility	2025:32.63% (2024:48.02%)	Increase

The fair value of derivative component embedded in CQV Convertible Bonds is determined using binomial option pricing model and the significant unobservable inputs in the fair value measurement are expected volatility.

As at 31 December 2025, it is estimated that with all other variables held constant, an increase or decrease in the expected volatility by 10% (2024: 10%) would have increased or decreased the Group's loss (2024: profit decreased or increased) by approximately RMB949,000 (2024:RMB1,170,000) or RMB1,402,000 (2024:RMB794,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. RETIREMENT BENEFIT OBLIGATIONS

(a) Defined benefit plan

The Group makes the majority of its contributions in respect of Susonity to defined benefit retirement plans registered under the Employee Retirement Benefit Security Act ("ERBSA"), which cover of the employees outside Hong Kong and China. The plans are administered by trustees, the majority of which are independent, with their assets held separately from those of the Group. The trustees are required by the Trust Deed to act in the best interests of the plan participants and are responsible for setting investment policies of the plans.

Under Susonity, a retired employee employed before 1 January 2005 is entitled to pension payment equal to the final salary for each year of service that the employee provided.

For retired employees employed from 1 January 2005 to 31 December 2020, pension payment is derived from the cumulative total of annually determined pension components calculated based on a defined benefit expense and an age-based annuity table.

For retired employees employed after 1 January 2021, pension payment is derived from the performance of salary-based employer contributions and voluntary employee contributions, topped up by the employer to an external fund. A minimum return on contributions has been guaranteed.

The plans are funded by contributions from the Group in accordance with an independent actuary's recommendation based on annual actuarial valuations. The latest independent actuarial valuations of the plans were as at 31 December 2025 and were prepared by qualified staff of AON plc using the projected unit credit method.

The promised pension benefits specifically depend on the social security contributions ceiling in the statutory pension insurance (BBG) implemented and monitored by the government of Germany.

Annual adjustments of further assessment will be considered when both the expected inflation development and expected future relation to the development of pensionable salaries have deviated from salary increases.

The expected inflation trend is based on the medium-term inflation target of the European Central Bank of currently 2% per annual.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Defined benefit plan *(continued)*

The plans expose the Group to actuarial risks, such as interest rate risk. Since the retirement plan has similar risks and features, information about the plan is aggregated and disclosed below.

The amount of defined benefit assets and liabilities recognised in the consolidated statement of financial position is as follows:

	2025 RMB'000	2024 RMB'000
Defined benefit assets, net for CQV	3,053	723
Defined benefit liabilities, net for Susonity	(312,905)	—
	(309,852)	723

The amount of retirement benefit obligations recognised in the consolidated statement of financial position is as follows:

	2025 RMB'000	2024 RMB'000
Present value of defined benefit obligation	835,009	50,549
Fair value of plan assets	(525,157)	(51,272)
	309,852	(723)

A portion of the above liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Defined benefit plan *(continued)*

	Present value of defined benefit obligation RMB'000	Fair value of plan assets RMB'000	Total RMB'000
At 1 January 2024	51,150	(56,396)	(5,246)
Amounts recognised in profit or loss:			
Current service cost	5,280	—	5,280
Past service cost	42	—	42
Operating expenses	—	223	223
Interest expense/(income)	1,496	(2,346)	(850)
Remeasurements recognised in other comprehensive income:			
Return on plan assets (excluding interest)	—	44	44
Actuarial losses arising from changes in financial assumptions	547	—	547
Actuarial losses arising from changes in demographic assumptions	26	—	26
Actuarial losses due to the difference between assumption and reality	4,205	—	4,205
Contributions to the plan:			
Employer	—	(2,105)	(2,105)
Payments from the plan	(7,028)	3,870	(3,158)
Exchange differences	(5,169)	5,438	269
At 31 December 2024 and 1 January 2025	50,549	(51,272)	(723)
Acquisition of subsidiaries	816,552	(468,384)	348,168
Amounts recognised in profit or loss:			
Current service cost	18,040	—	18,040
Interest expense/(income)	15,162	(9,707)	5,455
Remeasurements recognised in other comprehensive income:			
Return on plan assets (excluding interest)	—	6,276	6,276
Actuarial losses arising from changes in financial assumptions	(53,991)	2,835	(51,156)
Insurance loss due to changes in empirical assumptions	2,277	—	2,277
Actuarial losses due to the difference between assumption and reality	(4,774)	—	(4,774)
Contributions to the plan:			
Employer	—	(11,164)	(11,164)
Participants	108	(108)	—
Payments from the plan	(7,982)	6,932	(1,050)
Exchange differences	(932)	(565)	(1,497)
At 31 December 2025	835,009	(525,157)	309,852

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Defined benefit plan *(continued)*

The maximum economic benefit available from the net defined benefit asset is determined based on reductions in future contributions.

The fair value of the plan assets at the end of the reporting period consists of bank savings.

The principal actuarial assumptions adopted by the Group as at 31 December 2025 (expressed as weighted average) are as follows:

	Susonty 2025	CQV 2024
Discount rate	4.29%	3.81%
Salary growth rate	3.00%	3.80%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into an average life expectancy in years for a pensioner to retire at the age of 60.

Through its defined benefit pension plans, the Group does not expose to any risk since the Group can choose products that can earn confirmed interest and guarantee the repayment of principal and interest.

The Group's sensitivity analysis for each significant actuarial assumption as of the end of the reporting period based on reasonably possible changes of the relevant actuarial assumption is as follows:

	Increase/ decrease in rate	Impact on defined benefit obligation Susonty 2025	Increase/ decrease in rate	Impact on defined benefit obligation CQV 2024
Discount rate	1%	(16.06%)/21.03%	1%	(4.47%)/5.01%
Salary growth rate	1%	6.03%/(5.42%)	1%	4.96%/(4.51%)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(a) Defined benefit plan *(continued)*

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The Group finances the funding requirements of the pension plan by choosing products that can earn determined interest and security insurance products to generate operating income and does not have any funding arrangements and funding policy that will affect future contributions.

The expected contributions to the pension plan for the year ending 31 December 2025 is approximately RMB247,226,000 (2024: RMB2,105,000).

The weighted average duration of the Group's defined benefit obligation is approximately 19.17 years. The maturity analysis of the Group's undiscounted benefit payments is as follows:

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2025					
Pension payments	15,018	17,087	101,838	226,181	360,124
At 31 December 2024					
Pension payments	5,989	5,757	12,124	47,516	71,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

38. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

(b) Obligation to pay long service payment (“LSP”) under Hong Kong Employment Ordinance (Chapter 57)

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee’s final salary (capped at HK\$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group’s contributions to MPF scheme (see note 13(a)), with an overall cap of HK\$390,000 per employee. Currently, the Group does not have any separate funding arrangements in place to meet its LSP obligation.

In June 2022, the Government gazetted the amendment ordinance (the “Amendment Ordinance”), which abolishes the use of the accrued benefits derived from employers’ mandatory MPF contributions to offset the LSP (the “Abolition”). The Abolition will officially take effect on 1 May 2025 (the “Transition Date”). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group’s mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the last monthly wages immediately preceding the Transition Date and the years of service up to that date.

The Group has determined that the Amendment Ordinance primarily impacts the Group’s LSP liability with respect to Hong Kong employees that participate in MPF Scheme and the impact on the consolidated financial statement is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. TRADE PAYABLES

The ageing analysis of trade payables based on the date of receipt of goods and invoices, is as follows:

	2025 RMB'000	2024 RMB'000
0 to 90 days	314,772	86,230
91 to 180 days	60,292	1,307
181 to 365 days	—	1,116
Over 365 days	1,703	360
	376,767	89,013

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2025 RMB'000	2024 RMB'000
EUR	182,085	458
US\$	65,316	4,678
JPY	59,346	—
RMB	56,338	82,046
KRW	1,480	1,831
Other	12,202	—
	376,767	89,013

40. ACCRUALS AND OTHER PAYABLES

	2025 RMB'000	2024 RMB'000
Accruals	295,285	44,898
Construction fee payables	208,244	40,534
Other payables	185,333	44,201
	688,862	129,633
Analysed as:		
Current liabilities	627,908	127,885
Non-current liabilities	60,954	1,748
	688,862	129,633

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. PROVISIONS

	Provision for asset retirement obligation RMB'000	Provision for restructuring RMB'000	Provision for others RMB'000	Total RMB'000
1 January 2025	—	—	—	—
Acquisition of subsidiaries	102,315	125,289	15,372	242,976
Additional provision	—	10,049	—	10,049
Unused provision reversed	—	(15,419)	—	(15,419)
Provision used	—	(28,788)	(6,867)	(35,655)
Unwinding discount on provision	4,170	—	—	4,170
Exchange difference	(744)	(444)	(34)	(1,222)
31 December 2025	105,741	90,687	8,471	204,899

Provision for asset retirement obligation represents a liability recognized for the future costs of dismantling, removing, and restoring assets for the factory located in Germany.

Provision for restructuring represents obligations assumed upon the acquisition of Susonity, principally comprising restructuring compensation costs payable to affected employees under the restructuring plans, onerous contracts and costs arising from transitional service arrangements with third parties.

	2025 RMB'000	2024 RMB'000
Analysed as:		
Current liabilities	98,828	—
Non-current liabilities	106,071	—
	204,899	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

42. CONTRACT LIABILITIES

	2025 RMB'000	2024 RMB'000
Deposits received in advance	14,696	21

Movements in contract liabilities:

	2025 RMB'000	2024 RMB'000
At 1 January	21	184
Acquisition of subsidiaries	991	—
Increase/(decrease) in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities	13,808	(146)
Exchange losses	(124)	(17)
At 31 December	14,696	21

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

On 31 July 2025, the Group acquired 100% of the equity interest of Susonity for a total consideration of approximately EUR665,000,000. Susonity is engaged in the development, manufacturing, and commercialisation of products such as pigments, cosmetic actives, industrial functionals, and cosmetic fillers in worldwide. The acquisition is for the purpose of expanding the Group's international business presence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Acquisition of subsidiaries *(continued)*

The fair value of the identifiable assets and liabilities of Susonity acquired as at the date of acquisition are as follows:

	Susonity RMB'000
Net assets acquired:	
Property, plant and equipment	994,812
Right-of-use assets	512,802
Intangible assets	659,669
Deferred tax assets	6,455
Inventories	1,910,603
Trade and bills receivables	176,222
Deposits, prepayments and other receivables	228,970
Bank and cash balances	1,160,047
Tax recoverable	1,392
Lease liabilities	(410,487)
Borrowings	(372)
Defined benefit liabilities, net	(348,168)
Trade payables	(206,409)
Deferred tax liabilities	(120,465)
Accruals and other payables	(183,642)
Provisions	(242,976)
Contract liabilities	(991)
	4,137,462
Goodwill	1,235,170
	5,372,632
Satisfied by:	
Cash	5,372,632
Net cash outflow arising on acquisition:	
Cash consideration paid	5,372,632
Escrow deposit paid	(496,427)
Cash and cash equivalents acquired	(1,160,047)
	3,716,158

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Acquisition of subsidiaries *(continued)*

The fair value of the trade, bills and other receivables acquired is approximately RMB176,222,000.

Acquisition-related costs of approximately RMB211,467,000 have been charged to selling expenses, administrative expenses and finance costs in the consolidated statement of profit or loss for the year ended 31 December 2025.

The goodwill arising on the acquisition of Susonity is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Susonity contributed approximately RMB991,657,000 to the Group's revenue for the year ended 31 December 2025 for the period between the date of acquisition and the end of that reporting period. Susonity contributed approximately RMB410,035,000 to the Group's loss for the year ended 31 December 2025 for the period between the date of acquisition and the end of that reporting period.

(b) Change of interest in a subsidiary without loss of control

(i) Acquisition of 8.3% effective equity interest in CQV

During the year ended 31 December 2025, the Group acquired 8.3% effective equity interest in CQV at a cash consideration of RMB25,525,000. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	33,042
Consideration paid to non-controlling interests	(25,525)
Gain on acquisition recognised directly in equity	7,517

(ii) Disposal of 4.74% effective equity interest in Chesir Luzhai

During the year ended 31 December 2025, Chongqing International Trust has agreed to inject RMB500,000,000 into Chesir Luzhai, of which RMB13,116,000 will be contributed to the increase in its registered capital and RMB486,884,000 will be contributed to its capital reserve. Upon Completion, the registered capital of Chesir Luzhai will be increased from RMB131,159,000 to RMB144,275,000. Immediately upon Completion, the effective equity interest of the Group in Chesir Luzhai will be diluted from approximately 52.22% to approximately 47.48%. The effect of the disposal on the equity attributable to the owners of the Company is as follows:

	RMB'000
Consideration received from non-controlling interests	500,000
Carrying amount of non-controlling interests disposed	(299,742)
Gain on disposal recognised directly in equity	200,258

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Major non-cash transaction

Additions to right-of-use assets during the year of approximately RMB45,455,000 (2024: RMB6,743,000) were financed by lease liabilities.

(d) Reconciliation of liabilities arising from financing activities

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

	1 January RMB'000	Entering into new leases RMB'000	Cash flows RMB'000	Interest expenses/ lease charges RMB'000	Acquisition of subsidiaries RMB'000	Derecognition of conversion RMB'000	Recognition of derivative components of convertible bonds RMB'000	Exchange differences RMB'000	31 December RMB'000
2025									
Bank loans and other borrowings (note 32)	1,729,012	—	5,497,841	236,290	372	—	—	25,649	7,489,164
Convertible bonds (note 37)	683,289	—	(324,758)	75,517	—	(8,405)	—	(13,033)	412,610
Loan from a related company (note 33)	—	—	68,388	42	—	—	—	—	68,430
Lease liabilities (note 34)	8,945	45,455	(32,148)	11,910	410,487	—	—	(2,418)	442,231
	2,421,246	45,455	5,209,323	323,759	410,859	(8,405)	—	10,198	8,412,435
2024									
Bank loans and other borrowings (note 32)	326,990	—	1,382,264	44,599	—	—	—	(24,841)	1,729,012
Convertible bonds (note 37)	576,142	—	40,180	73,514	—	—	(10,864)	4,317	683,289
Lease liabilities (note 34)	4,909	6,515	(2,707)	323	—	—	—	(95)	8,945
	908,041	6,515	1,419,737	118,436	—	—	(10,864)	(20,619)	2,421,246

(e) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2025 RMB'000	2024 RMB'000
Within operating cash flows	11,910	4,180
Within financing cash flows	20,238	2,384
Represents lease rental paid	32,148	6,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

44. RELATED PARTY TRANSACTIONS

(a) Transactions with related party

Apart from disclosed elsewhere in the consolidated financial statements, the following is a summary of the related party transactions carried out in the normal course of business of the Group:

(i) Transactions with related party

	2025 RMB'000	2024 RMB'000
Purchase of goods from related party	—	15,820
Interest expense paid to related company	42	—

(ii) Balances with related party

	2025 RMB'000	2024 RMB'000
Loan from a related company	68,430	—
Deposit paid to a related party for purchase of production equipment	—	50,000
Trade payable due to related party	—	10,650

(b) The remuneration of key management during the year was as follows:

	2025 RMB'000	2024 RMB'000
Salaries and allowances	7,515	3,362
Discretionary bonuses	2,397	491
Retirement benefit scheme contribution	1,145	116
	11,057	3,969

45. CONTINGENT LIABILITIES

As at 31 December 2025, the Group did not have any significant contingent liabilities (2024: RMB1,100,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

46. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2025 RMB'000	2024 RMB'000
Property, plant and equipment	789,314	686,063
Intangible assets	142,671	—
Acquisition of worldwide global surface solution business	—	5,187,000
	931,985	5,873,063

47. LEASE COMMITMENTS

The Group as lessee

The Group regularly entered into short-term leases for office, office equipment and staff quarters. As at 31 December 2025, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 18.

48. EVENT AFTER REPORTING DATE

- (i) On 6 January 2026, the Group completed the issuance of the Convertible Bond in an aggregate principal amount of HK\$1,000,000,000. At the initial Conversion Price of HK\$10.19 and no other shares are issued and are repurchased. The 2025 Convertible Bonds will be converted into 98,135,410 conversion shares.
- (ii) On 20 January 2026, the Group completed the acquisition of Chesir Pearl Minority Interest at the consideration of RMB69,021,350 which is settled by the issue of 9,571,649 new shares at the issue price of HK\$8.01 per share.
- (iii) On 2 February 2026, a wholly-owned subsidiary of the Company, namely Shenzhen Chesir Pearl Technology Co., Ltd ("Shenzhen Chesir") and Tonglu Liuan Equity Investment Partnership (Limited Partnership) ("Hongzun LLP") set up Tonglu Junheng Equity Investment Partnership (Limited Partnership) (the "Junheng LLP") which is a limited partnership established in the PRC. The principal activities of Junheng LLP are investment in equities and other investment activities with registered capital of RMB700 million with 40% from Shenzhen Chesir and 60% from Hongzun LLP. Shenzhen Chesir acts as a general partner for the Junheng LLP and is responsible for the daily operation.

On 6 February 2026, a conditional share transfer agreement has been entered into between (a) Junheng LLP and (b) two major shareholders of Zhejiang Jihua Group Co., Ltd. ("Zhejiang Jihua"), pursuant to which, Junheng LLP has agreed to acquire, subject to the satisfaction of various conditions precedent, from the two major shareholders 202,308,716 ordinary shares of Zhejiang Jihua, representing 29.89% of the number of shares in issue of Zhejiang Jihua at the consideration of RMB1,494.5 million.

For details, please refer to the Company's announcement on 11 February 2026.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five years, as extracted from the published audited financial statements, is set forth below.

RESULTS

	Year ended 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	2,917,235	1,648,763	1,064,055	916,820	669,727
Cost of goods sold	(1,758,881)	(764,105)	(528,035)	(455,151)	(329,661)
Sales related tax and auxiliary charges	(18,211)	(10,999)	(7,691)	(6,334)	(5,443)
Gross profit	1,140,143	873,659	528,329	455,335	334,623
(Loss)/profit before tax	(200,500)	406,292	254,031	274,468	191,107
Income tax expense	(105,858)	(86,020)	(40,746)	(37,958)	(21,991)
(Loss)/profit for the year	(306,358)	320,272	213,285	236,510	169,116
(Loss)/profit attributable to:					
Owners of the Company	(381,254)	242,176	181,578	223,788	162,026
Non-controlling interests	74,896	78,096	31,707	12,722	7,090
	(306,358)	320,272	213,285	236,510	169,116

ASSETS AND LIABILITIES

	As of 31 December				
	2025 RMB'000	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Total assets	14,801,113	7,054,508	5,155,282	3,156,780	2,604,373
Total liabilities	10,327,642	2,701,383	1,070,137	613,544	261,720
	4,473,471	4,353,125	4,085,145	2,543,326	2,342,653
Equity:					
Equity attributable to owners of the Company	3,151,727	3,376,497	3,156,490	2,357,440	2,169,489
Non-controlling interests	1,321,744	976,628	928,655	185,886	173,164
	4,473,471	4,353,125	4,085,145	2,543,326	2,342,653