

Shenzhen Textile (Holdings) Co., Ltd.
Financial Statements and Audit Report
For the year ended December 31, 2025

Shenzhen Textile (Holdings) Co., Ltd.

Financial Statements and Audit Report

For the year ended December 31, 2025

<u>Content</u>	<u>Page</u>
Audit Report	1-4
Consolidated and parent company's balance sheet	5-7
Consolidated and parent company's income statement	8-9
Consolidated and parent company's statement of cash flows	10-11
Consolidated and parent company's statement of changes in shareholders' equity	12-15
Notes to the financial statements	16-108

Audit Report

DSB (S) Z (26) No. P[]

(Page 1 of 4)

All shareholders of Shenzhen Textile (Holdings) Co., Ltd.

I. Audit opinions

We have audited the financial statements of Shenzhen Textile (Holdings) Co., Ltd. (hereinafter referred to as the "Shenzhen Textile"), including the consolidated and parent company's balance sheet as at December 31, 2025, the consolidated and parent company's income statement, consolidated and parent company's statement of cash flows, consolidated and parent company's statement of changes in shareholders' equity and related notes to the financial statements for the year then ended.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the Company as at December 31, 2025 and its operating results and cash flows for the year then ended.

II. Basis for the audit opinion

We have conducted our audit in accordance with the Chinese Auditing Standards for Certified Public Accountants. Our responsibilities under these standards are further described in the "Certified Public Accountant's Responsibilities for the Audit of Financial Statements" section of the audit report. In accordance with the Independence Standard for Chinese Certified Public Accountants No. 1 - Requirements for Independence in Audit and Review of Financial Statement and the Code of Ethics for Chinese Certified Public Accountants, we are independent of Shenzhen Textile and have fulfilled other ethical responsibilities. We have complied with the independence requirements for audits of public interest entities during the audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the financial statements of the current year. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have identified the following matters as key audit matters to be communicated in the audit report.

1. Recognition of revenue from sales of polarizers

As described in the Note (V). 40 to the financial statements, in 2025, the operating revenue of Shenzhen Textile as presented in the consolidated financial statements was RMB 3,241,380,430.62, of which the revenue from sales of polarizers was RMB 3,067,530,570.03, accounting for 94.64% of the total revenue. The revenue from sales of polarizers of Shenzhen Textile is recognized when the customer obtains control of the relevant goods. Due to the importance of revenue from sales of polarizers to the consolidated financial statements as a whole, and the fact that the revenue is one of the key performance indicators of Shenzhen Textile, there is an inherent risk that management may manipulate the revenue recognition, in order to achieve specific goals or expectations. Therefore, we have identified the recognition of revenue from sales of polarizers as a key audit matter in the audit of the consolidated financial statements.

Audit Report - Continued

DSB (S) Z (26) No. P[]

(Page 2 of 4)

III. Key audit matters - Continued

1. Recognition of revenue from sales of polarizers - Continued

In response to the above key audit matters, the audit procedures we performed mainly include:

- Test and evaluate the effectiveness of the operation of internal control related to the sales business of polarizer;
- Check the sales contracts signed with major customers, identify the terms and conditions of the contracts related to the transfer of right of control of the goods, and evaluate whether the accounting policies for recognition of revenue from sales of polarizers meet the requirements of the Accounting Standards for Business Enterprises;
- Execute analytical procedures for the revenue from sales of polarizers by production line, product type and customer respectively, and analyze the rationality of the change in revenue from sales of polarizers in combination with market selling price and other factors;
- Extract samples to perform detail tests on the revenue from sales of polarizers, check the supporting documents such as invoices, delivery orders and receipts related to the recognition of revenue from sales of polarizers, and conduct letter of confirmation on the sales amount of major customers to verify the authenticity of revenue from sales of polarizers;
- Select samples for sales transactions before and after the balance sheet date, check supporting documents such as delivery orders, receipts and invoices, and evaluate whether the revenue from sales of polarizers is recorded in the appropriate accounting period.

Audit Report - Continued

DSB (S) Z (26) No. P[]

(Page 3 of 4)

IV. Other information

The management of Shenzhen Textile is responsible for other information. Other information includes information covered in the 2025 Annual Report of Shenzhen Textile, but excludes the financial statements and our audit report.

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

In connection with our audit of financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with financial statements or our knowledge obtained during 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 the other information, we are required to report that fact. We have nothing to report in this regard.

IV. Responsibilities of the management and those charged with governance for financial statements

The management of Shenzhen Textile is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the management is responsible for assessing the going-concern ability of Shenzhen Textile, disclosing matters related to going concern (if applicable) and applying the going concern basis, unless the management plans to liquidate Shenzhen Textile, terminate its operations or has no other realistic alternative.

Those charged with governance are responsible for overseeing the financial reporting process of Shenzhen Textile.

VI. Responsibilities of certified public accountants for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We have exercised professional judgment and maintained professional skepticism in performing our audit under the auditing standards. At the same time, we also implement the following work:

(1) Identify and assess the risks of material misstatement of the 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.

Audit Report - Continued

DSB (S) Z (26) No. P[]

(Page 4 of 4)

VI. Responsibilities of certified public accountants for the audit of financial statements - Continued

- (2) Understand the internal control related to the audit, so as to design appropriate audit procedures.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Draw conclusions on the appropriateness of the management's use of the going concern basis. At the same time, based on the audit evidence obtained, a conclusion is drawn as to whether there is a material uncertainty in events or circumstances that may give rise to significant doubt about the going-concern ability of Shenzhen Textile. If we conclude that a material uncertainty exists, we are required to, in our audit report, draw attention of the users of statements to the related disclosures in the financial statements; if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or circumstances may cause Shenzhen Textile to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including disclosures), structure and content of the financial statements, and whether the financial statements fairly reflect the relevant transactions and matters.
- (6) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Shenzhen Textile to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and the related safeguards (if applicable).

From the matters communicated with those charged with governance, we have determined which matters are of most significance to the audit of the financial statements in the current year and thus constitute the key audit matters. We describe these matters in the audit report unless laws and regulations prohibit public disclosure of these matters, or in extremely rare circumstances, if it is reasonably expected that the negative consequences of communicating a matter outweigh the benefits to the public interest in the audit report, we determine not to do so.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China

Certified Public Accountant of China

(Engagement partner)

Certified Public Accountant of China

March 26, 2026

Consolidated Balance Sheet
December 31, 2025

Consolidated Balance Sheet

RMB

	Notes	Balance as at the end of the current year	Balance as at the end of the previous year
Current assets:			
Monetary funds	(V). 1	449,964,450.38	340,961,443.82
Financial assets held for trading	(V). 2	736,341,286.18	731,419,904.42
Notes receivable	(V). 3	85,980,246.52	47,305,221.88
Accounts receivable	(V). 4	761,807,949.52	863,731,936.89
Receivables financing	(V). 5	22,584,820.72	6,804,603.68
Advances to suppliers	(V). 6	29,141,210.57	8,176,724.70
Other receivables	(V). 7	4,324,973.02	3,596,543.96
Including: interest receivable		-	-
Dividends receivable		-	-
Inventories	(V). 8	884,642,355.51	789,756,700.88
Other current assets	(V). 9	85,649,096.62	21,461,736.14
Total current assets		3,060,436,389.04	2,813,214,816.37
Non-current assets:			
Long-term equity investments	(V). 10	107,583,586.91	114,828,026.04
Other equity instrument investments	(V). 11	159,261,600.00	165,402,900.00
Investment properties	(V). 12	105,730,781.63	115,993,390.19
Fixed assets	(V). 13	1,657,314,603.81	1,873,552,843.91
Construction in progress	(V). 14	179,954,389.78	5,814,012.03
Right-of-use assets	(V). 15	16,894,843.60	15,338,117.86
Intangible assets	(V). 16	31,224,598.20	35,207,791.95
Goodwill	(V). 17	-	-
Long-term deferred expenses	(V). 18	7,030,847.01	6,084,115.87
Deferred tax assets	(V). 19	55,777,290.89	58,920,511.20
Other non-current assets	(V). 20	37,086,785.90	27,793,871.91
Total non-current assets		2,357,859,327.73	2,418,935,580.96
Total assets		5,418,295,716.77	5,232,150,397.33

Consolidated Balance Sheet - Continued

RMB

	Notes	Balance as at the end of the current year	Balance as at the end of the previous year
Current liabilities:			
Derivative financial liabilities	(V). 22	4,071,800.19	1,278,559.35
Notes payable	(V). 23	-	31,095,540.29
Accounts payable	(V). 24	344,656,835.89	304,812,580.55
Advances from customers	(V). 25	769,227.07	1,051,491.96
Contract liabilities	(V). 26	3,132,419.01	490,562.97
Employee compensation payable	(V). 27	52,647,315.74	56,685,289.92
Taxes payable	(V). 28	5,806,818.55	6,853,730.84
Other payables	(V). 29	159,826,234.73	160,296,989.98
Including: interest payable		-	-
Dividends payable		-	-
Non-current liabilities maturing within one year	(V). 30	65,964,666.28	63,347,555.03
Other current liabilities	(V). 31	88,386,795.27	54,072,022.27
Total current liabilities		725,262,112.73	679,984,323.16
Non-current liabilities:			
Long-term borrowings	(V). 32	261,718,054.81	162,388,870.00
Lease liabilities	(V). 33	10,415,997.17	9,496,564.12
Deferred income	(V). 34	83,469,949.03	96,349,196.26
Deferred tax liabilities	(V). 19	47,064,430.16	48,610,809.66
Total non-current liabilities		402,668,431.17	316,845,440.04
Total liabilities		1,127,930,543.90	996,829,763.20
Shareholders' equity:			
Equity	(V). 35	506,521,849.00	506,521,849.00
Capital reserve	(V). 36	1,961,599,824.63	1,961,599,824.63
Other comprehensive income	(V). 37	102,271,832.32	106,877,807.32
Surplus reserves	(V). 38	106,805,904.93	104,262,315.64
Undistributed profits	(V). 39	302,520,158.30	272,608,113.66
Total equity attributable to shareholders of the parent company		2,979,719,569.18	2,951,869,910.25
Minority interests		1,310,645,603.69	1,283,450,723.88
Total shareholders' equity		4,290,365,172.87	4,235,320,634.13
Total liabilities and shareholders' equity		5,418,295,716.77	5,232,150,397.33

The notes are an integral part of the financial statements

Principal Chief

Finance Officer

Chief Accountant

Shenzhen Textile (Holdings) Co., Ltd.

Balance Sheet of the Parent Company

December 31, 2025

Balance Sheet of the Parent Company

RMB

	Notes	Balance as at the end of the current year	Balance as at the end of the previous year
Current assets:			
Monetary funds		24,473,234.70	13,630,974.26
Financial assets held for trading		736,341,286.18	731,419,904.42
Accounts receivable	(XVI). 1	8,714,374.34	13,028,987.63
Advances to suppliers		149,618.73	99,904.79
Other receivables	(XVI). 2	2,014,545.65	1,534,395.80
Including: interest receivable		-	-
Dividends receivable		-	-
Inventories		46,562.05	39,835.05
Total current assets		771,739,621.65	759,754,001.95
Non-current assets:			
Long-term equity investments	(XVI). 3	2,033,445,567.58	2,040,690,006.71
Other equity instrument investments		146,548,800.00	152,221,200.00
Investment properties		86,463,450.62	94,773,462.23
Fixed assets		1,910,229.22	2,099,585.67
Right-of-use assets		2,498,988.67	-
Intangible assets		48,270.75	83,350.98
Long-term deferred expenses		4,756,358.34	4,448,190.05
Other non-current assets		25,760,086.27	25,860,862.33
Total non-current assets		2,301,431,751.45	2,320,176,657.97
Total assets		3,073,171,373.10	3,079,930,659.92
Current liabilities:			
Accounts payable		194,131.97	411,743.57
Advances from customers		540,673.07	540,673.07
Employee compensation payable		19,879,990.77	17,955,509.70
Taxes payable		4,337,326.82	5,619,509.34
Other payables		93,730,387.66	87,029,351.12
Including: interest payable		-	-
Dividends payable		-	-
Non-current liabilities maturing within one year		478,582.75	-
Total current liabilities		119,161,093.04	111,556,786.80
Non-current liabilities:			
Lease liabilities		2,070,057.60	-
Deferred income		-	100,000.00
Deferred tax liabilities		32,534,099.01	34,086,313.51
Total non-current liabilities		34,604,156.61	34,186,313.51
Total liabilities		153,765,249.65	145,743,100.31
Shareholders' equity:			
Equity		506,521,849.00	506,521,849.00
Capital reserve		1,577,392,975.96	1,577,392,975.96
Other comprehensive income		93,862,232.32	98,116,532.32
Surplus reserves		106,805,904.93	104,262,315.64
Undistributed profits		634,823,161.24	647,893,886.69
Total shareholders' equity		2,919,406,123.45	2,934,187,559.61
Total liabilities and shareholders' equity		3,073,171,373.10	3,079,930,659.92

The notes are an integral part of the financial statements

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated Income Statement

For the year ended December 31, 2025

Consolidated Income Statement

RMB

	Notes	Amount for the current year	Amount for the previous year
I. Operating revenue	(V). 40	3,241,380,430.62	3,335,283,008.68
Less: operating costs	(V). 40	2,756,367,676.81	2,795,859,934.82
Taxes and surcharges	(V). 41	11,543,145.79	10,235,505.65
Selling and distribution expenses	(V). 42	34,660,033.74	42,260,603.47
G&A expenses	(V). 43	128,612,089.80	134,347,821.58
R&D expenses	(V). 44	103,974,839.00	103,811,822.91
Financial expenses	(V). 45	13,239,709.08	12,121,156.05
Including: interest expenses		6,944,766.30	17,858,022.73
Interest income		4,941,271.94	7,272,362.76
Plus: other income	(V). 46	40,845,334.53	41,484,107.53
Investment income (loss)	(V). 47	(1,198,003.94)	(165,313.89)
Including: investment income (losses) in associates and joint ventures		(7,010,989.13)	(10,701,895.08)
Gains from derecognition of financial assets measured at amortized costs		-	-
Gains (losses) from changes in fair value	(V). 48	(936,994.72)	1,134,503.45
Credit loss gains	(V). 49	8,447,592.80	5,100,446.66
Asset impairment gains (losses)	(V). 50	(138,340,722.92)	(132,423,108.75)
Gains from disposal of assets		1,164,099.59	-
II. Operating profit		102,964,241.74	151,776,799.20
Plus: non-operating revenue	(V). 51	6,395,734.45	1,805,086.92
Less: non-operating expenses	(V). 52	940,862.88	698,017.71
III. Total profit		108,419,113.31	152,883,868.41
Less: income tax expenses	(V). 53	12,805,570.48	9,827,102.03
IV. Net profit		95,613,542.83	143,056,766.38
(I) Classified by operating sustainability:			
1. Net profit from continuing operations		95,613,542.83	143,056,766.38
2. Net profit from discontinued operations		-	-
(II) Classified by ownership:			
1. Net profit attributable to shareholders of the parent company		68,418,663.02	89,371,134.24
2. Minority interests		27,194,879.81	53,685,632.14
V. Net of tax of other comprehensive income	(V). 37	(4,605,975.00)	13,270,426.51
Net of tax of other comprehensive income attributable to shareholders of the parent company		(4,605,975.00)	13,270,426.51
(I) Other comprehensive income that cannot be reclassified into profit or loss		(4,605,975.00)	14,560,500.00
1. Changes in re-measurement of defined benefit plans		-	-
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		-	-
3. Changes in fair value of other equity instrument investments		(4,605,975.00)	14,560,500.00
4. Changes in fair value of the enterprise's own credit risk		-	-
(II) Other comprehensive income that will be reclassified into profit or loss		-	(1,290,073.49)
1. Other comprehensive income that can be transferred to profit or loss under the equity method		-	-
2. Changes in fair value of other debt investments		-	-
3. Amount of financial assets reclassified and included in other comprehensive income		-	-
4. Provision for credit impairment of other debt investments		-	-
5. Reserve for cash flows		-	-
6. Differences arising from translation of foreign-currency financial statements		-	(1,290,073.49)
7. Others		-	-
Net of tax of other comprehensive income attributable to minority shareholders		-	-
VI. Total comprehensive income		91,007,567.83	156,327,192.89
Total comprehensive income attributable to shareholders of the parent company		63,812,688.02	102,641,560.75
Total comprehensive income attributable to minority shareholders		27,194,879.81	53,685,632.14
VII. Earnings per share			
Basic earnings per share (RMB/share)		0.14	0.18
Diluted earnings per share (RMB/share)		0.14	0.18

The notes are an integral part of the financial statements

Shenzhen Textile (Holdings) Co., Ltd.

Income Statement of the Parent Company

For the year ended December 31, 2025

Income Statement of the Parent Company

RMB

	Notes	Amount for the current year	Amount for the previous year
I. Operating revenue	(XVI). 4	77,639,760.87	77,167,496.95
Less: operating costs	(XVI). 4	11,627,229.49	10,205,157.84
Taxes and surcharges		3,033,498.02	3,069,369.36
Selling and distribution expenses		85,663.09	476,938.50
G&A expenses		46,236,884.06	46,124,842.97
Financial expenses		161,947.16	(1,179,537.25)
Including: interest expenses		527,112.25	422,950.59
Interest income		399,594.68	1,698,292.14
Plus: other income		150,758.85	164,150.75
Investment income	(XVI). 5	13,965,225.54	12,077,902.81
Including: investment income (losses) in associates and joint ventures		(7,010,989.13)	(10,701,895.08)
Gains from derecognition of financial assets measured at amortized costs		-	-
Gains from changes in fair value		2,425,205.47	2,413,062.80
Credit impairment gains (losses)		66,651.82	(26,291,403.84)
Asset impairment gains (losses)		(564,480.00)	(20,243,658.34)
Gains from disposal of assets		-	-
II. Operating profit (loss)		32,537,900.73	(13,409,220.29)
Plus: non-operating revenue		2,089,299.55	1,124,656.60
Less: non-operating expenses		41,754.58	93,185.54
III. Total profit (loss)		34,585,445.70	(12,377,749.23)
Less: income tax expenses		9,149,552.77	(3,885,606.10)
IV. Net profit (loss)		25,435,892.93	(8,492,143.13)
(I) Net profit (loss) from continuing operations		25,435,892.93	(8,492,143.13)
(II) Net profit from discontinued operations		-	-
V. Net of tax of other comprehensive income		(4,254,300.00)	14,486,701.51
(I) Other comprehensive income that cannot be reclassified into profit or loss		(4,254,300.00)	15,776,775.00
1. Changes in re-measurement of defined benefit plans		-	-
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		-	-
3. Changes in fair value of other equity instrument investments		(4,254,300.00)	15,776,775.00
4. Changes in fair value of the enterprise's own credit risk		-	-
5. Others		-	-
(II) Other comprehensive income that will be reclassified into profit or loss		-	(1,290,073.49)
1. Other comprehensive income that can be transferred to profit or loss under the equity method		-	-
2. Changes in fair value of other debt investments		-	-
3. Amount of financial assets reclassified and included in other comprehensive income		-	-
4. Provision for credit impairment of other debt investments		-	-
5. Reserve for cash flows		-	-
6. Differences arising from translation of foreign-currency financial statements		-	(1,290,073.49)
7. Others		-	-
VI. Total comprehensive income		21,181,592.93	5,994,558.38

The notes are an integral part of the financial statements

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated Statement of Cash Flows

For the year ended December 31, 2025

Consolidated Statement of Cash Flows

RMB

	Notes	Amount for the current year	Amount for the previous year
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		3,308,223,415.70	3,390,788,584.83
Refunds of taxes and surcharges received		13,163,610.09	21,049,133.80
Other cash received related to operating activities	(V). 54(1)	132,944,006.58	87,008,969.95
Sub-total of cash inflows from operating activities		3,454,331,032.37	3,498,846,688.58
Cash paid for purchase of goods and receipt of services		2,705,656,832.58	2,842,864,632.73
Cash paid to and on behalf of employees		254,545,354.48	238,890,310.33
Cash paid for taxes and surcharges		55,145,150.97	32,071,014.09
Other cash paid related to operating activities	(V). 54(1)	91,190,097.08	153,756,206.34
Sub-total of cash outflows from operating activities		3,106,537,435.11	3,267,582,163.49
Net cash flows from operating activities	(V). 55(1)	347,793,597.26	231,264,525.09
II. Cash flows from investing activities:			
Cash received from recovery of investment		-	1,349,489.37
Cash received from investment income		17,323,464.63	11,747,113.36
Net cash received from disposal of fixed assets, intangible assets, and other long-term assets		3,373,824.24	(18.74)
Net cash received from disposal of other long-term assets			
Net cash received from disposal of subsidiaries and other business units		-	-
Other cash received related to investing activities	(V). 54(2)	1,149,136,738.42	1,697,000,000.00
Sub-total of cash inflows from investing activities		1,169,834,027.29	1,710,096,583.99
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		238,969,979.73	29,441,167.62
Cash paid for investments		-	-
Net cash paid to acquire subsidiaries and other business units		-	-
Other cash paid related to investing activities	(V). 54(2)	1,163,389,759.35	1,605,454,000.00
Sub-total of cash outflows from investing activities		1,401,639,235.53	1,634,895,167.62
Net cash flows from the investing activities		(231,805,208.24)	75,201,416.37
III. Cash flows from financing activities:			
Cash received from absorption of investments		-	-
Including: cash received by subsidiaries from absorption of investments of minority shareholders		-	-
Cash received from acquisition of borrowings		141,755,054.19	-
Other cash received related to financing activities		-	-
Sub-total of cash inflows from financing activities		141,755,054.19	-
Cash paid for debt repayments		41,473,530.00	406,216,304.56
Cash paid for distribution of dividends and profits or payment of interests		42,123,749.16	50,633,653.38
Including: dividends and profits paid to minority shareholders by subsidiaries		-	-
Other cash paid related to financing activities	(V). 54(3)	12,484,469.33	9,508,462.57
Sub-total of cash outflows from financing activities		96,081,748.49	466,358,420.51
Net cash flows from financing activities		45,673,305.70	(466,358,420.51)
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		(13,768,475.71)	556,861.07
V. Net increase (decrease) in cash and cash equivalents	(V). 55(1)	147,172,715.46	(159,335,617.98)
Plus: balance of cash and cash equivalents at the beginning of the year	(V). 55(2)	302,084,839.35	461,420,457.33
VI. Balance of cash and cash equivalents at the end of the year	(V). 55(2)	449,257,554.81	302,084,839.35

The notes are an integral part of the financial statements

Shenzhen Textile (Holdings) Co., Ltd.
Statement of Cash Flows of the Parent Company
For the year ended December 31, 2025

Statement of Cash Flows of the Parent Company

RMB

	Notes	Amount for the current year	Amount for the previous year
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		89,344,780.98	80,553,754.68
Refunds of taxes and surcharges received		-	-
Other cash received related to operating activities		4,971,695.97	7,902,075.25
Sub-total of cash inflows from operating activities		94,316,476.95	88,455,829.93
Cash paid for purchase of goods and receipt of services		4,419,294.84	2,842,492.81
Cash paid to and on behalf of employees		40,520,746.74	35,045,305.67
Cash paid for taxes and surcharges		17,342,747.66	13,926,380.37
Other cash paid related to operating activities		10,077,755.49	15,727,708.36
Sub-total of cash outflows from operating activities		72,360,544.73	67,541,887.21
Net cash flows from operating activities		21,955,932.22	20,913,942.72
II. Cash flows from investing activities:			
Cash received from recovery of investment		-	1,554,056.96
Cash received from investment income		16,348,614.11	7,790,814.29
Net cash received from disposal of fixed assets, intangible assets, and other long-term assets		-	-
Net cash received from disposal of other long-term assets		-	-
Net cash received from disposal of subsidiaries and other business units		-	-
Other cash received related to investing activities		1,160,427,138.42	1,373,585,151.73
Sub-total of cash inflows from investing activities		1,176,775,752.53	1,382,930,022.98
Acquisition and construction of fixed assets, intangible assets and other long-term assets		1,242,473.57	2,993,281.20
Cash paid		-	-
Cash paid for investments		-	-
Net cash paid to acquire subsidiaries and other business units		-	-
Other cash paid related to investing activities		1,150,516,500.00	1,363,000,000.00
Sub-total of cash outflows from investing activities		1,151,758,973.57	1,365,993,281.20
Net cash flows from the investing activities		25,016,778.96	16,936,741.78
III. Cash flows from financing activities:			
Cash received from absorption of investments		-	-
Cash received from acquisition of borrowings		-	-
Other cash received related to financing activities		-	-
Sub-total of cash inflows from financing activities		-	-
Cash paid for debt repayments		-	-
Cash paid for distribution of dividends and profits or payment of interests		35,968,738.77	33,346,867.31
Other cash paid related to financing activities		159,356.17	-
Sub-total of cash outflows from financing activities		36,128,094.94	33,346,867.31
Net cash flows from financing activities		(36,128,094.94)	(33,346,867.31)
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		(2,355.80)	1,356.80
V. Net increase in cash equivalents		10,842,260.44	4,505,173.99
Plus: balance of cash and cash equivalents at the beginning of the year		13,630,974.26	9,125,800.27
VI. Balance of cash and cash equivalents at the end of the year		24,473,234.70	13,630,974.26

The notes are an integral part of the financial statements

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated Statement of Changes in Shareholders' Equity
For the year ended December 31, 2025

Consolidated Statement of Changes in Shareholders' Equity

RMB

Item	Amount for the current year						
	Equity attributable to shareholders of the parent company					Minority interests	Total shareholders' equity
	Equity	Capital reserve	Other comprehensive income	Surplus reserves	Undistributed profits		
I. Balance as at the end of the previous year	506,521,849.00	1,961,599,824.63	106,877,807.32	104,262,315.64	272,608,113.66	1,283,450,723.88	4,235,320,634.13
Plus: changes in accounting policies	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Balance at the beginning of the current year	506,521,849.00	1,961,599,824.63	106,877,807.32	104,262,315.64	272,608,113.66	1,283,450,723.88	4,235,320,634.13
III. Increase/decrease in the current year	-	-	(4,605,975.00)	2,543,589.29	29,912,044.64	27,194,879.81	55,044,538.74
(I) Total comprehensive income	-	-	(4,605,975.00)	-	68,418,663.02	27,194,879.81	91,007,567.83
(II) Capital contributed or reduced by shareholders	-	-	-	-	-	-	-
1. Ordinary shares invested by shareholders	-	-	-	-	-	-	-
2. Amount of share-based payments included in shareholders' equity	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	2,543,589.29	(38,506,618.38)	-	(35,963,029.09)
1. Withdrawal of surplus reserves	-	-	-	2,543,589.29	(2,543,589.29)	-	-
2. Profits distributed to shareholders	-	-	-	-	(35,963,029.09)	-	(35,963,029.09)
3. Others	-	-	-	-	-	-	-
(IV) Internal transfer of shareholders' equity	-	-	-	-	-	-	-
1. Conversion of capital reserve into share capital	-	-	-	-	-	-	-
2. Conversion of surplus reserve into share capital	-	-	-	-	-	-	-
3. Surplus reserves offsetting losses	-	-	-	-	-	-	-
4. Transfer of other comprehensive income into retained earnings	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-
1. Withdrawal in the current year	-	-	-	-	-	-	-
2. Use in the current year	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-
IV. Balance as at the end of the current year	506,521,849.00	1,961,599,824.63	102,271,832.32	106,805,904.93	302,520,158.3	1,310,645,603.69	4,290,365,172.87

Shenzhen Textile (Holdings) Co., Ltd.

Consolidated Statement of Changes in Shareholders' Equity - Continued

For the year ended December 31, 2025

Consolidated Statement of Changes in Shareholders' Equity - Continued

RMB

Item	Amount for the previous year						
	Equity attributable to shareholders of the parent company					Minority interests	Total shareholders' equity
	Equity	Capital reserve	Other comprehensive income	Surplus reserves	Undistributed profits		
I. Balance as at the end of the previous year	506,521,849.00	1,961,599,824.63	93,607,380.81	104,262,315.64	216,160,896.14	1,229,765,091.74	4,111,917,357.96
Plus: changes in accounting policies	-	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
II. Balance at the beginning of the current year	506,521,849.00	1,961,599,824.63	93,607,380.81	104,262,315.64	216,160,896.14	1,229,765,091.74	4,111,917,357.96
III. Increase/decrease in the current year	-	-	13,270,426.51	-	56,447,217.52	53,685,632.14	123,403,276.17
(I) Total comprehensive income	-	-	13,270,426.51	-	89,371,134.24	53,685,632.14	156,327,192.89
(II) Capital contributed or reduced by shareholders	-	-	-	-	-	-	-
1. Ordinary shares invested by shareholders	-	-	-	-	-	-	-
2. Amount of share-based payments included in shareholders' equity	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	(32,923,916.72)	-	(32,923,916.72)
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-
2. Profits distributed to shareholders	-	-	-	-	(32,923,916.72)	-	(32,923,916.72)
3. Others	-	-	-	-	-	-	-
(IV) Internal transfer of shareholders' equity	-	-	-	-	-	-	-
1. Conversion of capital reserve into share capital	-	-	-	-	-	-	-
2. Conversion of surplus reserve into share capital	-	-	-	-	-	-	-
3. Surplus reserves offsetting losses	-	-	-	-	-	-	-
4. Transfer of other comprehensive income into retained earnings	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-	-
1. Withdrawal in the current year	-	-	-	-	-	-	-
2. Use in the current year	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-
IV. Balance as at the end of the current year	506,521,849.00	1,961,599,824.63	106,877,807.32	104,262,315.64	272,608,113.66	1,283,450,723.88	4,235,320,634.13

The notes are an integral part of the financial statements

Shenzhen Textile (Holdings) Co., Ltd.

Statement of Changes in Shareholders' Equity of the Parent Company

For the year ended December 31, 2025

Statement of Changes in Shareholders' Equity of the Parent Company

RMB

Item	Amount for the current year					
	Equity	Capital reserve	Other comprehensive income	Surplus reserves	Undistributed profits	Total shareholders' equity
I. Balance as at the end of the previous year	506,521,849.00	1,577,392,975.96	98,116,532.32	104,262,315.64	647,893,886.69	2,934,187,559.61
Plus: changes in accounting policies	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
II. Balance at the beginning of the current year	506,521,849.00	1,577,392,975.96	98,116,532.32	104,262,315.64	647,893,886.69	2,934,187,559.61
III. Increase/decrease in the current year	-	-	(4,254,300.00)	2,543,589.29	(13,070,725.45)	(14,781,436.16)
(I) Total comprehensive income	-	-	(4,254,300.00)	-	25,435,892.93	21,181,592.93
(II) Capital contributed or reduced by shareholders	-	-	-	-	-	-
1. Ordinary shares invested by shareholders	-	-	-	-	-	-
2. Amount of share-based payments included in shareholders' equity	-	-	-	-	-	-
3. Others	-	-	-	-	-	-
(III) Profit distribution	-	-	-	2,543,589.29	(38,506,618.38)	(35,963,029.09)
1. Withdrawal of surplus reserves	-	-	-	2,543,589.29	(2,543,589.29)	-
2. Profits distributed to shareholders	-	-	-	-	(35,963,029.09)	(35,963,029.09)
3. Others	-	-	-	-	-	-
(IV) Internal transfer of shareholders' equity	-	-	-	-	-	-
1. Conversion of capital reserve into share capital	-	-	-	-	-	-
2. Conversion of surplus reserve into share capital	-	-	-	-	-	-
3. Surplus reserves offsetting losses	-	-	-	-	-	-
4. Transfer of other comprehensive income into retained earnings	-	-	-	-	-	-
5. Others	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-
1. Withdrawal in the current year	-	-	-	-	-	-
2. Use in the current year	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-
IV. Balance as at the end of the current year	506,521,849.00	1,577,392,975.96	93,862,232.32	106,805,904.93	634,823,161.24	2,919,406,123.45

Statement of Changes in Shareholders' Equity of the Parent Company - Continued

For the year ended December 31, 2025

Statement of Changes in Shareholders' Equity of the Parent Company - Continued

RMB

Item	Amount for the previous year					
	Equity	Capital reserve	Other comprehensive	Surplus reserves	Undistributed profits	Total shareholders' equity

Shenzhen Textile (Holdings) Co., Ltd.

			income			
I. Balance as at the end of the previous year	506,521,849.00	1,577,392,975.96	83,629,830.81	104,262,315.64	689,309,946.54	2,961,116,917.95
Plus: changes in accounting policies	-	-	-	-	-	-
Correction of prior period errors	-	-	-	-	-	-
Others	-	-	-	-	-	-
II. Balance at the beginning of the current year	506,521,849.00	1,577,392,975.96	83,629,830.81	104,262,315.64	689,309,946.54	2,961,116,917.95
III. Increase/decrease in the current year	-	-	14,486,701.51	-	(41,416,059.85)	(26,929,358.34)
(I) Total comprehensive income	-	-	14,486,701.51	-	(8,492,143.13)	5,994,558.38
(II) Capital contributed or reduced by shareholders	-	-	-	-	-	-
1. Ordinary shares invested by shareholders	-	-	-	-	-	-
2. Amount of share-based payments included in shareholders' equity	-	-	-	-	-	-
3. Others	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	(32,923,916.72)	(32,923,916.72)
1. Withdrawal of surplus reserves	-	-	-	-	-	-
2. Profits distributed to shareholders	-	-	-	-	(32,923,916.72)	(32,923,916.72)
3. Others	-	-	-	-	-	-
(IV) Internal transfer of shareholders' equity	-	-	-	-	-	-
1. Conversion of capital reserve into share capital	-	-	-	-	-	-
2. Conversion of surplus reserve into share capital	-	-	-	-	-	-
3. Surplus reserves offsetting losses	-	-	-	-	-	-
4. Transfer of other comprehensive income into retained earnings	-	-	-	-	-	-
5. Others	-	-	-	-	-	-
(V) Special reserves	-	-	-	-	-	-
1. Withdrawal in the current year	-	-	-	-	-	-
2. Use in the current year	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-
IV. Balance as at the end of the current year	506,521,849.00	1,577,392,975.96	98,116,532.32	104,262,315.64	647,893,886.69	2,934,187,559.61

The notes are an integral part of the financial statements

(I) Basic information of the Company

1. Company profile

Shenzhen Textile (Holdings) Co., Ltd. (hereinafter referred to as "the Company") is a joint stock limited company registered in Guangdong Province. The Company was listed on Shenzhen Stock Exchange in August 1994. The Company has publicly issued RMB ordinary shares (A shares) and domestically listed foreign shares (B shares) to the domestic and foreign public respectively, and listed for trading.

Headquartered in Shenzhen, Guangdong Province, the Company and its subsidiaries (hereinafter referred to as "the Group") are principally engaged in the research and development, production and marketing of polarizers for liquid crystal displays, as well as property management, which are mainly located in the prosperous commercial area of Shenzhen.

2. Approval date of financial statements

The consolidated and parent company's financial statements of the Company were approved by the Board of Directors on March 26, 2026.

(II) Basis for the preparation of financial statements

1. Basis for preparation

The Group implements the Accounting Standards for Business Enterprises and related provisions issued by the Ministry of Finance. In addition, the Group also discloses relevant financial information in accordance with the Rules for the Compilation and Reporting of Information Disclosure by Companies Issuing Securities to the Public No. 15 - General Provisions on Financial Reports (Revised in 2023).

2. Going concern

The Group has evaluated its going-concern ability for 12 months from December 31, 2025 and has not found any matters or circumstances that cast significant doubt on the going-concern ability. Therefore, the financial statements have been prepared on the going concern basis.

3. Accounting basis and valuation principle

The accounting of the Group is based on the accrual basis. Except for certain financial instruments measured at fair value, the financial statements are measured at historical cost. In the event of any asset impairment, a provision for impairment will be made in accordance with relevant provisions.

Under the historical cost measurement, assets are measured at the amount of cash or cash equivalents paid or the fair value of the consideration paid at the time of acquisition. Liabilities are measured at the amount of money or assets actually received for assuming current obligations, or the contract amount of assuming current obligations, or the amount of cash or cash equivalents expected to be paid to repay liabilities in daily activities.

Fair value is the price received from the sale of an asset or paid for the transfer of a liability by a market participant in an orderly transaction occurring on the measurement date. Regardless of whether the fair value is observable or estimated by using valuation techniques, the fair value measured and disclosed in these financial statements is determined on this basis.

(II) Basis for the preparation of financial statements - Continued

3. Accounting basis and valuation principle - Continued

For financial assets where the transaction price is taken as the fair value at initial recognition and valuation techniques involving unobservable input value are used in the subsequent measurement of fair value, the valuation techniques are corrected during the valuation process to make the initial recognition result determined by the valuation techniques equal to the transaction price.

The fair value measurement is divided into three levels based on the observability of the input value of the fair value and the importance of such input value to the fair value measurement as a whole:

- Level 1 input value is the unadjusted quoted price in active markets for identical assets or liabilities that are available on the measurement date.
- Level 2 input value is the directly or indirectly observable input value of the relevant assets or liabilities except for the level 1 input value.
- Level 3 input value is the unobservable input value of the relevant assets or liabilities.

(III) Important accounting policies and accounting estimates

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the Company's consolidated and parent company's financial position as at December 31, 2025, and the consolidated and parent company's operating results, changes in consolidated and parent company's shareholders' equity and consolidated and parent company's cash flows for the year then ended.

2. Accounting period

The Company adopts the Gregorian calendar year for its accounting year, that is, from January 1 to December 31 of each year.

3. Operating cycle

Operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents by the enterprise. The operating cycle of the Company is 12 months.

4. Recording currency

RMB is the currency in the main economic environment in which the Company and its domestic subsidiaries operate. The Company and its domestic subsidiaries adopt RMB as the recording currency. The Company's overseas subsidiaries determine RMB as their recording currency based on the currency in the main economic environment in which they operate. The currency used by the Company in preparing these financial statements is RMB.

(III) Significant accounting policies and accounting estimates - Continued**5. Importance criteria determination method and selection basis**

Item	Importance criteria
Significant accounts receivable with the provision for bad debts made on an individual basis	The individual book balance accounts for more than 0.5% of the total assets
Recovery or reversal amount of provision for bad debts of significant accounts receivable	The individual recovery or reversal amount accounts for more than 10% of the total amount of provision for bad debts recovery or reversal of the corresponding accounts receivable and the amount exceeds RMB 10 million
Advances to suppliers with aging over 1 year and of significant amount	Individual amount accounts for more than 0.5% of total assets
Significant construction in progress project	The balance of a single construction in progress accounts for over 10% of the total balance of construction in progress and the amount is more than RMB 100,000,000.00.
Important accounts payable, advances from customers, contract liabilities and other payables with aging over 1 year	Individual amount accounts for more than 0.5% of total assets
Other cash received related to significant investing activities	The amount exceeds RMB 50 million
Other cash paid related to significant investing activities	The amount exceeds RMB 50 million
Major non-wholly-owned subsidiaries	The total assets, total revenue or total profit of the non-wholly-owned subsidiary account for more than 10% of the amount of the corresponding items in the consolidated financial statements of the Group
Significant joint ventures or associates	The book value of the long-term equity investments of the enterprise at the end of the year accounts for more than 5% of the net assets of the consolidated financial statements of the Group

6. Accounting treatments for business combinations under common control and those not under common control

Business combinations are categorized into those under common control and those not under common control.

6.1 Business combinations under common control

If, before and after the business combination, all parties involved are ultimately controlled by the same party or the same group of parties and such control is not temporary, the combination is considered under common control.

The assets and liabilities obtained in the business combination are measured at their book value as recorded in the consolidated financial statements of the ultimate controller on the combination date. Any difference between the book value of the net assets acquired by the combining party and the book value of the consideration paid is adjusted against the share premium in capital reserve. If the equity premium is insufficient, the difference is adjusted against retained earnings.

All direct expenses incurred for the purpose of the business combination are recognized in current profit or loss as they occur.

6.2 Business combinations not under common control and goodwill

When the entities involved in the combination are not under the ultimate control of the same party or the same group of parties before and after the combination, it is considered a business combination not under common control.

The combination cost refers to the fair value of the assets paid, the liabilities incurred or assumed, and the equity instruments issued by the acquirer to obtain the right of control of the acquiree. Any intermediary fees for business combination, including but not limited to audit, legal, and valuation consulting services, and other related G&A expenses incurred by the acquirer are charged to current profit or loss as they arise.

Any identifiable assets, liabilities, and contingent liabilities of the acquiree that meet the recognition criteria and are obtained by the acquirer in the combination are measured at fair value on the acquisition date.

(III) Significant accounting policies and accounting estimates - Continued

6. Accounting treatments for business combinations under common control and those not under common control - Continued

6.2 Business combinations not under common control and goodwill - Continued

If the combination cost exceeds the acquiree's fair value share of net identifiable assets obtained, this difference is recognized as goodwill and initially measured at cost. If the combination cost is less than the acquiree's fair value share of net identifiable assets obtained, the acquirer shall first reassess the fair values of all identifiable assets, liabilities, and contingent liabilities of the acquiree, as well as the measurement of the combination cost. After reassessment, if the combination cost is still less than acquiree's fair value share of net identifiable assets obtained, the difference is included in current profit or loss.

Goodwill arising from a business combination is presented separately in the consolidated financial statements and is measured at cost less any accumulated provision for impairment.

7. Criteria for determining control and methods for preparing consolidated financial statements

7.1 Criteria for control judgment

Control means that an investor has power over the investee, derives variable returns by participating in the investee's relevant activities, and can use that power to affect the amount of returns. Whenever changes in relevant facts and circumstances alter any element of this definition of control, the Group will reassess the situation.

7.2 Methods of preparing consolidated financial statements

The consolidation scope in the consolidated financial statements is determined on the basis of control.

A subsidiary is consolidated from the date the Group obtains the right of control over it until the date such right is lost.

For subsidiaries that the Group disposes of, operating results and cash flows prior to the disposal date (the date when the loss of control occurs) are appropriately included in the consolidated income statement and consolidated cash flow statement.

For subsidiaries acquired in a business combination not under common control, their operating results and cash flows from the acquisition date (the date when the right of control is obtained) are appropriately included in the consolidated income statement and consolidated cash flow statement.

For subsidiaries acquired in a business combination under common control, regardless of the point in time during the reporting period at which the combination takes place, the subsidiary is deemed to have been under the Group's consolidation scope from the date it came under the ultimate controller. Its operating results and cash flows from the earliest beginning date of the reporting period are appropriately included in the consolidated income statement and consolidated cash flow statement.

The primary accounting policies and reporting periods adopted by the subsidiaries are determined in accordance with the uniform accounting policies and reporting periods set by the Company.

(III) Significant accounting policies and accounting estimates - Continued

7. Criteria for determining control and methods for preparing consolidated financial statements - Continued

7.2 Methods for preparing consolidated financial statements - Continued

Any effects on the consolidated financial statements from intercompany transactions between the Company and its subsidiaries, or among the subsidiaries themselves, are eliminated upon consolidation.

The shares of the subsidiary's ownership interest that are not part of the parent company are shown as minority interests under the item "minority interests" under the item on shareholders' equity in the consolidated balance sheet. The share of the subsidiary's net profit or loss attributable to minority interests is presented in the consolidated income statement under the net profit item as "minority interest income".

If the losses borne by minority shareholders exceed the share of owners' equity they hold at the beginning of the subsidiary's period, the excess continues to be deducted from the minority interests.

Transactions involving the purchase of a subsidiary's minority interests or the partial disposal of a subsidiary's equity investments without losing the right of control are accounted for as equity transactions. The book value of the parent company's owners' equity and the minority interests are adjusted to reflect the changes in their respective ownership in the subsidiary. Any difference between the adjustment to minority interests and the fair value of the consideration paid or received is adjusted against the capital reserve. If the capital reserve is insufficient, the difference is adjusted against retained earnings.

8. Joint venture arrangements

Joint venture arrangements are classified as either joint operations or joint ventures, based on the rights and obligations of the parties—determined by factors such as the arrangement's structure, legal form, and contractual terms. A joint operation is a joint arrangement in which the parties have rights to the related assets and obligations for the related liabilities. A joint operation refers to those joint venture arrangements under which the joint venture is entitled to relevant assets and be responsible for relevant liabilities. A joint venture is a joint venture arrangement in which the parties are entitled only to the arrangement's net assets.

The Group accounts for investments in joint ventures using the equity method. For further details, refer to Note (III), Section 17.3.2, "Long-term equity investments accounted for under the equity method."

9. Criteria for determining cash and cash equivalents

Cash refers to cash on hand and deposits readily available for payment. Cash equivalents refer to short-term (generally maturing within three months from the purchase date), highly liquid investments held by the Group that are easily convertible into known amounts of cash and subject to an insignificant risk of value changes.

10. Foreign currency transactions and translation of foreign currency statements

10.1 Foreign currency transactions

Foreign currency transactions are initially recognized at an exchange rate similar to the spot exchange rate on the date of the transaction, and the exchange rate similar to the spot rate on the date of the transaction is determined in a systematic and reasonable manner.

(III) Significant accounting policies and accounting estimates - Continued

10. Foreign currency transactions and translation of foreign currency statements - Continued

10.1 Foreign currency transactions - Continued

At each balance sheet date, foreign currency monetary items are translated into RMB at the spot rate on that date. Any exchange differences arising from changes in the spot exchange rate (compared to the rate at initial recognition or the previous balance sheet date) are recognized in current profit or loss, except for: (1) exchange differences on foreign-currency-specific borrowings that qualify for capitalization, which are capitalized as part of the cost of the related asset during the capitalization period; (2) exchange differences on hedging instruments used to hedge foreign exchange risk, which are accounted for under hedge accounting; (3) foreign exchange differences arising from changes in the book balance of monetary items classified as measured at fair value through other comprehensive income, except for amortized costs, are recognized in current profit or loss.

When preparing consolidated financial statements involving foreign operations, if a foreign currency monetary item essentially constitutes a net investment in a foreign operation, any exchange differences arising from fluctuation in exchange rate are included under "Exchange differences on translation of foreign currency statements" in other comprehensive income. Upon disposal of the foreign operation, these differences are recognized in profit or loss for the disposal period.

Foreign currency non-monetary items measured at historical cost continue to be measured using the spot exchange rate in recording currency on the transaction date. For foreign currency non-monetary items measured at fair value, the spot exchange rate on the date the fair value is determined is used for translation. Any difference between the translated amount in recording currency and the original currency is treated as a fair value change (including fluctuation in exchange rate) and is recognized in current profit or loss or other comprehensive income, as appropriate.

10.2 Translation of foreign currency financial statements

To prepare consolidated financial statements, foreign-currency financial statements of overseas operations are translated into RMB as follows: all assets and liabilities in the balance sheet are translated at the spot exchange rate on the balance sheet date; shareholders' equity items are translated at the spot exchange rate on the date of occurrence; all items in the income statement and items reflecting profit distribution are translated using an exchange rate approximating the spot exchange rate on the transaction date; any difference between the sum of translated assets and the sum of translated liabilities plus equity items is recognized as other comprehensive income and included in shareholders' equity.

Foreign currency cash flows and the cash flows of overseas subsidiaries are translated using an exchange rate approximating the spot exchange rate on the date of the cash flow. The impact of fluctuation in exchange rate on cash and cash equivalents is presented separately in the statement of cash flows under "Effect of exchange rate changes on cash and cash equivalents".

The figures for the prior year-end and the actual amounts for the previous year are presented according to the amounts translated in the previous year's financial statements.

When the Group disposes of its entire owners' equity in a foreign operation or otherwise loses the right of control over a foreign operation—whether by partially disposing of equity investments or for any other reason—all differences on translation of foreign currency statements related to that foreign operation and presented under shareholders' equity (attributable to the parent company) in the balance sheet are transferred in full to profit or loss for the disposal period.

(III) Significant accounting policies and accounting estimates - Continued

10. Foreign currency transactions and translation of foreign currency statements - Continued

10.2 Translation of foreign currency statements - Continued

When disposing of part of an equity investments or in other circumstances that reduce the Group's ownership interest in an overseas operation without losing the right of control over that operation, any differences on translation of foreign currency statements related to the disposed portion are attributed to minority interests and are not transferred to profit or loss for the current period. When disposing of a portion of equity in an overseas operation that is classified as an associate or a joint venture, the differences on translation of foreign currency statements related to that operation are transferred to profit or loss in the disposal period, in proportion to the percentage of equity disposed.

11. Financial instruments

The Group recognizes a financial asset or financial liability when it becomes a party to the contractual provisions of a financial instrument.

For purchases or sales of financial assets in the ordinary course of business, the Group recognizes the assets to be received and the liabilities to be assumed on the trade date, or derecognizes the assets sold on the trade date.

Financial assets and financial liabilities are measured at fair value upon initial recognition (see Note (II) "Basis of accounting and valuation principles" for details on determining fair value). For financial assets and liabilities measured at fair value through profit or loss, transaction costs are recognized directly in profit or loss for the current period; for other categories of financial assets and liabilities, the relevant transaction costs are included in the initial recognition amount. When the Group initially recognizes accounts receivable that do not include a significant financing component, or when the financing component of a contract not exceeding one year is disregarded under Accounting Standards for Business Enterprises No. 14 - Revenue (hereinafter referred to as "Revenue Standard"), such receivables are initially measured at the transaction price as defined in the Revenue Standard.

The effective interest method is the method used to calculate the amortized cost of a financial asset or liability and to allocate the interest income or interest expenses over the relevant accounting periods.

The effective interest rate is the rate that discounts the estimated future cash flows over the expected life of a financial asset or liability to the financial asset's book balance or the financial liability's amortized cost. In determining the effective interest rate, the Group estimates expected cash flows based on all contractual terms of the financial asset or liability (e.g., early repayment, extension, call options, or other similar options), but does not factor in expected credit losses.

The amortized cost of a financial asset or liability is the initial recognized amount minus any repaid principal, plus or minus the accumulated amortization of the difference between the initial recognized amount and the amount at maturity using the effective interest method, and then minus the accumulated provision for losses (applicable only to financial assets).

(III) Significant accounting policies and accounting estimates - Continued

11. Financial instruments - Continued

11.1 Classification, recognition and measurement of financial assets

After initial recognition, the Group subsequently measures different categories of financial assets at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss.

If the contractual terms of a financial asset stipulate that, on specified dates, cash flows comprise solely payments of principal and interest on the outstanding principal, and the Group's business model for managing this financial asset is to collect the contractual cash flows, the Group classifies this financial asset as measured at amortized cost. Such financial assets mainly include monetary funds, notes receivable, accounts receivable, and other receivables.

If the contractual terms of a financial asset stipulate that, on specified dates, cash flows comprise solely payments of principal and interest on the outstanding principal, and the Group's business model for managing the financial asset is both to collect contractual cash flows and to sell the financial asset, then the Group classifies this asset as measured at fair value through other comprehensive income. Such financial assets with a maturity of more than one year from the date of acquisition are presented as "Other debt investments," while those maturing within one year (inclusive) from the balance sheet date are presented under "Non-current assets due within one year." Accounts receivable and notes receivable classified upon acquisition as measured at fair value through other comprehensive income are presented under "Receivables financing," and any other items acquired with a maturity of one year (inclusive) or less are presented under "Other current assets."

At initial recognition, on an individual financial asset basis, the Group may irrevocably designate a non-trading equity instrument investment, other than any contingent consideration recognized in a business combination not under common control, as measured at fair value through other comprehensive income. Such financial assets are presented as "Other equity instrument investments."

If a financial asset meets any of the following conditions, it indicates that the Group holds this asset for trading purposes:

- The main purpose of acquiring the financial asset is to sell it in the near term.
- Upon initial recognition, the financial asset is part of an identifiable portfolio of financial instruments that is collectively managed, and there is objective evidence of a recent pattern of short-term profit-taking.
- The financial asset is a derivative, except for derivatives that meet the definition of a financial guarantee contract or are designated as effective hedging instruments.

Financial assets measured at fair value through profit or loss include those classified as such and those designated as such:

- Any financial asset that does not meet the classification criteria for measurement at amortized cost or at fair value through other comprehensive income is classified as measured at fair value through profit or loss.
- At initial recognition, to eliminate or significantly reduce accounting mismatches, the Group may irrevocably designate a financial asset as measured at fair value through profit or loss.

(III) Significant accounting policies and accounting estimates - Continued

11. Financial instruments - Continued

11.1 Classification, recognition and measurement of financial assets - Continued

Financial assets measured at fair value through profit or loss are presented under "Financial assets held for trading." Those due in more than one year from the balance sheet date (or with no fixed maturity) and expected to be held for more than one year are presented under "Other non-current financial assets."

11.1.1 Financial assets measured by amortized cost

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method, and any gain or loss arising from impairment or derecognition is recognized in profit or loss.

The Group recognizes interest income on financial assets measured at amortized cost using the effective interest method. For purchased or originated financial assets that are already credit-impaired, the Group determines interest income from the date of initial recognition based on the asset's amortized cost and a credit-adjusted effective interest rate. For all other financial assets, the Group calculates interest income by multiplying the book balance of the asset by the effective interest rate.

11.1.2 Financial assets measured at fair value through other comprehensive income

For a financial asset classified as measured at fair value through other comprehensive income, any impairment loss or gain and interest income calculated using the effective interest method are recognized in profit or loss, while all other fair value changes are recognized in other comprehensive income. The amount recognized in profit or loss each period is the same as if the asset had been measured at amortized cost throughout its life. When such a financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are transferred from other comprehensive income to profit or loss.

For a non-trading equity instrument investment designated as measured at fair value through other comprehensive income, fair value changes are recognized in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are transferred out of other comprehensive income and into retained earnings. During the period the Group holds this non-trading equity instrument investment, if the right to receive dividends is established, the related economic benefits are likely to flow to the Group, and the amount of dividends can be measured reliably, then the Group recognizes dividend income in profit or loss.

11.1.3 Financial assets measured at fair value through the current profit or loss

Financial assets measured at fair value through profit or loss are subsequently measured at fair value; gains or losses arising from fair value changes, as well as any dividend and interest income related to these assets, are recognized in profit or loss.

(III) Significant accounting policies and accounting estimates - Continued

11. Financial instruments - Continued

11.2 Impairment of financial instruments

The Group recognizes impairment allowances and provision for losses based on expected credit losses for financial assets measured at amortized cost, financial assets classified as fair value through other comprehensive income, and lease receivables.

For all notes receivable and accounts receivable arising from transactions governed by the Revenue Standard, as well as operating lease receivables arising from transactions governed by Accounting Standards for Business Enterprises No. 21 - Leases, the Group measures the provision for loss at an amount equal to the lifetime expected credit losses.

For other financial instruments, except for those purchased or originated with credit loss, the Group evaluates changes in credit risk since initial recognition at each balance sheet date. If the credit risk of such a financial instrument has significantly increased since initial recognition, the Group measures the provision for loss at an amount equal to the lifetime expected credit losses; if it has not significantly increased, the Group measures the provision for loss at an amount equal to the 12-month expected credit losses. Except for financial assets classified as fair value through other comprehensive income, any increase or reversal of the provision for credit losses is recognized as an impairment loss or gain in the current period's profit or loss. For financial assets classified as fair value through other comprehensive income, the Group recognizes the provision for credit losses in other comprehensive income and records the impairment loss or gain in profit or loss, without reducing the asset's book value in the balance sheet.

If, in a prior period, the Group measured the provision for loss at an amount equal to the lifetime expected credit losses (due to a significant increase in credit risk since initial recognition), but at the current balance sheet date that significant increase in credit risk no longer applies, then the Group measures the provision for loss at an amount equal to the 12-month expected credit losses. The amount of any resulting reversal is recognized as an impairment gain in profit or loss.

11.2.1 Significant increase in credit risk

The Group uses reasonable and supportable forward-looking information to compare the risk of default on a financial instrument at the balance sheet date with the risk of default at initial recognition, in order to determine whether the credit risk has significantly increased since initial recognition.

(III) Significant accounting policies and accounting estimates - Continued

11. Financial instruments - Continued

11.2 Impairment of financial instruments - Continued

11.2.1 Significant increase in credit risk - Continued

When the Group assesses whether credit risk has increased significantly, it considers the following factors:

- (1) Whether internal price indicators resulting from changes in credit risk have undergone a significant change.
- (2) Whether, if an existing financial instrument is effectively originated or issued as a new financial instrument on the balance sheet date, there is a significant change in the interest rate or other terms of that instrument (e.g., more stringent contractual terms, increased collateral or guarantees, or a higher yield).
- (3) Whether external market indicators of credit risk for the same financial instrument, or similar instruments with the same expected term, have changed significantly. Such indicators include credit spreads, credit default swap (CDS) prices for the borrower, the length of time and extent to which a financial asset's fair value is below its amortized cost, and other market information related to the borrower (e.g., changes in the prices of the borrower's debt or equity instruments).
- (4) Whether the external credit rating of the financial instrument has actually changed or is expected to change significantly.
- (5) Whether there has been a downgrade in the debtor's internal credit rating, either actual or anticipated.
- (6) Whether there has been an adverse change in the debtor's business, financial, or economic conditions that is expected to significantly affect the debtor's ability to meet its debt obligations.
- (7) Whether the debtor's operating performance, whether actual or expected, has changed significantly.
- (8) Whether the credit risk of other financial instruments issued by the same debtor has increased significantly.
- (9) Whether there has been a significantly adverse change in the regulatory, economic, or technological environment in which the debtor operates.
- (10) Whether the value of collateral securing the debt, or the quality of a third-party guarantee or credit enhancement, has changed significantly. Such changes are expected to reduce the debtor's economic incentive to repay under the contractual schedule or affect the probability of default.
- (11) Whether there has been a significant change in factors that would reduce the borrower's economic incentive to repay in accordance with the contractual terms.
- (12) Whether the loan contract is expected to be modified, including the potential release or amendment of contractual obligations due to anticipated breaches of contract, granting interest-free periods, raising interest rates, requiring additional collateral or guarantees, or otherwise modifying the contractual framework of the financial instrument.
- (13) Whether there is a significant change in the debtor's expected performance or repayment behavior.
- (14) Whether the Group's credit management approach for the financial instrument has changed.

Regardless of the outcome of the above assessment, if payments under the financial instrument's contract are more than (or equal to) 30 days past due, it indicates that the financial instrument's credit risk has increased significantly.

On the balance sheet date, if the Group concludes that a financial instrument has only low credit risk, it presumes the credit risk has not increased significantly since initial recognition. A financial instrument is considered to have low credit risk if its risk of default is low, the borrower has a strong capacity to meet its contractual cash flow obligations in the short term, and even over a longer period, adverse changes in economic and operating conditions would not necessarily reduce the borrower's ability to meet those obligations.

(III) Significant accounting policies and accounting estimates - Continued

11. Financial instruments - Continued

11.2 Impairment of financial instruments - Continued

11.2.2 Financial assets with credit loss

When one or more events occur that the Group expects to adversely affect the future cash flows of a financial asset, that asset is considered credit-impaired. Evidence for a credit-impaired financial asset includes the following observable information:

- (1) The debtor breaches a contract, such as default or delinquency in interest or principal payments.
- (2) The debtor breaches the contract, such as default or delay in repayment of interest or principal.
- (3) The creditor gives the debtor concessions under economic or contractual considerations relating to the debtor's financial difficulties that would not have been made under any other circumstances;
- (4) The debtor is highly likely to go bankrupt or undertake other financial restructuring.
- (5) The issuer's or debtor's financial difficulties lead to the disappearance of an active market for the financial asset.
- (6) A financial asset is purchased or originated at a substantial discount, reflecting the fact that a credit loss has occurred.

Based on the Group's internal credit risk management, if internal recommendations or externally obtained information indicates that the debtor of a financial instrument cannot fully repay all creditors, including the Group (regardless of any guarantee obtained by the Group), the Group considers this a default event.

Regardless of the above assessment, if payments under the financial instrument's contract are more than (or equal to) 90 days past due, the Group presumes the instrument is in default.

11.2.3 Determination of expected credit losses

For financial assets and lease receivables, the expected credit loss is the present value of the difference between the contractual cash flows the Group is entitled to receive and the cash flows the Group actually expects to receive.

When measuring the expected credit losses on financial instruments, the Group's method reflects: an unbiased, probability-weighted average determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions, available without undue cost or effort at the balance sheet date.

11.2.4 Write-off of financial assets

If the Group no longer reasonably expects to recover all or part of the contractual cash flows of a financial asset, the Group writes off the book balance of the financial asset directly. This write-off constitutes derecognition of the relevant financial asset.

(III) Significant accounting policies and accounting estimates - Continued

11. Financial instruments - Continued

11.3 Transfer of financial assets

A financial asset is derecognized if one of the following conditions is met: (1) the contractual right to receive cash flows from the financial asset expires; (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the asset have been transferred to the transferee; or (3) the financial asset has been transferred, and although the Group has neither transferred nor retained substantially all the risks and rewards of ownership, it has not retained control over the asset.

If the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but retains control of it, the Group continues to recognize the transferred financial asset to the extent of its continuing involvement, and recognizes a corresponding liability. The Group measures that liability as follows:

- Where the transferred financial asset is measured at amortized cost, the book value of the related liability equals the book value of the asset in which the Group continues to be involved minus the amortized cost of any rights retained by the Group (if the Group retained such rights due to the transfer) and plus the amortized cost of any obligations assumed by the Group (if the Group assumed such obligations due to the transfer). Such liabilities are not designated as financial liabilities measured at fair value through profit or loss.
- Where the transferred financial asset is measured at fair value, the book value of the related liability equals the book value of the asset in which the Group continues to be involved minus the fair value of any rights retained by the Group (if the Group retained such rights due to the transfer) and plus the fair value of any obligations assumed by the Group (if the Group assumed such obligations due to the transfer). The fair values of such rights and obligations are measured on a stand-alone basis.

When the full transfer of a financial asset qualifies for derecognition, the difference between the book value of the transferred financial asset on the derecognition date and the sum of the consideration received and the corresponding portion of the cumulative fair value changes previously recognized in other comprehensive income is recognized in profit or loss. If the transferred asset by the Group is a non-trading equity instrument investment designated as measured at fair value through other comprehensive income, any cumulative gains or losses previously recognized in other comprehensive income are transferred out of other comprehensive income and into retained earnings.

When a partial transfer of a financial asset qualifies for derecognition, the book value of the original asset before transfer is allocated between the portion being derecognized and the portion that continues to be recognized, based on the relative fair values of each portion on the transfer date. The difference between (a) the consideration received for the derecognized portion plus the corresponding portion of the cumulative fair value changes previously recognized in other comprehensive income and (b) the book value of the derecognized portion on the derecognition date is recognized in profit or loss. If the transferred asset by the Group is a non-trading equity instrument investment designated as measured at fair value through other comprehensive income, any cumulative gains or losses previously recognized in other comprehensive income are transferred out of other comprehensive income and into retained earnings.

If a full transfer of a financial asset does not satisfy the derecognition criteria, the Group continues to recognize the entire transferred financial asset and recognizes the consideration received as a liability.

(III) Significant accounting policies and accounting estimates - Continued

11. Financial instruments - Continued

11.4 Classification of financial liabilities and equity instruments

Based on the contractual terms and the economic substance of the issued financial instrument rather than merely its legal form and in conjunction with the definitions of financial liabilities and equity instruments, the Group classifies the financial instrument (or its components) as either a financial liability or an equity instrument at initial recognition.

11.4.1 Classification, recognition and measurement of financial liabilities

Upon initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss or other financial liabilities.

11.4.1.1 Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading (including derivatives classified as financial liabilities) and those designated as measured at fair value through profit or loss. Except for derivative financial liabilities, which are presented separately, financial liabilities measured at fair value through profit or loss are presented as financial liabilities held for trading.

If a financial liability meets any of the following conditions, it indicates that the Group has assumed this liability for trading purposes:

- The primary purpose of assuming the financial liability is to repurchase it in the near term.
- Upon initial recognition, the financial liability is part of an identifiable portfolio of financial instruments that is collectively managed, and there is objective evidence of a recent pattern of short-term profit-taking.
- The financial liability is a derivative, except for derivatives that meet the definition of a financial guarantee contract or are designated as effective hedging instruments.

At initial recognition, if any of the following conditions are met, the Group may designate a financial liability as measured at fair value through profit or loss: (1) the designation can eliminate or significantly reduce accounting mismatches; (2) under the Group's formally documented risk management or investment strategy, portfolios of financial liabilities or combined portfolios of financial assets and liabilities are managed and evaluated on a fair value basis, and this is reported internally to key officers; or (3) it is part of an eligible hybrid contract containing an embedded derivative.

Financial liabilities held for trading are subsequently measured at fair value, with any gains or losses arising from fair value changes, along with dividends or interest expenses related to these liabilities, recognized in profit or loss.

(III) Significant accounting policies and accounting estimates - Continued

11. Financial instruments - Continued

11.4 Classification of financial liabilities and equity instruments - Continued

11.4.1 Classification, recognition and measurement of financial liabilities - Continued

11.4.1.1 Financial liabilities measured at fair value through profit or loss - Continued

For a financial liability designated as measured at fair value through profit or loss, the portion of the fair value change attributable to the Group's own credit risk is recognized in other comprehensive income, while other changes in fair value are recognized in profit or loss. When the financial liability is derecognized, the accumulated fair value change attributable to changes in the Group's own credit risk that was previously recorded in other comprehensive income is transferred to retained earnings. Any dividends or interest expenses related to such financial liabilities are recognized in profit or loss. If treating the effect of changes in the liability's own credit risk in this manner creates or enlarges an accounting mismatch in profit or loss, the Group recognizes all gains or losses on the liability (including those related to changes in its own credit risk) in profit or loss.

11.4.1.2 Other financial liabilities

Except for financial liabilities arising from the transfer of financial assets that do not meet derecognition criteria, or where the Group continues to be involved in transferred financial assets, other financial liabilities are classified as financial liabilities measured at amortized cost. They are subsequently measured at amortized cost, and any gains or losses from derecognition or amortization are recognized in profit or loss.

If the Group modifies or renegotiates a contract with a counterparty, and it does not result in the derecognition of a financial liability subsequently measured at amortized cost but leads to changes in the contractual cash flows, the Group recalculates the book value of the financial liability and recognizes any related gain or loss in profit or loss. For recalculated book value, the Group shall determine it by discounting the renegotiated or modified contractual cash flows at the original effective interest rate of the financial liability. For any costs or fees incurred as a result of modifying or renegotiating the contract, the Group shall adjust the book value of the modified financial liability and amortize them over the remaining term thereof.

11.4.2 Derecognition of financial liabilities

If the present obligation of a financial liability is fully or partially discharged, the liability (or the discharged portion) is derecognized. If the Group (as borrower) signs an agreement with a lender to replace the original financial liability with a new one, and the terms of the new liability differ substantially from those of the original liability, the Group derecognizes the original liability and recognizes the new one.

When a financial liability is fully or partially derecognized, the difference between the book value of the derecognized portion and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) is recognized in profit or loss for the current period.

(III) Significant accounting policies and accounting estimates - Continued

11. Financial instruments - Continued

11.4 Classification of financial liabilities and equity instruments - Continued

11.4.3 Equity instruments

An equity instrument is a contract that evidences a residual interest in the Group's assets after deducting all liabilities. The Group treats the issuance (including refinancing), repurchase, sale, or cancellation of its equity instruments as changes in equity. The Group does not recognize fair value changes in equity instruments. Transaction costs directly attributable to equity transactions are deducted from equity.

The Group's distributions made to holders of equity instruments are treated as profit distribution, and any issued stock dividends do not affect the total shareholders' equity.

11.5 Derivatives

Derivatives, including forward foreign exchange contracts, are initially measured at fair value on the contract date and subsequently measured at fair value.

11.6 Offsetting financial assets and financial liabilities

When the Group has a legal right to offset recognized financial assets and liabilities, and that right is currently enforceable, and the Group intends to settle on a net basis or to realize the asset and settle the liability simultaneously, the financial assets and liabilities are presented on the balance sheet at the net amount. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet without offset.

12. Notes receivable

12.1 Method for determining expected credit losses on notes receivable and the related accounting treatments

For notes receivable with significantly increased credit risk, such as those past due and not accepted or where there is clear evidence that the acceptor is likely unable to fulfill its acceptance obligation, the Group evaluates credit losses on an individual basis. Other notes receivable are evaluated based on their credit risk characteristics as a group.

Any increase or reversal of the provision for expected credit losses on notes receivable is recognized as a credit loss or gain in profit or loss.

12.2 Combination categories and basis for determining provision for credit losses according to credit risk characteristic combination

Apart from those notes receivable whose credit losses are determined on an individual basis, the Group classifies the remaining notes receivable into different groups based on shared credit risk characteristics:

Combination category	Determination basis
Combination 1	Bank acceptance bills
Combination 2	Commercial acceptance bills

(III) Significant accounting policies and accounting estimates - Continued

13. Accounts receivable

13.1 Method for determining expected credit losses on accounts receivable and the related accounting treatments

The Group uses an impairment matrix at the group level to determine expected credit losses for accounts receivable. Any increase or reversal of the provision for expected credit losses of accounts receivable is recognized as a credit loss or gain in profit or loss.

13.2 Combination categories and basis for determining provision for credit losses according to credit risk characteristic combination.

The Group classifies accounts receivable into Combination 1 and Combination 2 based on the credit risk characteristics of counterparties under different business segments. Combination 1 refers to accounts receivable arising from the polarizer business revenue, where provisions for credit losses are made based on overdue aging relative to the credit term. Combination 2 refers to accounts receivable arising from property leasing and other business revenue, where provisions for credit losses are made based on natural aging.

13.3 Calculation method of aging for credit risk characteristics portfolio recognized by aging

The Group uses both the natural aging of accounts receivable and the overdue aging relative to the credit term as credit risk characteristics, applying an impairment matrix to determine expected credit losses. Natural aging is calculated starting from the date of initial recognition of the accounts receivable, while overdue aging begins once the natural aging exceeds the credit term granted to the customer. If the terms and conditions of an accounts receivable are modified but do not lead to derecognition, the aging continues to accumulate.

13.4 Criteria for individual assessment of provision for credit losses

The Group individually determines credit losses for accounts receivable where there is evidence of a significant increase in credit risk.

14. Receivables financing

14.1 Method for determining expected credit losses on receivables financing and the related accounting treatments

The Group determines credit losses for receivables financing on an individual-asset basis. The Group recognizes the provision for credit losses for receivables financing in other comprehensive income and records any credit loss or gain in profit or loss, without reducing the book value presented in the balance sheet.

14.2 Criteria for individual assessment of provision for credit losses

Based on the credit status of the accepting bank for bank acceptance bills, the Group individually assesses and determines credit losses for receivables financing.

(III) Significant accounting policies and accounting estimates - Continued

15. Other receivables

15.1 Method for determining expected credit losses on other receivables and the related accounting treatments

The Group determines credit losses for other receivables on a group basis. Any increase or reversal of the provision for expected credit losses on other receivables is recognized as a credit loss or gain in profit or loss.

15.2 Combination categories and basis for determining provision for credit losses according to credit risk characteristic combination

The Group divides other receivables into different combinations based on common credit risk characteristics. Common credit risk characteristics used by the Group include initial recognition date, remaining contract term, and length of overdue period.

15.3 Method for calculating aging when determining credit risk characteristic combination

The aging is calculated from the date of initial recognition. If the terms and conditions of other receivables are modified but do not lead to derecognition, the aging continues to accumulate.

16. Inventories

16.1 Types of inventories, methods of costing for issuance, inventory system, and methods for amortizing low-value consumables and packaging materials

16.1.1 Types of inventories

The Group's inventories mainly include raw materials, work in progress, finished products, and materials processed on consignment. Inventories are initially measured at cost, which includes purchase costs, processing costs, and other expenditures incurred to bring the inventories to their current location and condition.

16.1.2 Method of costing for issued inventories

When inventories are issued, the actual cost is determined using the weighted average method.

16.1.3 Inventory system

The Group uses a perpetual inventory system.

16.1.4 Amortization methods for low-value consumables and packaging materials

Low-value consumables and packaging materials are amortized using the straight-line method or are written off in full at once.

(III) Significant accounting policies and accounting estimates - Continued

16. Inventories - Continued

16.2 Criteria for recognizing and methods for making provision for inventory depreciation

On the balance sheet date, inventories are measured at the lower of cost and net realizable value. If net realizable value is lower than cost, a provision for inventory depreciation is made.

Net realizable value is the estimated selling price of inventories in the ordinary course of business, less the estimated costs to complete, the estimated selling and distribution expenses, and related taxes. When determining the net realizable value of inventories, the Group uses conclusive evidence while considering the purpose of holding the inventories and the impact of events after the balance sheet date.

After the provisions for the inventory depreciation are made, the factors causing any write-down of inventory value have disappeared, leading to the net realizable values of inventories higher than its book value, the amount of write-down shall be resumed and be reversed from the original provision for inventory devaluation with the reversal being included in current profit or loss.

Generally, provisions for inventory depreciation are made on an item-by-item basis.

17. Long-term equity investments

17.1 Criteria for determining common control and significant influence

Control means that an investor has power over the investee, derives variable returns by participating in the investee's relevant activities, and can use that power to affect the amount of returns. Common control refers to shared control over an arrangement under relevant agreements, where decisions about the arrangement's relevant activities require the unanimous consent of the parties sharing the right of control. Significant influence refers to the power to participate in decisions on an investee's financial and operating policies, but not to control or commonly control the formation of those policies. When determining whether the investor can exercise control or significant influence over the investee, the potential voting rights arising from convertible corporate bonds or exercisable warrants currently held by the investor or other parties are taken into account.

17.2 Determination of initial investment cost

For a long-term equity investment acquired in a business combination under common control, the initial investment cost is determined on the combination date based on the share of the book value of the acquiree's owners' equity in the ultimate controller's consolidated financial statements. Any difference between the initial investment cost of the long-term equity investment and the book value of the cash paid, non-cash assets transferred, or liabilities assumed is adjusted against capital reserve. If the capital reserve is insufficient, the difference is adjusted against retained earnings. Where equity securities are issued as consideration for the combination, on the combination date, the initial investment cost of the long-term equity investment is determined based on the share of the book value of the acquiree's owners' equity in the ultimate controller's consolidated financial statements. The total par value of the issued shares is recognized as share capital, and any difference between the initial investment cost and the total par value of the shares issued is adjusted against capital reserve. If the capital reserve is insufficient, the difference is adjusted against retained earnings.

(III) Significant accounting policies and accounting estimates - Continued

17. Long-term equity investments - Continued

17.2 Determination of initial investment cost - Continued

For a long-term equity investment acquired in a business combination not under common control, on the acquisition date the initial investment cost is determined based on the combination cost.

Audit, legal, valuation, consulting, and other related G&A expenses incurred by the acquirer or purchaser for the business combination are recognized in profit or loss when they occur.

Long-term equity investments obtained through methods other than a business combination are initially measured at cost. Where an investor gains significant influence or common control but not control over an investee through additional investment, the cost of the long-term equity investment is the sum of the fair value of the previously held equity investment (as determined in accordance with Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments) and the new investment cost.

17.3 Subsequent measurement and recognition method of profit or loss

17.3.1 Long-term equity investments accounted for under the cost method

In the parent company's financial statements, long-term equity investments in subsidiaries are measured using the cost method. A subsidiary is an investee over which the Group can exercise control.

Under the cost method, long-term equity investments are measured at their initial investment cost. Any additional investment or capital recovery adjusts the cost of the long-term equity investment. Current investment income is recognized based on the amount of cash dividends or profits declared and distributed by the investee.

17.3.2 Long-term equity investments measured using the equity method

The Group applies the equity method to its investments in associates and joint ventures. An associate is an investee over which the Group has significant influence, and a joint venture is a joint venture arrangement under which the Group has rights to the net assets of the arrangement.

Under the equity method, if the initial investment cost of the long-term equity investment exceeds the share of the fair value of the investee's identifiable net assets at the time of investment, the initial investment cost is not adjusted. If the initial investment cost is less than the share of the fair value of the investee's identifiable net assets at the time of investment, the difference is recognized in current profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

(III) Significant accounting policies and accounting estimates - Continued

17. Long-term equity investments - Continued

17.3 Subsequent measurement and recognition method of profit or loss - Continued

17.3.2 Long-term equity investments measured using the equity method - Continued

When the equity method is adopted for accounting, the Group, based on its attributable share of the net profit or loss and other comprehensive income realized by the investee, respectively recognize the investment income and other comprehensive income, and simultaneously adjust the book value of the long-term equity investment. COOEC shall calculate the shares according to profits or cash dividends declared by the investee and correspondingly reduce the book value of long-term equity investments; as to any change in owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the Group shall adjust the book value of the long-term equity investment and include such change in capital reserves. When recognizing the attributable share of net profit or loss of the investee, the Group shall, based on the fair value of identifiable net asset of the investee when it obtains the investment, recognize the net profits of the investee after adjustment. If accounting policies and accounting periods adopted by the investee are inconsistent with those of the Company, the financial statements of the investee shall be adjusted according to the accounting policies and accounting periods of the Company and investment income and other comprehensive income etc. shall be recognized on such basis. For transactions between the Group and associates and joint ventures, if the invested or sold assets do not constitute business, the unrealized profit or loss from internal transactions will be offset at the part attributable to the Group and the investment profit or loss will be recognized on that basis. However, the unrealized losses from internal transactions between the Group and any investee shall not be offset if they belong to the losses from the impairment of the transferred assets.

When recognizing the net losses occurred in the investee that shall be shared, the reduction value of book value of long-term equity investments and other long-term equities that constitute net investments in the investee will be the limit until it becomes zero. In addition, if the Group has the obligation to assume extra-amount losses for the investee, the estimated liabilities are recognized according to the estimated obligations and included in the current investment losses. Where the investee realizes net profits in the subsequent period, the Group shall restore the income shared after making up for unrecognized losses undertaken by such income.

17.4 Disposal of long-term equity investments

When a long-term equity investment is disposed of, the difference between its book value and the actual proceeds is recognized in current profit or loss. If a long-term equity investment has been accounted for using the equity method and the remaining equity after disposal is still accounted for using the equity method, any other comprehensive income previously recognized under the equity method is treated on the same basis as if the investee had directly disposed of the related assets or liabilities, and is transferred proportionately. Any other changes in owners' equity of the investee, other than net profit or loss, other comprehensive income, and profit distribution, which were previously recognized, are transferred proportionately to the current profit or loss. If a long-term equity investment is accounted for using the cost method and the remaining equity after disposal continues to be accounted for using the cost method, any other comprehensive income recognized before the Group gained control, under either the equity method or the accounting standards for recognizing and measuring financial instruments, is treated on the same basis as if the investee had directly disposed of the related assets or liabilities, and is transferred proportionately. Other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution in net asset of the investee accounted for and recognized by using the equity method shall be carried forward to the current profit or loss.

(III) Significant accounting policies and accounting estimates - Continued

17. Long-term equity investments - Continued

17.4 Disposal of long-term equity investments - Continued

Where the Group loses the control over the investee due to the disposal of part of the equity investments, when it prepares separate financial statements, the remaining equity after disposal that can commonly control or have significant influence on the investee will be measured under the equity method, and the remaining equity shall be deemed to have been adjusted under the equity method on acquisition. If the remaining equity after disposal can not exercise common control or significant influence on the investee, such equity will be changed to be accounted for according to recognition and measurement standards of financial instruments and the difference between fair value and book value on the date of loss of the control shall be included in the current profit or loss. For other comprehensive income recognized by using the equity method or financial instruments recognition and measurement standards before the Group obtains the control over the investee, accounting treatment shall be made on the same basis as that for direct disposal of relevant assets or liabilities by the investee when the Group loses the control over the investee. Other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution in net asset of the investee recognized by using the equity method shall be carried forward to the current profit or loss when the control over the investee is lost. Where the remaining equities after disposal are accounted for under the equity method, the other comprehensive income and other owners' equity shall be carried forward in proportion. If the remaining equity after disposal is changed to be accounted for according to the recognition and measurement standards of the financial instruments, the other comprehensive income and other owner's equity shall be fully carried forward.

In case the common control or significant influence over the investee is lost for disposing part of equity investments, the remaining equity will be changed to be accounted for according to the recognition and measurement principles of financial instruments. The difference between the fair value and the book value on the date of the loss of common control or significant influence shall be included in the current profit or loss. Any other comprehensive income previously recognized under the equity method for the original equity investment is accounted for on the same basis as if the investee had directly disposed of related assets or liabilities once the equity method ceases to apply. All other changes in owners' equity recognized due to factors other than net profit or loss, other comprehensive income, and profit distribution of the investee are transferred in full to current investment income when the equity method is no longer applied.

Where the Group disposes of equity investments in subsidiaries through multiple transactions and by stages until loss of control, if the above transactions belong to a package of transactions, accounting treatment shall be made on the transactions as a transaction to dispose equity investments of subsidiaries and lose the control. The difference between each disposal cost and the book value of long-term equity investments corresponding to disposed equities before the loss of control shall be firstly recognized as other comprehensive income and then transferred into the current profit or loss at the loss of control.

18. Investment properties

Investment property refers to property held to earn rentals or for capital appreciation, or both, and includes leased land use rights and leased buildings.

Investment property is initially measured at cost. Subsequent expenses related to the investment property, if the economic benefits related to the asset are likely to flow in and the cost can be measured reliably, shall be included in the cost of the investment property. Other subsequent expenses shall be included in the current profit or loss when incurred.

(III) Significant accounting policies and accounting estimates - Continued**18. Investment properties - Continued**

The Group uses the cost model for subsequent measurement of investment property and provides for depreciation on a straight-line basis over its service life. The depreciation method, useful life, estimated residual value, and annual depreciation rates for each category of investment property are as follows:

Type	Depreciation method	Depreciation life (years)	Residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	Straight-line method	10-40	0.00-4.00	2.40-10.00

When an investment property is being disposed of or permanently withdraws from use without any economic benefits expected from the disposal, the investment property shall be derecognized.

The difference between the disposal proceeds of an investment property (through sale, transfer, retirement, or damage) and its book value, net of related taxes and fees, is recognized in current profit or loss.

19. Fixed assets19.1 Recognition conditions

Fixed assets refer to tangible assets held for the purpose of producing goods, providing services, renting or operating management, with a service life exceeding one fiscal year. Fixed assets will only be recognized when the economic benefits associated with such assets are likely to flow into the Group and the cost can be measured reliably. A fixed asset is initially measured at cost.

For the subsequent expenses related to the fixed assets, if the economic benefits related to the fixed assets are likely to flow in and the cost can be measured reliably, they shall be included in the cost of the fixed assets, and the book value of the replaced part shall be derecognized. Other subsequent expenses shall be included into the current profit or loss when incurred.

19.2 Depreciation method

From the month following the date a fixed asset is in working condition for intended use, the Group depreciates the asset on a straight-line basis over its service life. The depreciation method, service year, estimated residual value, and annual depreciation rates for each category of fixed assets are as follows:

Type	Depreciation method	Depreciation life (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and constructions	Straight-line method	10-40	0.00-4.00	2.40-10.00
Machinery equipment	Straight-line method	10-14	4.00	6.86-9.60
Transportation equipment	Straight-line method	8	4.00	12.00
Electronic equipment and others	Straight-line method	5	4.00	19.20

Estimated net residual value refers to the amount obtained by the Group from the disposal of the fixed assets at present after deducting the estimated disposal expenses, assuming that the estimated service life of the fixed asset has expired and the fixed asset is in the expected state at the end of its service life.

(III) Significant accounting policies and accounting estimates - Continued**19. Fixed assets - Continued****19.3 Other explanations**

When the fixed assets are disposed of or it is expected that no economic benefits can be generated through use or disposal, the fixed assets shall be derecognized. The difference of the revenue from disposal of fixed assets such as sales, transfer, retirement or damage deducting their book value and related taxes shall be included into the current profit or loss.

The Group will review service life, estimated net residual value and depreciation methods of the fixed assets at the end of each year. Changes, if any, shall be handled as changes in accounting estimates.

20. Construction in progress

The construction in progress is measured at actual cost, which includes various project expenditures incurred during the construction period, capitalized borrowing costs before the project reaches working condition for intended use, and other related costs. No depreciation is made for construction in progress.

The construction in progress shall be carried forward to the fixed assets after it reaches the working condition for intended use. The criteria and timing for the conversion of various types of construction in progress into fixed assets are as follows:

Type	Criteria for conversion to fixed assets	Time point of conversion into fixed assets
Installation of machinery equipment	The machinery equipment shall be carried forward to the fixed assets when it has been accepted and the following conditions are met: (1) The machinery equipment and its supporting facilities have been installed; (2) After commissioning, the machinery equipment can maintain normal and stable operation or produce qualified products for a period of time.	Reach working condition for intended use

21. Borrowing costs

The capitalization of the borrowing costs that can be directly attributable to the acquisition, construction or production of assets that meet the capitalization conditions will start when the asset expenditure has incurred, the borrowing costs have incurred, and the acquisition, construction or production activities necessary for the asset to reach the intended usable or salable state have begun; the capitalization shall be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their working condition for intended use or sales condition. The remaining borrowing costs are recognized as expenses on occurrence.

For specialized borrowings, the capitalization amount is based on the actual interest expenses incurred in the current period, after deducting the interest income earned from unused borrowing funds deposited in the bank or investment income earned from temporary investments; general borrowings shall be determined by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings, and on this basis, the capitalization amount is determined. The capitalization rate is calculated and recognized as per the weighted average interest rate of general borrowing.

(III) Significant accounting policies and accounting estimates - Continued**22. Intangible assets****22.1 Service life and its basis for determination, estimate, amortization method or review procedure**

Intangible assets include land use right, software and patent rights, etc.

The intangible assets shall be initially measured at the costs. For intangible assets with limited service life, the original value shall be evenly amortized by straight-line method within the expected service life from the time when they are available for use. The intangible assets with uncertain service life shall not be amortized. The amortization method, service life and residual value rate of various intangible assets are as follows:

Type	Amortization method	Service life (year) and basis of determination	Residual value rate (%)
Land use rights	Straight-line method	50 (Determine the service life based on the statutory service life)	-
Software	Straight-line method	5 (Determine the service life based on the period expected to bring economic benefits)	-
Patent right	Straight-line method	15 (Determine the service life based on the period expected to bring economic benefits)	-

At the end of the period, the service life and amortization method of intangible assets with limited service life shall be reviewed and adjusted if necessary.

22.2 The collection scope and related accounting treatments for research expenditures

The expenditures in research phase will be included in current profit or loss on occurrence.

Expenditures in the development stage will be recognized as intangible assets only when the following conditions are simultaneously satisfied, and included in current profit or loss if the following conditions are not satisfied:

- (1) It is technically feasible to complete the intangible assets so that it can be used or sold;
- (2) It has the intention to complete the intangible assets and use or sell them;
- (3) The manner in which an intangible asset generates economic benefits includes the ability to prove that there is a market for the products produced through the use of this intangible asset or a market for the intangible asset itself. In the case that the intangible asset will be used internally, its usefulness shall be proven.
- (4) With the support of sufficient technology, financial resources and other resources, it is able to complete the development of the intangible assets, and it is able to use or sell the intangible assets;
- (5) The expenditures attributable to the intangible assets in the development stage can be measured reliably.

Where the research expenditures and the development expenditures are indistinguishable, the COOEC shall include research expenditures and development expenditures incurred in current profit or loss. The cost of the intangible assets formed by internal development activities only includes the total expenditure incurred from the time when the capitalization conditions are met to the time when the intangible assets reach the intended use. The expenses recognized in profit or loss before meeting the capitalization conditions during the development for the same intangible asset will not be adjusted.

The scope of R&D expenditure includes wages, salaries, and welfare expenses of personnel directly engaged in R&D activities, materials, fuel and power costs directly consumed in R&D activities, and depreciation expenses of instruments and equipment for R&D activities, etc.

(III) Significant accounting policies and accounting estimates - Continued

23. Impairment of long-term assets

On each balance sheet date, the Group checks whether there is any indication that long-term equity investments, investment properties measured by the cost model, fixed assets, construction in progress, right-of-use assets and intangible assets with a definite service life may have impairment. If there are indications of impairment of such assets, the recoverable amount shall be estimated. Intangible assets with indefinite service life and intangible assets that have not yet reached a usable state are subject to impairment testing every year regardless of whether there are indications of impairment.

The recoverable amount of the estimated asset is based on a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined on the basis of the asset group to which the asset belongs. The recoverable amount is the higher of the net amount obtained by deducting the disposal expenses from the fair value of an asset or an asset group and the present value of its expected future cash flows.

If the recoverable amount of the asset is lower than its book value, the provision for asset impairment shall be made at the difference and included in the current profit or loss.

The goodwill shall be tested for impairment at least at the end of each year. The impairment test of goodwill shall be carried out in combination with the asset group or combination of asset groups related to it. That is, from the acquisition date, the book value of goodwill shall be allocated using a reasonable method to the asset group or portfolio of asset groups that benefit from the synergies of the business combination. If the recoverable amount of the asset group or group of asset groups including the allocated goodwill is lower than its book value, the corresponding impairment losses shall be recognized. Amount of impairment losses shall be firstly used to deduct the book value of goodwill allocated to the asset group or portfolio of asset groups, and then deduct book value of other assets according to the proportion of the book values of other assets (except for goodwill) in the asset group or portfolio of asset groups.

The above losses from assets impairment will not be reversed in subsequent accounting periods once recognized.

24. Long-term deferred expenses

Long-term deferred expenses refer to the expenses which have been already incurred but will be borne in the current period and in the future with an amortization period of over 1 year. Long-term deferred expenses are amortized evenly over the expected benefit period.

25. Contract liabilities

Contract liabilities refer to the obligation of the Group to transfer goods or services to customers for consideration received or receivable from customers. Contract assets and contract liabilities under the same contract are presented by their net amounts.

26. Employee remuneration

26.1 Accounting treatments for short-term compensation

During the accounting period when employees provide services for the Group, the Group recognizes the short-term compensation actually incurred as liabilities and includes it in the current profit or loss or related asset costs. The employee welfare expenses incurred by the Group shall be included in the current profit or loss or related asset costs according to the actual amount incurred. If the employee benefits are non-monetary benefits, they shall be measured at fair value.

(III) Significant accounting policies and accounting estimates - Continued

26. Employee compensation - Continued

26.1 Accounting treatments for short-term compensation - Continued

For the medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums and other social insurance premiums and housing provident funds paid by the Group for employees, as well as the labor union funds and employee education expenses withdrawn by the Group in accordance with the provisions, the corresponding employee compensation amount shall be calculated and determined according to the prescribed accrual basis and accrual ratio during the accounting period when employees provide services for the Group, and the corresponding liabilities shall be recognized and included in the current profit or loss or related asset costs.

26.2 Accounting treatments for post-employment benefits

Post-employment benefits are all defined contribution plans.

During the accounting period when employees provide services for the Group, the Group recognizes the amount payable calculated according to the defined contribution plans as a liability and includes it in the current profit or loss or related asset costs.

26.3 Accounting treatments for dismissal benefits

When the Group provides dismissal benefits to employees, the employee compensation liability arising from the dismissal benefits shall be recognized at the earlier of the following dates and included in the current profit or loss: when the Group cannot unilaterally withdraw the dismissal benefits provided due to the termination of labor relationship plan or the layoff proposal; when the Group recognizes the costs or expenses related to the restructuring involving the payment of dismissal benefits.

27. Estimated liabilities

When the obligation related to the contingency such as product quality guarantee is a current obligation of the Group, and the performance of such obligation is likely to result in the outflow of economic benefits, and the amount of such obligation can be measured reliably, it is recognized as estimated liabilities.

On the balance sheet date, by considering the risks, uncertainty and time value of money and other factors related to contingency, the estimated liabilities will be measured according to the best estimate of the required expenditures for performance of relevant present obligation. If the time value of money is significant, the best estimate shall be determined by the amount discounted by the estimated future cash flows.

28. Revenue

28.1 Accounting policies adopted for revenue recognition and measurement disclosed by business type

When the Group has fulfilled its performance obligations under the contract, that is, when the customer obtains right of control of the relevant goods or services, the revenue is recognized based on the transaction prices allocated to the specific performance obligation. Performance obligations refer to the contractual commitments in which the Group transfers clearly distinguishable goods or services to the customers.

(III) Significant accounting policies and accounting estimates - Continued

28. Revenue - Continued

28.1 Accounting policies adopted for revenue recognition and measurement disclosed by business type - Continued

The Group evaluates the contract on the contract commencement date, identifies each individual performance obligation contained in the contract, and determines whether each individual performance obligation is performed within a certain period of time or at a certain point in time. If one of the following conditions is met, it is a performance obligation performed within a certain period of time, and the Group recognizes revenue within a certain period of time according to the performance progress: (1) the customer obtains and consumes the economic benefits brought by the Group at the same time as the Group performs the contract; (2) The customer is able to control the goods under construction in the course of the Group's performance; (3) The goods produced during the performance of the Group have irreplaceable uses, and the Group has the right to receive payment for the performance accumulated to date throughout the contract period. Otherwise, the Group recognizes the revenue at the point when the customer obtains the right of control of the relevant goods or services.

For goods sold to customers, the Group recognizes revenue when the right of control of the goods is transferred, that is, when the goods are delivered to the designated place of the other party and signed by the other party. For property service, the Group recognizes revenue in the course of providing property service.

Transaction prices refer to the amount of consideration that the Group is expected to be entitled to receive as a result of the transfer of goods or services to customers, but does not include the amount received on behalf of third parties and the amount expected to be returned to customers by the Group. When determining the transaction prices, the Group considers the impact of variable consideration, significant financing components in the contract, non-cash consideration, consideration payable to customers and other factors.

If the contract contains two or more performance obligations, the Group shall, on the commencement date of the contract, allocate the transaction prices to each individual performance obligation according to the relative ratio of the individual selling price of the goods or services promised by each individual performance obligation. However, if there is conclusive evidence that the contractual discount or variable consideration is only related to one or more (but not all) performance obligations in the contract, the Group shall allocate the contractual discount or variable consideration to the relevant one or more performance obligations. Individual selling price refers to the price at which the Group sells goods or services to customers separately. If the individual selling price cannot be directly observed, the Group will comprehensively consider all the information that can be reasonably obtained and estimate the individual selling price by maximizing the use of observable input value.

For sales with sales return clauses, the Group recognizes revenue at the amount of consideration expected to be entitled to receive due to the transfer of goods to the customer (i.e., excluding the amount expected to be returned due to sales return) when the customer obtains the relevant control over goods, and recognizes liabilities at the amount expected to be returned due to sales return; at the same time, the balance of the book value of the expected goods to be returned at the time of transfer after deducting the expected cost of recovering the goods (including the impairment of the value of the returned goods) is recognized as an asset. The net amount after deducting the cost of the above asset will be transferred as cost based on the book value of the transferred goods.

For sales with quality assurance clauses, if the quality assurance provides a separate service in addition to assuring the customer that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group shall conduct accounting treatment for the quality assurance liability in accordance with the Accounting Standards for Business Enterprises No. 13 - Contingencies.

The Group determines whether it is the principal or the agent when engaging in transactions based on whether it has the right of control over the goods or services before transferring them to the customer. If the Group can control the goods or services before transferring them to the customer, the Group is the main responsible person and recognizes the revenue according to the total consideration received or receivable; otherwise, the Group is an agent and recognizes revenue based on the expected commissions or service fee it is entitled to receive. This amount is determined by subtracting the price payable to other related parties from the total consideration received or receivable.

(III) Significant accounting policies and accounting estimates - Continued

28. Revenue - Continued

28.1 Accounting policies adopted for revenue recognition and measurement disclosed by business type - Continued

If the Group receives payment in advance from customers for sales of goods or services, the payment is first recognized as a liability and then transferred to revenue when the relevant performance obligations are fulfilled. When the Group's advances from customers do not need to be returned and the customer may waive all or part of its contractual rights, the Group expects to be entitled to the amount related to the contractual rights waived by the customer, and recognizes the above amount as revenue in ratio according to the mode of the customer's exercise of contractual rights; otherwise, the Group will only transfer the relevant balance of the above-mentioned liabilities to revenue when it is highly unlikely that the customer will request the fulfillment of the remaining performance obligations.

29. Government subsidies

Government subsidies refer to the monetary assets and non-monetary assets obtained by the Group from the government for free. Government subsidies are recognized when they can meet the conditions attached to government subsidies and can be received.

The government subsidies considered as monetary assets are measured at the amount received or receivable.

29.1 Judgment basis and accounting treatments for government subsidies related to assets

The subsidies for production line and equipment in the Group's government subsidies can form long-term assets, so such government subsidies are asset-related government subsidies.

Government subsidies related to assets are recognized as deferred income and included in the current profit or loss by stages according to the straight-line method within the service life of the relevant assets.

29.2 Judgment basis and accounting treatments for government subsidies related to income

The industry development support funds and enterprise development support funds in the Group's government subsidies cannot form long-term assets, so such government subsidies are income-related government subsidies.

Income-related government subsidies used to compensate for relevant costs and losses in subsequent periods are recognized as deferred income and included in the current profit or loss in the period when the relevant costs or expenses are recognized; if it is used to compensate the relevant costs and losses incurred, it shall be directly included in the current profit or loss.

Government subsidies related to the daily activities of the Group are included in other income according to the essence of economic business. Government subsidies unrelated to the daily activities of the Group are included in the non-operating revenue.

When the recognized government subsidies need to be returned, if there is relevant deferred income balance, the book balance of relevant deferred income shall be offset, and the excess shall be included in the current profit or loss; if there is no relevant deferred income, it shall be directly included in the current profit or loss.

(III) Significant accounting policies and accounting estimates - Continued

30. Leases

Leases refers to a contract in which the lessor transfers the right of use of the asset to the lessee for consideration within a certain period of time.

At the commencement date of the contract, the Group assesses whether the contract is a lease contract or contains a lease. Unless the terms and conditions of the contract change, the Group does not reassess whether the contract is a lease contract or contains a lease.

30.1 The Group as a lessee

30.1.1 *Spin-off of the lease*

When a contract contains one or more lease and non-lease parts, the Group will split the individual lease and non-lease parts and allocate the contract consideration according to the relative ratio of the sum of the individual price of each lease part and the individual price of the non-lease part.

30.1.2 *Right-of-use assets*

Except for short-term leases, the Group recognizes the right-of-use assets of the lease on the lease commencement date. The lease commencement date refers to the starting date when the lessor provides the leased assets for use by the Group. Right-of-use assets are initially measured at cost. The cost includes:

The initial measurement amount of the lease liabilities;

the lease payments made on or before the lease commencement date, or the relevant amount after deducting the lease incentive already enjoyed if any;

Initial direct expenses incurred by the Group;

The estimated costs incurred by the Group for dismantling and removing the leased assets, restoring the premises where the leased assets are located or restoring the leased assets to the state agreed in the lease clauses.

The Group depreciates right right-of-use assets with reference to the depreciation provisions of Accounting Standards for Business Enterprises No. 4 — Fixed Assets. If the Group can reasonably determine that the ownership of leased assets will be obtained at the expiration of the lease term, the right-of-use assets shall be depreciated within the remaining service life of the leased assets. If it is not reasonably certain that ownership of leased assets will be obtained at the expiration of the lease term, the depreciation shall be accrued during the shorter of the lease term and remaining service life leased assets.

The Group determines whether the right-of-use assets are impairment in accordance with the Accounting Standards for Business Enterprises No. 8 - Asset Impairment and performs accounting treatment on the identified impairment losses.

30.1.3 *Lease liabilities*

Except for short-term leases, the Group makes initial measurement of the lease liabilities on the lease commencement date according to the present value of the lease payments that have not been paid on that date. When calculating the present value of lease payments, the Group uses the interest rate implicit in lease as the discount rate, and if the interest rate implicit in lease cannot be determined, the incremental borrowing rate is used as the discount rate.

(III) Significant accounting policies and accounting estimates - Continued

30. Leases - continued

30.1 The Group as a lessee - Continued

30.1.3 Lease liabilities - Continued

Lease payments refer to the payments made by the Group to the lessor in connection with the right to use the leased assets during the lease term, including:

Fixed payment amount and substantial fixed payment amount. If there is lease incentive, the relevant amount of lease incentive shall be deducted;

Variable lease payment amount depending on index or ratio;

The exercise price of the option reasonably determined by the Group to be exercised;

The amount to be paid to terminate the lease when the lease term reflects that the Group will exercise the option;

The amount expected to be paid according to the residual value of the guarantee provided by the Group.

After the lease commencement date, the Group calculates the interest expenses of the lease liabilities for each period of the lease term at a fixed cyclical interest rate and includes it in the current profit or loss or related asset costs.

After the lease commencement date, if any of the following circumstances occurs, the Group shall remeasure the lease liabilities and adjust the corresponding right-of-use assets. If the book value of the right-of-use assets has been reduced to zero, but the lease liabilities still needs to be further reduced, the Group shall include the difference in the current profit or loss:

If the lease term changes or the evaluation result of the purchase option changes, the Group will re-measure the lease liabilities according to the present value calculated by the changed lease payment amount and the revised discount rate;

If the estimated payable amount according to the guarantee residual value or the index or proportion used to determine the lease payment changes, the Group will re-measure the lease liabilities according to the present value calculated by the changed lease payment amount and the original discount rate.

30.1.4 As the basis for judgment and accounting treatments for the simplified treatment of short-term leases by the lessee

The Group chooses not to recognize right-of-use assets and lease liabilities for short-term leases of some plants and some leased warehouses. Short-term lease refers to a lease that lasts for no more than 12 months and includes no purchase options at the lease commencement date. The Group includes the lease payments of short-term leases in the current profit or loss or related asset costs according to the straight-line method in each period of the lease term.

30.1.5 Lease modification

If the lease is modified and the following conditions are met at the same time, the Group will account for the lease modification as a separate lease:

- The lease modification expands the scope of the lease by adding one or more right of use of the leased assets;
- The increased consideration is equivalent to the individual price of the expanded part adjusted according to the contract.

(III) Significant accounting policies and accounting estimates - Continued

30. Leases - continued

30.1 The Group as a lessee - Continued

30.1.5 Lease modifications - Continued

If the lease modification is not accounted for as a separate lease, on the effective date of the lease modification, the Group re-apportions the consideration of the modified contract, re-determines the lease term, and re-measures the lease liabilities at the present value calculated according to the modified lease payments and the revised discount rate.

If the lease modification results in a reduction in the scope of the lease or the lease term, the Group shall reduce the book value of the right-of-use assets accordingly, and include the relevant gains or losses of partial or complete termination of leases into the current profit or loss. If the lease liabilities are remeasured due to other lease modification, the Group shall adjust the book value of the right-of-use assets accordingly.

30.2 The Group as a lessor

30.2.1 Spin-off of the lease

If the contract contains both the lease and non-lease parts, the Group shall allocate the contract consideration according to the provisions of the revenue standards on the allocation of transaction prices, and the basis of allocation shall be the separate price of the lease part and the non-lease part.

30.2.2 Classification criteria and accounting treatments as a lessor

Leases that substantially transfer substantially all of the risks and rewards associated with the ownership of leased assets are financing leases. Leases other than financing lease are operating leases.

30.2.2.1 The Group records operating leases as a lessor

During each period of the lease term, the Group recognizes the lease receipts of operating leases as rental income by using the straight-line method. The initial direct costs incurred by the Group in connection with operating leases are capitalized when incurred, amortized on the same basis as rental income recognition during the lease term, and included in the current profit or loss in installments.

The variable lease receipts related to operating leases acquired by the Group and not included in the lease receipts are included in the current profit or loss when actually incurred.

30.2.3 Lease modification

If the operating lease is changed, the Group will account for it as a new lease from the effective date of the change, and the advance or receivable lease receipts related to the lease before the change will be regarded as the receipt amount of the new lease.

(III) Significant accounting policies and accounting estimates - Continued

31. Deferred tax assets and deferred tax liabilities

Income tax expenses include current income tax and deferred income tax.

31.1 Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current and prior periods are measured at the expected income tax payable (or refundable) calculated in accordance with the tax law.

31.2 Deferred tax assets and deferred tax liabilities

For the difference between the book value of certain assets and liabilities and their tax bases, and the temporary differences arising from the difference between the book value and tax base of items that are not recognized as assets and liabilities but whose tax bases can be determined in accordance with the tax law, the balance sheet liability method is adopted to recognize deferred tax assets and deferred tax liabilities.

In general, the relevant deferred income taxes are recognized for all temporary differences. However, for deductible temporary differences, the Group recognizes the relevant deferred tax assets to the extent of the taxable income that is likely to be obtained to offset the deductible temporary differences. In addition, deferred tax assets or liabilities are not recognized for temporary differences associated with the initial recognition of goodwill and with the initial recognition of assets or liabilities arising from transactions that are neither business combinations nor affect accounting profit or taxable income (or deductible losses) and do not result in equal taxable temporary differences and deductible temporary differences.

For deductible loss and tax credits that can be carried forward to subsequent years, the corresponding deferred tax assets arising therefrom are recognized to the extent that future taxable income will be probable to be available against deductible losses and tax credits.

The Group recognizes deferred tax liabilities arising from taxable temporary differences associated with subsidiaries, associates and investments in joint ventures, unless the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future. For deductible temporary differences related to subsidiaries, associates and investments in joint ventures, the Group recognizes deferred tax assets only if it is probable that the temporary differences will reverse in the foreseeable future and it is probable that taxable income will be available to offset the deductible temporary differences in the future.

On the balance sheet date, deferred tax assets and deferred tax liabilities should be measured at the applicable tax rate during the period of expected recovery of the relevant assets or liquidation of the relevant assets according to the provisions of tax laws.

Except for the current income tax and deferred income taxes related to transactions and events directly included in other comprehensive income or shareholders' equity, which are included in other comprehensive income or shareholders' equity, and the book value of deferred income taxes arising from business combination to adjust goodwill, the remaining current income tax and deferred income tax expenses or income are included in the current profit or loss.

On the balance sheet date, the book value of the deferred tax assets shall be reviewed. If it is likely that sufficient taxable income will not be available in the future to offset the benefits of the deferred tax assets, the book value of the deferred tax assets shall be written down. When it is likely to earn sufficient taxable income, the written down amount is reversed.

(III) Significant accounting policies and accounting estimates - Continued

31. Deferred tax assets and deferred tax liabilities - Continued

31.3 Offset of income tax

When the Group has a legal right to settle on a net basis and intends to settle with net amount or acquire assets and pay off liabilities simultaneously, the Group reports the net amount of current income tax assets and current tax liabilities after offsetting.

When the Group has the legal right to settle current income tax assets and current income tax liabilities on a net basis, and the deferred tax assets and deferred tax liabilities are related to the income tax levied by the same tax collection authority on the same taxpayer or on different taxpayers, but in each important future period of reversal of deferred tax assets and liabilities, the involved taxpayer intends to settle current income tax assets and liabilities on a net basis or to obtain assets and settle liabilities at the same time, the deferred tax assets and deferred tax liabilities of the Group are presented at the net amount after offset.

32. Changes in significant accounting policies and accounting estimates

32.1 Adjustments for changes in significant accounting policies

32.1.1 The Interpretation No. 19 of the Accounting Standards for Business Enterprises

On December 5, 2025, the Ministry of Finance issued the Interpretation No. 19 of the Accounting Standards for Business Enterprises, hereinafter referred to as the "Interpretation No.19"). Interpretation No. 19 specifies the assessment of the cash flow characteristics of financial asset contracts and related disclosures, as well as the disclosures for equity instruments designated to be measured at fair value with changes recorded in other comprehensive income, and it will come into effect on January 1, 2026.

Assessment of the contractual cash flow characteristics of financial assets and related disclosure

To assess whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement, the entity may need to consider the different components of interest. The assessment of interest should focus on what the entity is being compensated for, rather than the amount of compensation, although the latter may indicate that the entity is being compensated for factors other than the basic lending risks and costs. If the contractual cash flows are linked to variables other than the basic lending risks or costs (such as the value of an equity instrument or the price of a commodity), or if the contractual cash flows represent a portion of the debtor's revenue or profit, then the contractual cash flows are inconsistent with the basic lending arrangement. The Group will implement this provision as of January 1, 2026, and believes that the adoption of the above provisions has no material impact on the Group's financial statements.

Disclosure of designated equity instruments measured at fair value with changes recognized in other comprehensive income

Interpretation No. 19 stipulates that an entity shall, at a minimum, disclose by category the fair value of designated investment in equity instruments measured at fair value through other comprehensive income at the end of the reporting period, and the changes in their fair value during the reporting period, and may make further disclosure by item based on the principle of materiality and in conjunction with the entity's actual situation. Among these, the amount of change related to investments derecognized during the reporting period and the amount of change related to investments held at the end of the reporting period shall be disclosed separately. The entity shall also disclose the transfer of cumulative gains or losses included in equity related to investments derecognized during the reporting period. The Group will implement this provision as of January 1, 2026, and believes that the adoption of the above provisions has no material impact on the Group's financial statements.

(III) Significant accounting policies and accounting estimates - Continued**32. Changes in significant accounting policies and accounting estimates - Continued****32.2 Changes in accounting estimates**

The Group has no significant changes in accounting estimates during the year.

(IV) Taxes**1. Main tax types and tax rates**

Tax type	Tax basis	Tax rate
Value-added tax	Balance of output tax minus deductible input tax; tax exemption, offset and refund measures are applicable to the sales of export products	The output tax for domestic sales is calculated at 13%, 9%, 6%, and 5% of the sales amount according to relevant tax regulations, and the export product tax rebate rate is 13%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%
Local education surtax	Turnover tax payable	2%
Corporate income tax	Taxable income	25%、20%、15%、8.25%
Property taxes	THE RESIDUAL VALUE AFTER DEDUCTING 30% FROM THE ORIGINAL VALUE OF THE PROPERTY AT ONCE	1.2%

Notes to the taxpayers with different corporate income tax rates:

Name of taxpayer	Income tax rate
The Company	25%
Shenzhen Shenfang Property Management Co., Ltd.	20% (Note 1)
Shenzhen Meibainian Garment Co., Ltd.	20% (Note 1)
Shenzhen Lisi Industrial Development Co., Ltd.	20% (Note 1)
Shenzhen Shenfang Sungang Property Management Co., Ltd.	20% (Note 1)
SATO (Hong Kong) Limited	8.25% (Note 2)
Shenzhen SAPO Photoelectric Co., Ltd. (hereinafter referred to as "SAPO Photoelectric")	15% (Note 3)

Note 1: See Note (IV) and 2(2) for details.

Note 2: according to the Inland Revenue Ordinance of Hong Kong, SATO (Hong Kong) Limited is subject to a two-tier profits tax system. The first HKD 2 million of taxable profits shall be taxed at a rate of 8.25%, and the profits generated thereafter shall be taxed at a rate of 16.5%.

Note 3: See Note (IV) and 2(1) for details.

2. Tax incentives

(1) In 2025, SAPO Photoelectric, a subsidiary of the Company, was jointly recognized as Industry and Information Technology Bureau of Shenzhen Municipality, Shenzhen Finance Bureau and Shenzhen Tax Service, State Taxation Administration, respectively, with a certification period of 3 years, and the certificate numbers of GR202544204289 respectively. Since SAPO Photoelectric was recognized as a high-tech enterprise, it is eligible for the tax incentives for high-tech enterprises for three years. After filing with the competent tax bureau, SAPO Photoelectric has paid corporate income tax at a tax rate of 15%.

(IV) Taxes - continued**2. Tax incentives - continued**

(2) The Company's subsidiaries, Shenzhen Meibainian Garment Co., Ltd., Shenzhen Lisi Industrial Development Co., Ltd., Shenzhen Shenfang Sungang Property Management Co., Ltd. and Shenzhen Shenfang Property Management Co., Ltd. are qualified small low-profit enterprises. According to the Announcement of the Ministry of Finance and the State Taxation Administration of Taxation on Further Implementing Preferential Policies for Corporate Income Tax of Small and Micro Enterprises (No. 13, 2022) and the Announcement of the Ministry of Finance and the State Taxation Administration on Preferential Policies for Corporate Income Tax of Small and Micro Enterprises and Individual Industrial and Commercial Households (No. 6, 2023), the part of the annual taxable income not exceeding RMB 3 million will be included in the taxable income after deducting 25%, and corporate income tax will be paid at a tax rate of 20%.

(3) In accordance with the relevant provisions of the Notice of the State Administration of Taxation of the General Administration of Customs of Ministry of Finance on Import Tax Policies for Supporting the Development of the New Display Device Industry (No. 19[2021]Cai Guan Shui), SAPO Photoelectric, a subsidiary of the Company, meets the relevant conditions and enjoys the policy of exemption from import duties for related products from January 1, 2021 to December 31, 2030.

(4) According to the Announcement on the Policy of Additional Value-Added Tax Deduction for Advanced Manufacturing Enterprises (CZBSWZJGG [2023] No.43) issued by the Ministry of Finance and the State Taxation Administration in September 2023, from January 1, 2023 to December 31, 2027, advanced manufacturing enterprises are allowed to deduct the value-added tax payable by 5% of the deductible input tax for the current period. SAPO Photoelectric, a subsidiary of the Company, meets the relevant conditions and enjoyed the policy of additional deduction of value-added tax (VAT) in 2025.

(V) Notes to financial statements items**1. Monetary funds**

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Cash on hand:	15,510.21	4,751.69
RMB	15,451.50	4,691.50
HKD	58.71	60.19
Bank deposits (Note 1):	449,263,543.52	302,111,853.17
RMB	291,041,371.64	245,621,517.80
USD	93,081,165.25	40,462,152.89
JPY	64,400,647.02	15,265,963.38
HKD	740,359.61	762,219.10
Other monetary funds (Note 2):	685,396.65	38,844,838.96
RMB	685,394.45	10,920,461.06
JPY	2.20	27,924,377.90
Total	449,964,450.38	340,961,443.82
Including: total amount deposited abroad	-	-

(V) Notes to financial statements - continued**1. Monetary funds - continued**

Note 1: On December 31, 2025, the bank deposits include interest income from current deposits, agreement deposit and 7-day notice deposits amounting to RMB 21,498.92 (on December 31, 2024: RMB 31,765.51).

Note 2: On December 31, 2025, the Group's other monetary funds included RMB 684,860.26 (December 31, 2024: RMB 3,401,500.00) restricted in use due to account freezing, and RMB536.39 (December 31, 2024: RMB 35,443,338.96) deposits for bills and letters of credit.

2. Financial assets held for trading

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Financial assets measured at fair value through current profit or loss	736,341,286.18	731,419,904.42
Including: money funds, structured deposits and wealth management products	736,341,286.18	731,419,904.42

3. Notes receivable

(1) Classification of notes receivable

RMB

Category	Balance as at the end of the current year	Balance as at the end of the previous year
Bank acceptance bills	85,980,246.52	47,305,221.88

(2) As at December 31, 2025, the Group has no pledged notes receivable.

(3) As of December 31, 2025, notes receivable endorsed or discounted by the Group and not yet due on the balance sheet date at the end of the period.

RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	-	53,001,736.07

(4) Disclosure by provision method for bad debts

RMB

Category	Balance as at the end of the current year					Balance as at the end of the previous year				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Provision ratio (%)		Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for bad debts accrued on an individual basis	-	-	-	-	-	-	-	-	-	-
Provision for bad debts made by portfolio	85,980,246.52	100.00	-	-	85,980,246.52	47,305,221.88	100.00	-	-	47,305,221.88
Including: bank acceptance bills	85,980,246.52	100.00	-	-	85,980,246.52	47,305,221.88	100.00	-	-	47,305,221.88
Total	85,980,246.52	100.00	-	-	85,980,246.52	47,305,221.88	100.00	-	-	47,305,221.88

(5) In 2025, the Group has no actual write-off of notes receivable.

(V) Notes to financial statements - continued**4. Accounts receivable**

(1) Disclosure by aging

RMB

Aging	Book balance at the end of the year	Book balance at the end of the previous year
Within 1 year	777,768,360.91	888,265,598.53
1-2 years	362,522.04	368,365.12
2 to 3 years	126,149.29	-
Over 3 years	13,513,950.97	13,565,696.79
Total	791,770,983.21	902,199,660.44

(2) Disclosure by provision method for bad debts

RMB

Category	Balance as at the end of the current year				Book value
	Book balance		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for bad debts accrued on an individual basis	38,464,614.51	4.86	18,450,283.68	47.97	20,014,330.83
Provision for bad debts made by portfolio	753,306,368.70	95.14	11,512,750.01		741,793,618.69
Including: portfolio 1	743,510,570.70	93.90	11,247,868.50	1.51	732,262,702.20
Combination 2	9,795,798.00	1.24	264,881.51	2.70	9,530,916.49
Total	791,770,983.21	100.00	29,963,033.69		761,807,949.52

RMB

Category	Balance as at the end of the previous year				Book value
	Book balance		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for bad debts accrued on an individual basis	35,622,829.91	3.95	17,870,018.37	50.16	17,752,811.54
Provision for bad debts made by portfolio	866,576,830.53	96.05	20,597,705.18		845,979,125.35
Including: portfolio 1	854,782,067.66	94.74	20,338,340.21	2.38	834,443,727.45
Combination 2	11,794,762.87	1.31	259,364.97	2.20	11,535,397.90
Total	902,199,660.44	100.00	38,467,723.55		863,731,936.89

As of December 31, 2025, the Company has no significant accounts receivable with individual provision for bad debts.

As of December 31, 2025, the credit risk and provision for bad debts of accounts receivable of Portfolio 1 are as follows:

RMB

Type	Balance as at the end of the current year			
	Expected average loss rate (%)	Book balance	Provision for bad debts	Book value
Within the credit period	1.28	711,685,368.76	9,123,382.28	702,561,986.48
1-30 days overdue	1.63	29,661,939.99	484,532.27	29,177,407.72
31-60 days overdue	13.98	220,361.71	30,804.63	189,557.08
61-90 days overdue	82.54	1,911,084.01	1,577,333.09	333,750.92
More than 90 days overdue (with impairment)	100.00	31,816.23	31,816.23	-
Total		743,510,570.70	11,247,868.50	732,262,702.20

(V) Notes to financial statements - continued**4. Accounts receivable - continued**

(2) Disclosure by provision method for bad debts - Continued

As of December 31, 2025, the credit risk and provision for bad debts of accounts receivable of Portfolio 2 are as follows:

RMB

Aging	Balance as at the end of the current year			
	Expected average loss rate (%)	Book balance	Provision for bad debts	Book value
Within 1 year	1.55	9,271,692.90	143,294.18	9,128,398.72
1-2 years	6.90	358,039.00	24,692.50	333,346.50
2 to 3 years	30.00	98,816.10	29,644.83	69,171.27
Over 3 years	100.00	67,250.00	67,250.00	-
Total		9,795,798.00	264,881.51	9,530,916.49

As of December 31, 2025, provision for bad debts is made based on the simplified expected credit losses model

RMB

Provision for bad debts	Whole duration Expected credit losses (No credit loss)	Whole duration Expected credit losses (With credit loss)	Total
Balance at the beginning of the year	24,828,685.54	13,639,038.01	38,467,723.55
Balance at the beginning of the year	-	-	-
- Transfer to credit loss incurred	-	-	-
- Reversal of credit loss not incurred	-	-	-
Withdrawal in the current year	5,012,530.89	-	5,012,530.89
Reversal in the current year	(13,392,133.71)	(125,087.04)	(13,517,220.75)
Charge-off in the current year	-	-	-
Write-off in the current year	-	-	-
Other changes	-	-	-
Balance as at the end of the current year	16,449,082.72	13,513,950.97	29,963,033.69

(3) Provision for bad debts

RMB

Type	Balance at the beginning of the year	Changes in the current year				Balance as at the end of the current year
		Provision	Recovery or reversal	Resale or write-off	Other changes	
Provision for bad debts	38,467,723.55	5,012,530.89	(13,517,220.75)	-	-	29,963,033.69

There was no significant amount of provision for bad debts recovered or reversed this year.

(4) There are no accounts receivable actually written off this year.

(V) Notes to financial statements - continued**4. Accounts receivable - continued**

(5) Top 5 accounts receivable in terms of the ending balances by debtors

RMB

Entity name	Book balance at the end of the year	Proportion in accounts receivable Ratio of balance at the end of the year (%)	Provision for bad debts Balance as at the end of the current year
Customer 1	128,443,330.43	16.22	1,653,660.98
Customer 2	100,119,032.87	12.64	1,287,356.61
Customer 3	90,314,120.50	11.41	1,170,120.08
Customer 4	84,819,285.15	10.71	1,127,277.20
Customer 5	73,851,813.87	9.33	949,605.87
Total	477,547,582.82	60.31	6,188,020.74

5. Receivables financing

(1) Presentation of receivables financing by category

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Bank acceptance bills	22,584,820.72	6,804,603.68

The Group believes that the bank acceptance bills it holds are issued by banks with high credit ratings and carry no significant credit risk; therefore, no provision for bad debts has been made.

As at December 31, 2025, the Group has no pledged receivables financing.

(3) As of December 31, 2025, receivables financing endorsed or discounted by the Group and not yet due on the balance sheet date at the end of the period

RMB

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance bills	76,263,471.66	-

(4) In 2025, the Group has no receivables financing with actual write-off.

(V) Notes to financial statements - continued**6. Advances to suppliers**

(1) Disclosure of advances to suppliers by aging

RMB

Aging	Balance as at the end of the current year		Balance as at the end of the previous year	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	28,531,062.77	97.91	7,233,035.70	88.46
1-2 years	440,626.72	1.51	873,375.47	10.68
2 to 3 years	99,375.47	0.34	8,227.73	0.10
Over 3 years	70,145.61	0.24	62,085.80	0.76
Total	29,141,210.57	100.00	8,176,724.70	100.00

As of December 31, 2025, the Group has no advances to suppliers with an aging of more than 1 year and an important amount.

(2) Top 5 advances to suppliers in terms of the ending balances by prepayment objects

The total amount of the top five prepayments categorized by prepayment objects as of the end of the year was RMB 24,076,887.09, accounting for 77.27% of the ending balance of advances to suppliers.

7. Other receivables

(1) Disclosure by aging

RMB

Aging	Balance as at the end of the current year	Balance as at the end of the previous year
Within 1 year	3,292,434.09	2,878,553.22
1-2 years	439,728.28	227,729.90
2 to 3 years	179,540.31	37,922.15
Over 3 years	18,454,569.46	18,436,540.75
Total	22,366,272.14	21,580,746.02
Less: provision for bad debts	18,041,299.12	17,984,202.06
Book value	4,324,973.02	3,596,543.96

(2) Disclosure by nature of payment

RMB

Nature of payment	Book balance at the end of the year	Book balance at the end of the previous year
Current accounts	15,455,577.41	15,422,685.97
Guarantee and deposits	2,373,756.82	2,523,551.88
Export tax rebate	709,028.48	709,028.48
Petty cash and employee borrowings	293,128.97	296,058.95
Others	3,534,780.46	2,629,420.74
Total	22,366,272.14	21,580,746.02

(V) Notes to financial statements - continued**7. Other receivables - continued****(3) Provision for bad debts**

As of December 31, 2025, provision for bad debts is made based on general model of expected credit losses

RMB

Provision for bad debts	Phase I	Phase II	Phase III	Total
	Expected credit losses over the next 12 months	The entire expected credit loss over the life of the instruments (No credit loss)	The entire expected credit loss over the life of the instruments (With credit loss)	
Balance at the beginning of the year	146,991.50	39,206.78	17,798,003.78	17,984,202.06
Balance at the beginning of the year				
-Transfer to phase II	(23,085.73)	23,085.73	-	-
-Transfer to phase III	-	(7,445.09)	7,445.09	-
-Reversal to phase II	-	-	-	-
-Reversal to phase I	-	-	-	-
Withdrawal in the current year	22,343.56	36,164.89	2,425.00	60,933.45
Reversal in the current year	-	(3,836.39)		(3,836.39)
Charge-off in the current year	-	-	-	-
Write-off in the current year			-	-
Other changes		-	-	-
Balance as at the end of the current year	146,249.33	87,175.92	17,807,873.87	18,041,299.12

As of December 31, 2025, provision for bad debts shall be made according to the credit risk characteristic combination

RMB

Item	Balance as at the end of the current year			
	Expected average loss rate (%)	Book balance	Provision for bad debts	Book value
Provision for bad debts based on credit risk characteristic combination	80.66	22,366,272.14	18,041,299.12	4,324,973.02
Provision for other receivables				

As of December 31, 2025, the credit risk and provision for bad debts of other receivables are as follows:

RMB

Aging	Balance as at the end of the current year			
	Expected average loss rate (%)	Book balance	Provision for bad debts	Book value
Within 1 year	4.44	3,292,434.09	146,249.33	3,146,184.76
1-2 years	10.70	439,728.28	47,050.92	392,677.36
2 to 3 years	22.35	179,540.31	40,125.00	139,415.31
Over 3 years	96.50	18,454,569.46	17,807,873.87	646,695.59
Total		22,366,272.14	18,041,299.12	4,324,973.02

(V) Notes to financial statements - continued**7. Other receivables - continued**

(4) Provision for bad debts

RMB

Type	Balance at the beginning of the year	Changes in the current year				Balance as at the end of the current year
		Provision	Recovery or reversal	Resale or write-off	Other changes	
Provision for bad debts	17,984,202.06	60,933.45	(3,836.39)	-	-	18,041,299.12

There is no provision for bad debts recovery or reversal of significant amount in the current year.

(5) There are no other receivables actually written off this year.

(6) Top five entities in terms of ending balance of other receivables by debtors

RMB

name	Balance as at the end of the current year	Proportion of other receivables (%) Balance as at the end of the current year	Nature of amount	Aging	Provision for bad debts Balance as at the end of the current year
Customer 1	11,389,044.60	50.92	Intercourse payment	Over 3 years	11,389,044.60
Customer 2	1,800,000.00	8.05	Intercourse payment	Over 3 years	1,800,000.00
Customer 3	1,100,000.00	4.92	Intercourse payment	Within 1 year	55,000.00
Customer 4	1,018,295.37	4.55	Intercourse payment	Over 3 years	1,018,295.37
Customer 5	980,461.06	4.38	Others	Over 3 years	980,461.06
Total	16,287,801.03	72.82			15,242,801.03

8. Inventories

(1) Classification of inventories

RMB

Item	Balance as at the end of the current year			Balance as at the end of the previous year		
	Book balance	Provision for inventory depreciation	Book value	Book balance	Provision for inventory depreciation	Book value
Raw materials	507,546,211.97	36,085,589.06	471,460,622.91	453,134,126.81	14,875,137.34	438,258,989.47
Products in progress	356,737,261.98	58,000,907.47	298,736,354.51	335,115,507.53	66,220,022.55	268,895,484.98
Finished products	140,769,463.04	32,736,881.09	108,032,581.95	121,746,047.85	40,357,658.59	81,388,389.26
Entrusted processing materials	6,920,970.30	508,174.16	6,412,796.14	1,710,557.68	496,720.51	1,213,837.17
Total	1,011,973,907.29	127,331,551.78	884,642,355.51	911,706,239.87	121,949,538.99	789,756,700.88

Note: as of December 31, 2025, the book balance of the polarizer inventories was RMB 1,006,015,410.72 (December 31, 2024: RMB 905,482,857.11), with a corresponding provision for inventory depreciation of RMB 121,613,439.13 (December 31, 2024: RMB 115,967,084.94).

(2) Provision for inventory depreciation

RMB

Item	Balance at the beginning of the year	Increase in the current year		Decrease in the current year		Balance as at the end of the current year
		Provision	Others	Reversal or write-off	Others	

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements
For the year ended December 31, 2025

Raw materials	14,875,137.34	21,310,338.94	-	99,887.22	-	36,085,589.06
Products in progress	66,220,022.55	35,879,526.66	-	44,098,641.74	-	58,000,907.47
Finished products	40,357,658.59	81,139,403.67	-	88,760,181.17	-	32,736,881.09
Entrusted processing materials	496,720.51	11,453.65	-	-	-	508,174.16
Total	121,949,538.99	138,340,722.92	-	132,958,710.13	-	127,331,551.78

(V) Notes to financial statements - continued**8. Inventories - continued**

(2) Provision for inventory depreciation - Continued

Specific basis for determining the net realizable value of inventories and the reasons for reversal or write-off of the provision for inventory depreciation during the current year:

Item	Specific basis for determining net realizable value	Reasons for reversing or writing off provision for inventory depreciation this year
Raw materials, goods in process and consigned processing materials	The net realizable value is determined by the estimated selling price of the relevant finished products minus the estimated cost to be incurred until completion, estimated selling and distribution expenses and relevant taxes.	Received or sold in the current year
Finished products	The net realizable value is determined by the estimated selling price of the inventories minus the estimated selling and distribution expenses and related taxes.	It is sold or market value is recovered in the current year

(3) As of December 31, 2025, there is no amount in the balance of inventories used for guarantee and no amount of capitalization of borrowing costs.

9. Other current assets

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Value-added tax to be deducted and input tax to be certified	56,593,276.80	2,100,314.86
Cost of return receivable	29,008,785.23	19,314,386.69
Prepaid income tax	47,034.59	47,034.59
Total	85,649,096.62	21,461,736.14

10. Long-term equity investments

RMB

Investees	Balance at the beginning of the year	Changes in the current year								Balance as at the end of the current year	Provision for impairment Balance as at the end of the current year
		Additional investment	Reduced investment	Investment profit or loss recognized under the equity method	Other comprehensive income adjustment	Changes in other equity	Cash dividends or profits declared to be paid	Provision for impairment	Others		
I. Joint ventures											
Shenzhen Guanhua Printing and Dyeing Co., Ltd.	111,555,887.28	-	-	(7,280,934.44)	-	-	-	-	-	104,274,952.84	-
Sub-total	111,555,887.28	-	-	(7,280,934.44)	-	-	-	-	-	104,274,952.84	-
II. Associates											
Shenzhen Changlianfa Printing and Dyeing Co., Ltd.	3,272,138.76	-	-	269,945.31	-	-	(233,450.00)	-	-	3,308,634.07	-
Sub-total	3,272,138.76	-	-	269,945.31	-	-	(233,450.00)	-	-	3,308,634.07	-
Total	114,828,026.04	-	-	(7,010,989.13)	-	-	(233,450.00)	-	-	107,583,586.91	-

(V) Notes to financial statements - continued**11. Other equity instrument investments****(1) Details of other equity instrument investments**

RMB

Item	Balance at the beginning of the year	Changes in the current year					Balance as at the end of the current year	Dividend income recognized in the current period	Accumulative gains accrued to other comprehensive income	Accumulative losses accrued to other comprehensive income	Reasons designated as being measured at fair value through other comprehensive income
		Additional investment	Reduced investment	Gains accrued to other comprehensive income in the current year	Loss accrued to other comprehensive income in the current year	Others					
Hualian Development Group Co., Ltd.	129,884,000.00	-	-	-	(6,680,600.00)	-	123,203,400.00	-	120,603,400.00	-	The Group plans to hold it for a long time
Shenzhen Dailisi Underwear Co., Ltd.	19,642,900.00	-	-	1,278,300.00	-	-	20,921,200.00	1,037,735.85	18,361,343.74	-	The Group plans to hold it for a long time
Shenzhen Nanfang Textile Co.,Ltd.	13,181,700.00	-	-	-	(468,900.00)	-	12,712,800.00	869,411.17	11,212,800.00	-	The Group plans to hold it for a long time
Shenzhen Xinfang Knitting Factory Co., Ltd.	2,694,300.00	-	-	-	(270,100.00)	-	2,424,200.00	198,000.00	1,900,200.00	-	The Group plans to hold it for a long time
Jintian Industry (Group) Co., Ltd.	-	-	-	-	-	-	-	-	-	(14,831,681.50)	The Group plans to hold it for a long time
Total	165,402,900.00	-	-	1,278,300.00	(7,419,600.00)	-	159,261,600.00	2,105,147.02	152,077,743.74	(14,831,681.50)	

(2) Description of derecognition in the current year

There is no derecognition of other equity instrument investments this year.

(V) Notes to financial statements - continued**12. Investment properties****(1) Investment properties measured at the cost mode**

RMB

Item	Houses and buildings
I. Total original book value	
1. Balance at the beginning of the year	350,367,442.40
2. Increase in the current year	-
(1) Outsourcing	-
(2) Transfer of fixed assets	-
3. Decrease in the current year	903,094.00
(1) Disposal	903,094.00
(2) Other transfer-out	-
4. Balance at the end of the year	349,464,348.40
II. Accumulated depreciation and accumulated amortization	
1. Balance at the beginning of the year	234,374,052.21
2. Increase in the current year	9,578,063.55
(1) Provision or amortization	9,578,063.55
(2) Transfer of fixed assets	-
3. Decrease in the current year	218,548.99
(1) Disposal	218,548.99
(2) Other transfer-out	-
4. Balance at the end of the year	243,733,566.77
III. Provision for impairment	
1. Balance at the beginning of the year	-
2. Increase in the current year	-
(1) Provision	-
3. Decrease in the current year	-
(1) Disposal	-
4. Balance at the end of the year	-
IV. Book value	
1. Book value at the end of the year	105,730,781.63
2. Book value at the beginning of the year	115,993,390.19

(2) Investment properties without certificate of title

RMB

Item	Book value	Reasons for failure to obtain the certificate of title
Houses and buildings	10,174,628.79	Warrants not obtained for historical reasons

Notes to the financial statements
For the year ended December 31, 2025

(V) Notes to financial statements - continued**13. Fixed assets****(1) Fixed assets**

RMB

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Electronic equipment and Others	Total
I. Total original book value					
1. Balance at the beginning of the year	737,314,323.44	2,742,755,668.60	17,296,480.97	44,961,075.88	3,542,327,548.89
2. Increase in the current year	-	10,670,402.98	1,769,234.30	1,920,350.26	14,359,987.54
(1) Purchase	-	5,699,245.91	1,462,223.02	1,920,350.26	9,081,819.19
(2) Transfer from construction in progress	-	4,971,157.07	307,011.28	-	5,278,168.35
(3) Other changes	-	-	-	-	-
3. Decrease in the current year	1,200,082.66	50,002,603.71	899,097.77	1,561,435.59	53,663,219.73
(1) Disposal or scrapping	1,200,082.66	50,002,603.71	899,097.77	1,561,435.59	53,663,219.73
(2) Other changes	-	-	-	-	-
4. Balance at the end of the year	736,114,240.78	2,703,423,467.87	18,166,617.50	45,319,990.55	3,503,024,316.70
II. Accumulated depreciation					
1. Balance at the beginning of the year	212,518,046.33	1,378,019,063.83	9,666,345.31	36,492,325.52	1,636,695,780.99
2. Increase in the current year	23,096,381.84	199,623,463.69	2,160,850.05	3,486,951.33	228,367,646.91
(1) Provision	23,096,381.84	199,623,463.69	2,160,850.05	3,486,951.33	228,367,646.91
(2) Other changes	-	-	-	-	-
3. Decrease in the current year	402,358.83	45,088,586.69	753,558.59	1,310,319.85	47,554,823.96
(1) Disposal or scrapping	402,358.83	45,088,586.69	753,558.59	1,310,319.85	47,554,823.96
(2) Other changes	-	-	-	-	-
4. Balance at the end of the year	235,212,069.34	1,532,553,940.83	11,073,636.77	38,668,957.00	1,817,508,603.94
III. Provision for impairment					
1. Balance at the beginning of the year	9,919,769.42	21,721,908.03	7,228.57	430,017.97	32,078,923.99
2. Increase in the current year	-	-	-	-	-
(1) Provision	-	-	-	-	-
3. Decrease in the current year	99,508.16	3,643,617.60	1,102.16	133,587.12	3,877,815.04
(1) Disposal or scrapping	99,508.16	3,643,617.60	1,102.16	133,587.12	3,877,815.04
4. Balance at the end of the year	9,820,261.26	18,078,290.43	6,126.41	296,430.85	28,201,108.95
IV. Book value					
1. Book value at the end of the year	491,081,910.18	1,152,791,236.61	7,086,854.32	6,354,602.70	1,657,314,603.81
2. Book value at the beginning of the year	514,876,507.69	1,343,014,696.74	7,622,907.09	8,038,732.39	1,873,552,843.91

(2) Fixed assets without certificate of title

RMB

Item	Book value	Reasons for failure to obtain the certificate of title
Houses and buildings	10,438,495.07	Warrants not handled for historical reasons

(3) Fixed assets of mortgage and guarantee

As at December 31, 2025, the Group's fixed assets mortgaged for bank borrowings are detailed in Note (V) 21 "Assets with Restricted Ownership or Right of Use".

(V) Notes to financial statements - continued

14. Construction in progress

14.1 Summary of construction in progress

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Construction in progress	179,954,389.78	5,814,012.03

14.2 Construction in progress

(1) Status of construction in progress

RMB

Item	Balance as at the end of the current year			Balance as at the end of the previous year		
	Book balance	Provision for impairment	Net book value	Book balance	Provision for impairment	Net book value
Installation of machinery equipment	179,954,389.78	-	179,954,389.78	5,814,012.03	-	5,814,012.03

(V) Notes to financial statements - continued**14.2 Status of construction in progress** - continued

(2) Changes in major projects under construction in the current year

RMB

Project	Budget	Beginning balance	Increase in the current year	Amount transferred to fixed assets in the current year	Other decreases in current year	Ending balance	Proportion of the project accumulative input in budget (%)	Progress of construction (%)	Accumulated capitalization amount of interest	Including: the amount of the capitalized interests in the current year	Capitalization rate of interest in this year (%)	Source of funds
1.49m-wide polarizer production line project (Line 8)	1,333,600,000.00	-	179,954,389.78	-	-	179,954,389.78	13.49	13.49	176,406.29	176,406.29	2.24	Self-owned funds and borrowings

(V) Notes to financial statements - continued**15. Right-of-use assets**

RMB

Item	Buildings and constructions	Machinery equipment	Total
I. Total original book value:			
1. Balance at the beginning of the year	36,483,426.47	1,799,631.64	38,283,058.11
2. Increase in the current year	9,977,227.43	1,438,279.28	11,415,506.71
(1) Addition	9,977,227.43	1,438,279.28	11,415,506.71
3. Decrease in the current year	1,520,405.16	1,249,146.48	2,769,551.64
(1) Termination of leases	1,520,405.16	1,249,146.48	2,769,551.64
4. Balance at the end of the year	44,940,248.74	1,988,764.44	46,929,013.18
II. Accumulated depreciation			
1. Balance at the beginning of the year	21,398,599.29	1,546,340.96	22,944,940.25
2. Increase in the current year	9,120,156.88	738,624.09	9,858,780.97
(1) Provision	9,120,156.88	738,624.09	9,858,780.97
3. Decrease in the current year	1,520,405.16	1,249,146.48	2,769,551.64
(1) Termination of leases	1,520,405.16	1,249,146.48	2,769,551.64
4. Balance at the end of the year	28,998,351.01	1,035,818.57	30,034,169.58
III. Provision for impairment			
1. Balance at the beginning of the year	-	-	-
2. Increase in the current year	-	-	-
(1) Provision	-	-	-
3. Decrease in the current year	-	-	-
4. Balance at the end of the year	-	-	-
IV. Book value			
1. Book value at the end of the year	15,941,897.73	952,945.87	16,894,843.60
2. Book value at the beginning of the year	15,084,827.18	253,290.68	15,338,117.86

(V) Notes to financial statements - continued**16. Intangible assets**

(1) Details of intangible assets

RMB

Item	Land use rights	Software	Patent right	Total
I. Total original book value				
1. Balance at the beginning of the year	48,258,239.00	22,819,127.70	11,825,200.00	82,902,566.70
2. Increase in the current year	-	471,775.41	-	471,775.41
(1) Purchase	-	471,775.41	-	471,775.41
3. Decrease in the current year	-	-	-	-
4. Balance at the end of the year	48,258,239.00	23,290,903.11	11,825,200.00	83,374,342.11
II. Accumulated accumulation				
1. Balance at the beginning of the year	17,057,278.99	18,812,295.76	11,825,200.00	47,694,774.75
2. Increase in the current year	891,565.32	3,563,403.84	-	4,454,969.16
(1) Provision	891,565.32	3,563,403.84	-	4,454,969.16
3. Decrease in the current year	-	-	-	-
4. Balance at the end of the year	17,948,844.31	22,375,699.60	11,825,200.00	52,149,743.91
III. Provision for impairment				
1. Balance at the beginning of the year	-	-	-	-
2. Increase in the current year	-	-	-	-
3. Decrease in the current year	-	-	-	-
4. Balance at the end of the year	-	-	-	-
IV. Book value				
1. Book value at the end of the year	30,309,394.69	915,203.51	-	31,224,598.20
2. Book value at the beginning of the year	31,200,960.01	4,006,831.94	-	35,207,791.95

As at December 31, 2025, for the intangible assets pledged by the Group due to bank borrowings, please refer to Note (V), 21 "Assets with restricted ownership or right of use" for details.

17. Goodwill

(1) Original book value of goodwill

RMB

Name of the investees or matters forming goodwill	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance as at the end of the current year
SAPO Photoelectric	9,614,758.55	-	-	9,614,758.55
Shenzhen Meibainian Garment Co., Ltd.	2,167,341.21	-	-	2,167,341.21
Total	11,782,099.76	-	-	11,782,099.76

(V) Notes to financial statements - continued**17. Goodwill - continued**

(2) Provision for impairment of goodwill

RMB

Name of the investees or matters forming goodwill	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance as at the end of the current year
SAPO Photoelectric	9,614,758.55	-	-	9,614,758.55
Shenzhen Meibainian Garment Co., Ltd.	2,167,341.21	-	-	2,167,341.21
Total	11,782,099.76	-	-	11,782,099.76

18. Long-term deferred expenses

RMB

Item	Balance at the beginning of the year	Increase in the current year	Amortization amount for the current year	Other decreases	Balance as at the end of the current year
Decoration and facility renovation costs	6,084,115.87	2,653,265.77	1,706,534.63	-	7,030,847.01

19. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without offset

RMB

Item	Balance as at the end of the current year		Balance as at the end of the previous year	
	Deductible temporary differences	Deferred tax Assets	Deductible temporary differences	Deferred tax Assets
Provision for credit losses	47,068,758.51	8,605,770.45	55,500,808.39	9,874,641.13
Provision for asset impairment	151,835,215.23	22,775,282.28	146,194,722.68	21,929,208.40
Unrealized profits of internal transactions	1,967,734.40	295,160.16	2,056,848.93	308,527.34
Employee compensation payable	4,469,827.00	1,117,456.75	4,173,800.00	1,043,450.00
Deferred income	83,392,067.07	12,508,810.06	95,821,558.58	14,373,233.79
Deductible losses	84,464,489.24	12,669,673.38	96,771,113.52	14,515,667.03
Fair value changes of investments in other equity instruments	14,831,681.50	3,707,920.38	14,831,681.50	3,707,920.38
Lease liabilities	17,683,257.08	2,907,352.60	16,381,050.71	2,457,157.61
Changes in fair value of derivative financial liabilities	3,362,200.19	504,330.03	1,278,559.35	191,783.90
Provision	14,370,007.84	2,155,501.18	9,451,090.40	1,417,663.56
Total	423,445,238.06	67,247,257.27	442,461,234.06	69,819,253.14

Based on the Group's profit forecast for the future periods, the Group believes that it is highly probable to obtain sufficient taxable income to utilize the above-mentioned deductible temporary differences and deductible losses in the future periods, so the relevant deferred tax assets are recognized.

(V) Notes to financial statements - continued**19. Deferred tax assets and deferred tax liabilities - continued**

(2) Deferred tax liabilities without offset

RMB

Item	Balance as at the end of the current year		Balance as at the end of the previous year	
	Taxable temporary differences	Deferred tax Liabilities	Taxable temporary differences	Deferred tax Liabilities
Difference between initial recognition cost and tax base of long-term equity investments	62,083,693.36	15,520,923.34	62,083,693.36	15,520,923.34
Fair value changes of investments in other equity instruments	152,077,743.74	38,019,435.94	158,219,043.74	39,554,760.94
Rent receivable	6,414,441.92	1,603,610.48	8,532,598.56	2,133,149.64
Right-of-use assets	16,894,843.60	2,784,125.41	15,338,117.86	2,300,717.68
Changes in fair value of financial assets held for trading	2,425,205.47	606,301.37	-	-
Total	239,895,928.09	58,534,396.54	244,173,453.52	59,509,551.60

(3) Deferred tax assets or liabilities listed net amount after write-offs

RMB

Item	Deduction amount of deferred tax assets and liabilities at the end of the current year	Ending balance of deferred tax assets or liabilities after write-off of the current year	Deduction amount of deferred tax assets and liabilities at the end of the previous year	Balance of deferred tax assets or liabilities after offset at the end of the previous year
Deferred tax assets	(11,469,966.38)	55,777,290.89	(10,898,741.94)	58,920,511.20
Deferred tax liabilities	(11,469,966.38)	47,064,430.16	(10,898,741.94)	48,610,809.66

(4) Unrecognized deferred tax assets

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Deductible temporary differences	9,402,132.77	15,750,990.01
Deductible losses	325,441,799.20	365,594,502.67
Total	334,843,931.97	381,345,492.68

(5) Deductible losses from unrecognized deferred tax assets will be expired in the following years

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
2025	-	-
2026	126,219,867.46	83,168,900.37
2027	10,067,397.50	10,067,397.50
2028	13,479,346.66	13,479,346.66
2029	85,276,427.23	132,565,644.36
2030	14,316,545.70	75,352,814.24
2031 years	-	-
2032	-	-
2033	50,960,399.54	50,960,399.54
2034	-	-
2035 years	25,121,815.11	-
Total	325,441,799.20	365,594,502.67

(V) Notes to financial statements - continued**20. Other non-current assets**

RMB

Item	Balance as at the end of the current year			Balance as at the end of the previous year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advances for projects and equipment	11,326,699.63	-	11,326,699.63	2,033,785.64	-	2,033,785.64
Investment funds to be liquidated	25,760,086.27	-	25,760,086.27	25,760,086.27	-	25,760,086.27
Total	37,086,785.90	-	37,086,785.90	27,793,871.91	-	27,793,871.91

(V) Notes to financial statements - continued**21.Assets with restrictions on the ownership or use right**

Item	At the end of current year				At the end of the previous year			
	Book balance	Book value	Restricted type	Restricted condition	Book balance	Book value	Restricted type	Restricted condition
Monetary funds	685,396.65	685,396.65	Restricted right of use	Account freezing and guarantee	38,844,838.96	38,844,838.96	Restricted right of use	Account freezing and guarantee
Notes receivable	53,001,736.07	53,001,736.07	Restricted right of use	Bill endorsement has not been derecognized	30,291,952.76	30,291,952.76	Restricted right of use	Bill endorsement has not been derecognized
Fixed assets	581,895,750.64	432,224,852.53	Restricted right of use	Mortgage	581,895,750.64	448,156,480.33	Restricted right of use	Mortgage
Intangible assets	44,770,083.00	30,309,394.69	Restricted right of use	Mortgage	44,770,083.00	31,200,960.01	Restricted right of use	Mortgage
Total	680,352,966.36	516,221,379.94			695,802,625.36	548,494,232.06		

(V) Notes to financial statements - continued**22. Derivative financial liabilities**

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Forward foreign exchange contracts	4,071,800.19	1,278,559.35

23. Notes payable

RMB

Bill type	Balance as at the end of the current year	Balance as at the end of the previous year
Bank acceptance bills	-	31,095,540.29

The Group had no notes payable due but unpaid at the end of the year.

24. Accounts payable

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Payment for goods	315,492,749.54	282,510,771.35
Service fee	17,809,719.59	15,645,017.04
Payment for outsourcing processing	8,954,077.38	3,489,364.64
Royalties	1,949,556.00	2,006,578.00
Others	450,733.38	1,160,849.52
Total	344,656,835.89	304,812,580.55

As at December 31, 2025, the Group had no significant accounts payable with aging of over 1 year or overdue.

25. Advances from customers

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Rent and others	769,227.07	1,051,491.96

As at December 31, 2025, the Group had no significant advances from customers with aging of over 1 year.

26. Contract liabilities

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Payment for goods	3,132,419.01	490,562.97

As at December 31, 2025, the Group had no significant contract liabilities with aging of more than 1 year.

(V) Notes to financial statements - continued**27. Employee compensation payable**

(1) Presentation of employee compensation payable

RMB

Item	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance as at the end of the current year
Short-term compensation	53,625,879.32	227,614,006.70	230,183,092.64	51,056,793.38
Post-employment benefits - defined contribution plans	700,000.00	22,812,522.26	23,512,522.26	-
Dismissal welfare	2,359,410.60	-	768,888.24	1,590,522.36
Total	56,685,289.92	250,426,528.96	254,464,503.14	52,647,315.74

(2) Presentation of short-term compensation

RMB

Item	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance as at the end of the current year
Salaries, bonuses, allowances and subsidies	51,400,482.93	199,876,062.05	202,797,724.38	48,478,820.60
Employee welfare expenses	-	7,519,689.14	7,490,204.64	29,484.50
Social insurance premiums	-	5,173,319.35	5,173,319.35	-
Including: medical insurance premiums	-	3,818,635.71	3,818,635.71	-
Maternity insurance premiums	-	640,272.20	640,272.20	-
Work-related injury insurance premiums	-	714,411.44	714,411.44	-
Housing provident fund	-	10,180,132.09	10,180,132.09	-
Union funds and employee education funds	2,225,396.39	4,864,804.07	4,541,712.18	2,548,488.28
Total	53,625,879.32	227,614,006.70	230,183,092.64	51,056,793.38

(3) Presentation of defined contribution plans

RMB

Item	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance as at the end of the current year
Basic endowment insurance premiums	700,000.00	19,234,522.69	19,934,522.69	-
Supplementary endowment insurance premiums	-	2,800,406.18	2,800,406.18	-
Unemployment insurance premium	-	777,593.39	777,593.39	-
Total	700,000.00	22,812,522.26	23,512,522.26	-

The Group participates in the endowment insurance and unemployment insurance plans established by government agencies in accordance with the regulations. According to the plans, the Group makes contributions to such plans in accordance with the prescribed standards. Except for the above monthly contributions, the Group has no further payment obligations. The corresponding expenses are included in the current profit or loss or the cost of related assets when incurred.

The Group shall pay RMB 19,234,522.69 and RMB 777,593.39 to the endowment insurance and unemployment insurance plans respectively for the current year (2024: RMB 15,756,686.06 and RMB 691,145.34). As of December 31, 2025, the Group has fully paid the amount of pension insurance and unemployment insurance plans payable during the reporting period.

(V) Notes to financial statements - continued**28. Taxes payable**

RMB

Taxation	Balance as at the end of the current year	Balance as at the end of the previous year
Corporate income tax	3,763,975.34	4,720,967.29
Individual income tax	670,592.00	751,443.34
Value-added tax	251,065.10	592,143.28
Other taxes	1,121,186.11	789,176.93
Total	5,806,818.55	6,853,730.84

29. Other payables

(1) Other payables by nature of payment

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Engineering equipment payment	43,922,031.06	56,213,373.95
Current accounts	46,981,495.00	53,333,604.97
Guarantee and deposits	57,213,864.04	37,775,687.75
Others	11,708,844.63	12,974,323.31
Total	159,826,234.73	160,296,989.98

(2) As at December 31, 2025, the Group had no significant other payables with aging of more than 1 year or overdue.

30. Non-current liabilities maturing within one year

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Long-term borrowings maturing within one year (Note (V), 32)	48,033,108.58	47,011,978.04
Lease liabilities maturing within one year (Note (V), 33)	7,267,259.91	6,884,486.59
Estimated liabilities due within one year	10,664,297.79	9,451,090.40
Total	65,964,666.28	63,347,555.03

31. Other current liabilities

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Endorsed but undue acceptance bills	53,001,736.07	30,291,952.76
Payables for returned goods	31,679,349.15	23,747,757.33
Product quality assurance	3,705,710.05	-
Output tax to be carried forward in the value-added tax	-	32,312.18
Total	88,386,795.27	54,072,022.27

(V) Notes to financial statements - continued**32. Long-term borrowings**

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year	Interest rate range
Guaranteed borrowings (Note)	167,899,085.74	209,400,848.04	3.26%-3.31%
Credit borrowings	141,852,077.65	-	2.24%
Total	309,751,163.39	209,400,848.04	
Less: long-term borrowings maturing within one year	48,033,108.58	47,011,978.04	
Long-term borrowings due after one year	261,718,054.81	162,388,870.00	

Note: SAPO Photoelectric, a subsidiary of the Company, obtained the loan by mortgaging the real estate such as the plant it held, and the Company and Hengmei Optoelectronics Co., Ltd. provided 60% and 40% joint and several liability guarantee for the loan respectively.

33. Lease liabilities

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
Lease liabilities	17,683,257.08	16,381,050.71
Total	17,683,257.08	16,381,050.71
Less: Lease liability maturing within one year	7,267,259.91	6,884,486.59
Lease liabilities due after one year	10,415,997.17	9,496,564.12

The Group's lease liabilities are presented as follows according to the maturity of undiscounted remaining contractual obligations:

RMB

	Within 1 month	1- 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Balance as at the end of the current year	1,049,935.94	2,078,351.34	4,688,581.14	9,705,967.44	1,937,423.13	19,460,258.99
Balance as at the end of the previous year	1,105,714.51	2,425,877.50	3,879,671.64	7,808,943.06	3,098,158.97	18,318,365.68

34. Deferred income

RMB

Item	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance as at the end of the current year	Formation causes
Government subsidies	96,349,196.26	3,940,329.84	16,819,577.07	83,469,949.03	Government subsidies received

35. Share capital

RMB

Item	Balance at the beginning of the year	Changes in the current year					Balance as at the end of the current year
		New shares issued	Bonus issue	Conversion of provident fund into shares	Others	Sub-total	
Total shares	506,521,849.00	-	-	-	-	-	506,521,849.00

(V) Notes to financial statements - continued**36. Capital reserve**

RMB

Item	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance as at the end of the current year
Equity premium	1,826,482,608.54	-	-	1,826,482,608.54
Other capital reserves	135,117,216.09	-	-	135,117,216.09
Total	1,961,599,824.63	-	-	1,961,599,824.63

37. Other comprehensive income

RMB

Item	Balance at the beginning of the year	Amount before income tax this year	Amount for the current year					Balance as at the end of the current year
			Less: the amount included in other comprehensive income in prior period and transferred to current profit or loss	Less: retained income included in other comprehensive income in prior periods and transferred to current profit or loss	Less: income tax expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	
I. Other comprehensive income that cannot be reclassified into profit or loss	106,877,807.32	(6,141,300.00)	-	-	(1,535,325.00)	(4,605,975.00)	-	102,271,832.32
1. Changes in fair value of other equity instrument investments	106,877,807.32	(6,141,300.00)	-	-	(1,535,325.00)	(4,605,975.00)	-	102,271,832.32
II. Other comprehensive income to be reclassified into profit or loss later	-	-	-	-	-	-	-	-
Total of other comprehensive income	106,877,807.32	(6,141,300.00)	-	-	(1,535,325.00)	(4,605,975.00)	-	102,271,832.32

38. Surplus reserves

RMB

Item	Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance as at the end of the current year
Statutory surplus reserve	104,262,315.64	2,543,589.29	-	106,805,904.93

39. Undistributed profits

RMB

Item	Amount for the current year	Amount for the previous year
Undistributed profits at the beginning of the year before adjustment	272,608,113.66	216,160,896.14
Total adjusted undistributed profits at the beginning of the year	-	-
Adjusted undistributed profit at the beginning of the year	272,608,113.66	216,160,896.14
Plus: net profit attributable to shareholders of the parent company in the current year	68,418,663.02	89,371,134.24
Less: Withdrawal of statutory surplus reserves	2,543,589.29	-
Distribution of dividends of ordinary shares (Note)	35,963,029.09	32,923,916.72
Undistributed profits at the end of the year	302,520,158.30	272,608,113.66

Note: According to the resolution of the General Meeting of Shareholders on May 19, 2025, the Company distributed a cash dividend of RMB 0.71 (including tax) for every 10 shares, totally RMB 35,963,029.09 (including tax) based on the share capital of 506,521,849 shares as of December 31, 2024.

(V) Notes to financial statements - continued**40. Operating revenue and operating costs**

(1) Operating revenue and operating costs

RMB

Item	Amount for the current year		Amount for the previous year	
	Revenue	Cost	Revenue	Cost
Primary business	3,177,244,941.55	2,708,436,607.17	3,275,150,434.05	2,748,312,498.75
Other business	64,135,489.07	47,931,069.64	60,132,574.63	47,547,436.07
Total	3,241,380,430.62	2,756,367,676.81	3,335,283,008.68	2,795,859,934.82

(2) Primary business by product

RMB

Product type	Amount for the current year		Amount for the previous year	
	Income from primary business	Cost of primary business	Income from primary business	Cost of primary business
Polarizer sales business	3,067,530,570.03	2,682,406,961.72	3,161,332,478.08	2,720,719,735.99
Property leasing and others	109,714,371.52	26,029,645.45	113,817,955.97	27,592,762.76
Total	3,177,244,941.55	2,708,436,607.17	3,275,150,434.05	2,748,312,498.75

(3) Primary business by region

RMB

Main business area	Amount for the current year		Amount for the previous year	
	Income from primary business	Cost of primary business	Income from primary business	Cost of primary business
Domestic	2,807,874,318.29	2,418,697,219.08	3,113,083,695.45	2,621,542,725.57
Overseas	369,370,623.26	289,739,388.09	162,066,738.60	126,769,773.18
Total	3,177,244,941.55	2,708,436,607.17	3,275,150,434.05	2,748,312,498.75

(4) Description of performance obligations

The Group's businesses are mainly the production and sales of polarizers. For goods sold to customers, the Group recognizes revenue when the right of control of the goods is transferred, that is, when the goods are delivered to the designated place of the other party and signed by the other party. The Group recognizes a receivable when the goods are delivered to the customer because the delivery of the goods to the customer represents an unconditional right to receive the contractual consideration, and the maturity of the payment depends only on the passage of time. When the customer makes a prepayment for goods, the Group recognizes the transaction amount received as a contract liability and recognizes the revenue when the goods are delivered to the customer.

The Group provides property services to customers, and such services represent performance obligations performed over a period of time. For property service, the Group recognizes revenue in the course of providing property service.

(5) Description of allocation to remaining performance obligations

As of December 31, 2025, the amount of contract liabilities corresponding to the performance obligations that the Group has already signed contracts for but has not yet fulfilled or has not fully fulfilled is RMB 3,132,419.01, which will be recognized as revenue when the customer obtains the control over goods.

(V) Notes to financial statements - continued**41. Taxes and surcharges**

RMB

Item	Amount for the current year	Amount for the previous year
Property taxes	8,545,385.60	7,240,576.84
Urban maintenance and construction tax	375,243.29	397,643.06
Education surcharge	267,606.86	287,055.45
Other taxes	2,354,910.04	2,310,230.30
Total	11,543,145.79	10,235,505.65

42. Selling expenses

RMB

Item	Amount for the current year	Amount for the previous year
Employee compensation	13,859,259.00	15,245,568.88
Sales service fee	14,066,794.72	19,491,891.54
Business entertainment expenses	1,130,045.94	1,117,751.47
Others	5,603,934.08	6,405,391.58
Total	34,660,033.74	42,260,603.47

43. G&A expenses

RMB

Item	Amount for the current year	Amount for the previous year
Employee compensation	91,924,691.04	90,301,081.26
Depreciation cost	11,209,271.67	10,962,929.91
Professional service fees	5,540,619.77	10,520,874.85
Amortization of intangible assets	4,454,969.16	4,575,688.69
Property leasing and utilities	2,751,267.57	2,441,383.42
Business entertainment expenses	649,200.79	1,193,877.91
Others	12,082,069.80	14,351,985.54
Total	128,612,089.80	134,347,821.58

44. R&D expenses

RMB

Item	Amount for the current year	Amount for the previous year
Employee compensation	17,031,748.89	15,844,594.49
Material consumption	81,524,391.18	83,483,679.76
Depreciation cost	2,056,127.28	3,275,385.23
Others	3,362,571.65	1,208,163.43
Total	103,974,839.00	103,811,822.91

The Group has no development expenses of R&D projects that meet the capitalization requirements.

(V) Notes to financial statements - continued**45. Financial expenses**

RMB

Item	Amount for the current year	Amount for the previous year
Interest expenses (Note)	7,121,172.59	17,858,022.73
Less: capitalized interest	176,406.29	-
Interest income	4,941,271.94	7,272,362.76
Exchange differences	9,266,532.25	(3,772,940.12)
Service fee and others	1,969,682.47	5,308,436.20
Total	13,239,709.08	12,121,156.05

Note: The interest expenses of the lease liabilities in 2025 is RMB 715,255.07.

46. Other income

RMB

Classification by nature	Amount for the current year	Amount for the previous year
Transfer-in of deferred income	16,497,827.07	16,401,790.63
Support funds for industry development (Note 1)	5,200,000.00	7,988,744.44
Support funds for enterprise development (Note 2)	124,784.96	989,098.49
Tax incentives	18,484,146.10	16,014,588.22
Others	538,576.40	89,885.75
Total	40,845,334.53	41,484,107.53

Note 1: The support funds of industry development mainly include the subsidy for the green manufacturing pilot demonstration project of the Industry and Information Technology Bureau of Shenzhen Municipality and the subsidy for the atmospheric environment quality improvement of the Ecology and Environment Bureau of Shenzhen Municipality.

Note 2: The support funds of enterprise development mainly include the social security and post subsidies for employing people lifted out of poverty and the one-time employment expansion subsidy for 2025 from the Human Resources Bureau of Pingshan District, Shenzhen Municipality.

47. Investment income (loss)

RMB

Item	Amount for the current year	Amount for the previous year
Losses on long-term equity investments accounted for under equity method	(7,010,989.13)	(10,701,895.08)
Investment income from disposal of long-term equity investments	-	833,613.28
Investment income obtained during holding the financial assets held for trading	14,540,478.82	13,846,181.90
Investment loss from derecognition of derivative financial liabilities	(10,832,640.65)	(6,454,000.00)
Dividend income from investments in other equity instrument during the holding period	2,105,147.02	2,310,786.01
Total	(1,198,003.94)	(165,313.89)

(V) Notes to financial statements - continued**48. Gains (losses) from changes in fair value**

RMB

Sources of gains from changes in fair value	Amount for the current year	Amount for the previous year
Financial assets held for trading	2,425,205.47	2,413,062.80
Derivative financial liabilities	(3,362,200.19)	(1,278,559.35)
Total	(936,994.72)	1,134,503.45

49. Credit impairment gains

RMB

Item	Amount for the current year	Amount for the previous year
Gains on impairment of accounts receivable (Note (V), 4 (2))	8,504,689.86	5,093,840.35
Gains on impairment of other receivables (Note (V), 7 (3))	(57,097.06)	6,606.31
Total	8,447,592.80	5,100,446.66

50. Asset impairment gains (losses)

RMB

Item	Amount for the current year	Amount for the previous year
Inventory depreciation loss	(138,340,722.92)	(123,538,967.06)
Fixed asset impairment loss	-	(6,863,474.54)
Other asset impairment loss	-	(2,020,667.15)
Total	(138,340,722.92)	(132,423,108.75)

51. Non-operating revenue

RMB

Item	Amount for the current year	Amount for the previous year	Amount included in the current non-recurring profit or loss
Gains from unclaimed payables	5,108,649.83	1,439,654.31	5,108,649.83
Liquidated damages	1,121,434.64	275,672.99	1,121,434.64
Insurance compensation	20,692.22	24,911.31	20,692.22
Gains from the damage and scrapping of non-current assets	13,057.39	341.42	13,057.39
Others	131,900.37	64,506.89	131,900.37
Total	6,395,734.45	1,805,086.92	6,395,734.45

(V) Notes to financial statements - continued**52. Non-operating expenses**

RMB

Item	Amount for the current year	Amount for the previous year	Amount included in the current non-recurring profit or loss
Losses on scrapping of non-current assets	39,914.17	51,361.87	39,914.17
Amercement outlay	3,390.66	44,000.00	3,390.66
Compensation expenses	842,646.03	468,146.00	842,646.03
Other losses	54,912.02	134,509.84	54,912.02
Total	940,862.88	698,017.71	940,862.88

53. Income tax expenses

(1) List of income tax expenses

RMB

Item	Amount for the current year	Amount for the previous year
Income tax expenses for the current period	9,673,404.67	8,562,225.60
Deferred tax expenses	3,132,165.81	1,264,876.43
Total	12,805,570.48	9,827,102.03

(2) Adjustment process of accounting profits and income tax expenses

RMB

Item	Amount for the current year	Amount for the previous year
Total profits	108,419,113.31	152,883,868.41
Income tax expenses calculated at statutory tax rate	27,104,778.33	38,220,967.10
Influence of different tax rates applicable to subsidiaries	(8,786,686.81)	(15,431,945.83)
Influence of adjustments to the income tax for the prior years	954,565.40	(27,243.77)
Influence of non-taxable income	(1,122,137.29)	(3,079,800.79)
Influence of nondeductible costs, expenses and losses	1,777,866.90	5,591,965.60
Utilization of unrecognized deductible losses and deductible temporary differences from prior periods and their tax effects	(1,383,582.51)	(7,061,678.51)
Tax effects of unrecognized deductible losses and deductible temporary differences	6,890,154.91	4,078,341.28
Additional deduction for R&D expenses	(12,633,463.47)	(12,458,381.02)
Others	4,075.02	(5,122.03)
Income tax expenses	12,805,570.48	9,827,102.03

(V) Notes to financial statements - continued**54. Notes to items in statement of cash flows**

(1) Cash related to operating activities

Other cash received related to operating activities

RMB

Item	Amount for the current year	Amount for the previous year
Guarantee and deposit	95,357,705.42	30,652,489.87
Interest income	4,972,503.26	9,057,486.70
Government subsidies	9,265,114.80	24,242,842.93
Current accounts and others	23,348,683.10	23,056,150.45
Total	132,944,006.58	87,008,969.95

Other cash paid related to operating activities

RMB

Item	Amount for the current year	Amount for the previous year
Guarantee and deposit	39,437,305.24	57,908,823.39
Out-of-pocket expenses	49,378,916.99	68,667,614.18
Current accounts and others	2,373,874.85	27,179,768.77
Total	91,190,097.08	153,756,206.34

(2) Cash related to investing activities

Other cash received related to significant investing activities

RMB

Item	Amount for the current year	Amount for the previous year
Structured deposits and wealth management products	1,000,000,000.00	950,000,000.00
Monetary fund	148,427,138.42	747,000,000.00
Certificates of deposit and others	709,600.00	-
Total	1,149,136,738.42	1,697,000,000.00

Other cash paid related to significant investing activities

RMB

Item	Amount for the current year	Amount for the previous year
Structured deposits and wealth management products	1,150,000,000.00	950,000,000.00
Monetary fund	-	649,000,000.00
Forward foreign exchange contracts	13,389,759.35	6,454,000.00
Total	1,163,389,759.35	1,605,454,000.00

(V) Notes to financial statements - continued

55. Notes to items in statement of cash flows - continued

(2) Cash related to investing activities - continued

Other cash received related to investing activities

RMB

Item	Amount for the current year	Amount for the previous year
Wealth management investment, structured deposits and others	1,149,136,738.42	1,697,000,000.00

Other cash paid related to investing activities

RMB

Item	Amount for the current year	Amount for the previous year
Structured deposits and wealth management products	1,150,000,000.00	950,000,000.00
Monetary fund	-	649,000,000.00
Forward foreign exchange contracts	13,389,759.35	6,454,000.00
Total	1,163,389,759.35	1,605,454,000.00

(3) Cash related to financing activities

Other cash paid related to financing activities

RMB

Item	Amount for the current year	Amount for the previous year
Lease payments	12,484,469.33	9,508,462.57

Changes in various liabilities arising from financing activities

RMB

Item	Balance at the beginning of the year	Increase in current year		Decrease in current year		Balance as at the end of the current year
		Cash changes	Non-cash changes	Cash changes	Non-cash changes	
Long-term borrowings (Note)	209,400,848.04	141,755,054.19	6,373,365.34	47,778,104.18	-	309,751,163.39
Lease liabilities (Note)	16,381,050.71	-	12,130,761.78	10,828,555.41	-	17,683,257.08
Total	225,781,898.75	141,755,054.19	18,504,127.12	58,606,659.59	-	327,434,420.47

Note: long-term borrowings and lease liabilities include those maturing within one year.

(4) The Group does not present cash flows on a net basis.

(5) The Group has no significant activities that do not involve current cash receipts and payments but affect the financial position of the enterprise or may affect the cash flows of the enterprise in the future.

(V) Notes to financial statements - continued**55. Supplementary information to statement of cash flows**

(1) Supplementary information to the statement of cash flows

RMB

Supplementary information	Amount for the current year	Amount for the previous year
1. Adjustment of net profit to cash flows from operating activities:		
Net profit	95,613,542.83	143,056,766.38
Plus: provision for assets impairment	138,340,722.92	132,423,108.75
Provision for credit losses	(8,447,592.80)	(5,100,446.66)
Depreciation of fixed assets and investment properties	237,945,710.46	237,717,328.95
Depreciation of right-of-use assets	9,858,780.97	9,651,343.75
Amortization of intangible assets	4,454,969.16	4,575,688.69
Amortization of long-term deferred expenses	1,706,534.63	2,934,915.74
Losses (gains) from disposal of fixed assets, intangible assets and other long-term assets	(1,164,099.59)	-
Losses (gains) on retirement of non-current assets	26,856.78	51,020.45
Losses from changes in fair value (income)	936,994.72	(1,134,503.45)
Financial expenses (income)	20,713,242.01	17,301,161.66
Investment loss (income)	1,198,003.94	165,313.89
Decrease (increase) in deferred tax assets	3,143,220.31	1,684,854.22
Increase (decrease) in deferred tax liabilities	(11,054.50)	(419,977.79)
Decrease (increase) in inventories	(233,226,377.55)	(176,903,495.67)
Decrease (increase) in operating receivables	(34,639,831.51)	29,434,877.96
Increase (decrease) in operating payables	111,343,974.48	(164,173,431.78)
Net cash flows from operating activities	347,793,597.26	231,264,525.09
2. Net changes in cash and cash equivalents:		
Ending balance of cash and cash equivalents	449,257,554.81	302,084,839.35
Less: beginning balance of cash and cash equivalents	302,084,839.35	461,420,457.33
Net increase (decrease) in cash and cash equivalents	147,172,715.46	(159,335,617.98)

(2) Composition of cash and cash equivalents

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year
I. Cash	449,257,554.81	302,084,839.35
Including: cash on hand	15,510.21	4,751.69
Unrestricted bank deposits	449,242,044.60	302,080,087.66
Other unrestricted monetary funds	-	-
II. Cash equivalents	-	-
III. Balance of cash and cash equivalents at the end of the year	449,257,554.81	302,084,839.35

(3) As of the end of the year, the Group had no cash and cash equivalents with restricted use that were still presented as such.

(V) Notes to financial statements - continued**55. Supplementary information to the statement of cash flows - continued**

(4) Monetary funds other than cash and cash equivalents

RMB

Item	Balance as at the end of the current year	Balance as at the end of the previous year	Reason
Bill and L/C guarantee	536.39	35,443,338.96	Not available for payment at any time
Interest on demand and agreement deposits and 7-day notice deposits	21,498.92	31,765.51	Not available for payment at any time
Others	684,860.26	3,401,500.00	Account freezing
Total	706,895.57	38,876,604.47	

56. Foreign currency monetary items

(1) Foreign currency monetary items

RMB

Item	Foreign currency balance at the end of the current year	Exchange rate of conversion	Conversion at the end of the current year RMB balance
Monetary funds			158,222,232.79
Including: USD	13,242,824.56	7.0288	93,081,165.25
JPY	1,437,610,760.10	0.0448	64,400,649.22
HKD	819,754.12	0.9032	740,418.32
Accounts receivable			77,112,536.74
Including: USD	10,935,180.15	7.0288	76,861,194.24
HKD	278,280.00	0.9032	251,342.50
Other receivables			495,717.51
Including: USD	70,526.62	7.0288	495,717.51
Accounts payable			178,353,317.24
Including: USD	242,062.43	7.0288	1,701,408.41
JPY	3,943,122,965.00	0.0448	176,651,908.83
Other payables			6,125,444.55
Including: USD	867,786.00	7.0288	6,099,494.24
JPY	15,131.00	0.0448	677.87
HKD	27,981.00	0.9032	25,272.44

57. Leases

(1) As a lessee

The Group leases a number of assets, including houses and buildings, for lease terms of 1 to 10 years. The above right-of-use assets cannot be used for purposes such as borrowing mortgages, guarantees, etc.

The Group had no variable lease payments that were not included in the measurement of lease liabilities.

(V) Notes to financial statements - continued**57. Leases - continued**

(1) As a lessee - continued

The short-term lease expenses subject to simplified accounting treatment and recognized in the current profit or loss in this year amounted to RMB 1,218,112.00 (previous year: RMB 950,508.89).

The total cash outflows related to leases in the current year amounted to RMB 13,702,581.33 (previous year: RMB 10,458,971.46).

(2) As a lessor

Operating lease as lessor

RMB

Item	Lease income	Including: revenue related to variable lease payments not included in lease receipts
Buildings and constructions	96,149,109.79	-

The operating leases of the Group as the lessor are related to houses and buildings, with lease terms ranging from 1 to 15 years.

The revenue related to operating leases in the current year amounted to RMB 96,149,109.79 (previous year: RMB 96,066,371.44), of which the revenue related to variable lease payments not included in the lease receipts amounted to RMB 0 (previous year: RMB 0).

RMB

Item	Undiscounted lease receipts	
	Amount at the end of current year	Amount at the end of the previous year
The first year after the balance sheet date	62,836,298.43	66,825,466.35
The second year after the balance sheet date	42,497,987.11	49,946,457.62
The third year after the balance sheet date	31,889,090.71	31,103,495.38
The fourth year after the balance sheet date	9,303,836.50	8,785,825.58
The fifth year after the balance sheet date	5,911,687.52	6,625,510.75
Subsequent years	4,518,270.00	5,106,929.55
Total undiscounted lease receipts	156,957,170.27	168,393,685.23

(VI) R&D expenditures

(1) Presented by nature of expenses

RMB

Item	Amount for the current year	Amount for the previous year
Employee compensation	17,031,748.89	15,844,594.49
Material consumption	81,524,391.18	83,483,679.76
Depreciation cost	2,056,127.28	3,275,385.23
Others	3,362,571.65	1,208,163.43
Total	103,974,839.00	103,811,822.91
Including: expensed R&D expenditures	103,974,839.00	103,811,822.91
Capitalized R&D expenditures	-	-

(2) The Group has no development expenses of R&D projects that meet the capitalization requirements.

(3) The Group has no significant outsourced projects under research.

(VII) Changes in the scope of consolidation

The Company's subsidiary, Shenzhen Huaqiang Hotel Co., Ltd, completed its liquidation and distribution in 2024 and is no longer included in the scope of consolidation this year.

(VIII) Interests in other entities**1. Interest in subsidiary**

(1) Structure of the enterprise group

Name of subsidiaries	Main premise	Registered capital (RMB)	Registration place	Business nature	Shareholding ratio of the Company (%)		Method of acquisition
					Direct	Indirect	
Shenzhen Lisi Industrial Development Co., Ltd.	Shenzhen	RMB 2,360,000.00	Shenzhen	Property leasing	100.00	-	Establishment
Shenzhen Shenfang Property Management Co., Ltd.	Shenzhen	RMB 1,600,400.00	Shenzhen	Property management	100.00	-	Establishment
Shenzhen Meibainian Garment Co. Ltd.	Shenzhen	RMB 13,000,000.00	Shenzhen	Production and sales of textiles	100.00	-	Establishment
Shenzhen Shenfang Sungang Property Management Co., Ltd.	Shenzhen	RMB 1,000,000.00	Shenzhen	Property management	100.00	-	Establishment
Shenzhen SAPO Photoelectric Co., Ltd.	Shenzhen	RMB 583,333,333.00	Shenzhen	Production and sales of polarizers	60.00	-	Acquisition
SATO (Hong Kong) Limited	Hong Kong	HKD 10,000.00	Hong Kong	Polarizer sales	-	100.00	Establishment

(VIII) Interests in other entities - continued**1. Interests in subsidiaries - continued****(2) Significant non-wholly-owned subsidiaries**

RMB

Name of subsidiaries	Shareholding ratio by minority shareholders	Profit or loss attributable to minority shareholders in the current year	Dividends declared to be distributed to minority shareholders in the current year	Balance of minority interests at the end of the current year
Shenzhen SAPO Photoelectric Co., Ltd.	40.00%	27,194,879.81	-	1,310,645,603.69

(3) Key financial information of significant non-wholly-owned subsidiaries

RMB

Item	SAPO Photoelectric	
	Balance as at the end of the current year/ Amount for the current year	Balance as at the end of the previous year/ Amount for the previous year
Current assets	2,277,246,004.30	2,039,673,042.84
Non-current assets	1,960,766,749.97	1,998,903,130.31
Total assets	4,238,012,754.27	4,038,576,173.15
Current liabilities	613,303,419.14	567,603,106.30
Non-current liabilities	353,456,061.45	267,706,992.70
Total liabilities	966,759,480.59	835,310,099.00
Operating revenue	3,137,568,960.10	3,230,006,072.51
Net profit	67,987,199.53	134,214,080.34
Total comprehensive income	67,987,199.53	134,214,080.34
Cash flows from operating activities	322,248,751.41	205,666,636.23

(VIII) Interests in other entities - continued**2. Equity in joint ventures or associates**

Summarized financial information of insignificant joint ventures and associates

RMB

Item	Balance as at the end of the current year/ Amount for the current year	Balance as at the end of the previous year/ Amount for the previous year
Joint ventures:		
Total of investment book value	104,274,952.84	111,555,887.28
Total amounts of the following items calculated at shareholding ratio		
- Net profit (loss)	(7,280,934.44)	(10,814,606.80)
-Other comprehensive income	-	-
-Total comprehensive income	(7,280,934.44)	(10,814,606.80)
Associates:		
Total of investment book value	3,308,634.07	3,272,138.76
Total amounts of the following items calculated at shareholding ratio		
-Net profit	36,495.31	112,711.72
-Other comprehensive income	-	-
-Total comprehensive income	36,495.31	112,711.72

(IX) Government grants

- (1) As of December 31, 2025, the Group had no government subsidies recognized at the amount receivable.
- (2) Liability items involving government subsidies

RMB

Liabilities	Amount at the beginning of the year	Subsidies increased in the current year	Amount included in non-operating revenue in the current year	Amount included in other income in the current year	Other changes in the current year	Amount at the end of current year	Related to assets/ Related to income
Deferred income	96,349,196.26	3,940,329.84	-	16,497,827.07	(321,750.00)	83,469,949.03	Related to assets

- (3) Government subsidies included in the current profit or loss

RMB

Grants	Amount for the current year	Amount for the previous year
Other income	21,822,612.03	25,379,633.56

(X) Risks associated with financial instruments

THE GROUP'S MAIN FINANCIAL INSTRUMENTS INCLUDE MONETARY FUNDS, FINANCIAL ASSETS HELD FOR TRADING, NOTES RECEIVABLE, ACCOUNTS RECEIVABLE, RECEIVABLES FINANCING, OTHER RECEIVABLES, OTHER EQUITY INSTRUMENT INVESTMENTS, SHORT-TERM BORROWINGS, DERIVATIVE FINANCIAL LIABILITIES, NOTES PAYABLE, ACCOUNTS PAYABLE, OTHER PAYABLES, OTHER CURRENT LIABILITIES AND LONG-TERM BORROWINGS, ETC. AT THE END OF THE YEAR, THE FINANCIAL INSTRUMENTS HELD BY THE GROUP ARE AS FOLLOWS, AND THE DETAILS ARE DESCRIBED IN NOTE (V). RISKS ASSOCIATED WITH THESE FINANCIAL INSTRUMENTS AND THE RISK MANAGEMENT POLICIES ADOPTED BY THE GROUP TO MITIGATE THESE RISKS ARE DESCRIBED BELOW. THE GROUP'S MANAGEMENT MANAGES AND MONITORS THESE EXPOSURES TO ENSURE THAT THE RISKS ARE CONTROLLED WITHIN CERTAIN LIMITS.

(X) Risks associated with financial instruments - continued

RMB

Item	Amount at the end of current year	Amount at the end of the previous year
Financial assets		
<i>Measured at fair value through current profit or loss</i>		
Financial assets held for trading	736,341,286.18	731,419,904.42
<i>Measured at fair value through other comprehensive income</i>		
Receivables financing	22,584,820.72	6,804,603.68
Other equity instrument investments	159,261,600.00	165,402,900.00
<i>Measured at amortized costs</i>		
Monetary funds	449,964,450.38	340,961,443.82
Notes receivable	85,980,246.52	47,305,221.88
Accounts receivable	761,807,949.52	863,731,936.89
Other receivables	4,324,973.02	3,596,543.96
Financial liabilities		
<i>Measured at fair value through current profit or loss</i>		
Derivative financial liabilities	4,071,800.19	1,278,559.35
<i>Measured at amortized costs</i>		
Notes payable	-	31,095,540.29
Accounts payable	344,656,835.89	304,812,580.55
Other payables	159,826,234.73	160,296,989.98
Other current liabilities	53,001,736.07	30,291,952.76
Long-term borrowings	309,751,163.39	209,400,848.04

THE GROUP USES SENSITIVITY ANALYSIS TECHNIQUES TO ANALYZE THE POSSIBLE IMPACT OF REASONABLE AND POSSIBLE CHANGES IN RISK VARIABLES ON THE CURRENT PROFIT OR LOSS AND SHAREHOLDERS' EQUITY. AS ANY RISK VARIABLE SELDOM CHANGES IN ISOLATION, AND THE CORRELATION BETWEEN THE VARIABLES WILL HAVE A SIGNIFICANT EFFECT ON THE FINAL AFFECTED AMOUNT OF THE CHANGE OF A RISK VARIABLE, THE FOLLOWING CONTENTS ARE CARRIED OUT UNDER THE ASSUMPTION THAT THE CHANGE OF EACH VARIABLE IS INDEPENDENTLY:

1. Risk management objectives, policies and procedures, and changes in the current year

THE GROUP'S OBJECTIVE IN RISK MANAGEMENT IS TO ACHIEVE AN APPROPRIATE BALANCE BETWEEN RISK AND RETURN, MINIMIZE THE NEGATIVE IMPACT OF RISK ON THE GROUP'S OPERATING PERFORMANCE, AND MAXIMIZE THE INTERESTS OF SHAREHOLDERS AND OTHER EQUITY INVESTORS. BASED ON THIS RISK MANAGEMENT OBJECTIVE, THE BASIC STRATEGY OF THE GROUP'S RISK MANAGEMENT IS TO IDENTIFY AND ANALYZE VARIOUS RISKS FACED BY THE GROUP, ESTABLISH AN APPROPRIATE RISK TOLERANCE BOTTOM LINE AND CONDUCT RISK MANAGEMENT, AND TIMELY AND RELIABLY SUPERVISE VARIOUS RISKS TO CONTROL RISKS WITHIN A LIMITED SCOPE.

(X) Risks associated with financial instruments - continued**1. RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES, AND CHANGES IN THE CURRENT YEAR - CONTINUED****1.1 MARKET RISK****1.1.1 FOREIGN EXCHANGE RISK**

Foreign exchange risk refers to the risk of losses arising from the exchange rate fluctuation. The Group's exposure to foreign exchange risk is mainly related to the USD, the JPY and the HKD. Except for some of the Group's import purchases and export sales in Chinese mainland, which were mainly settled in USD, JPY and HKD, the Group's other major business activities were settled in RMB.

As of December 31, 2025, except for the foreign currency monetary items in Note (V), 56, the assets and liabilities of the Group were all in RMB. The foreign currency balances of assets and liabilities (converted into RMB) listed in the table below may expose the Group to foreign exchange risks that could impact its operating performance.

RMB

Item	Balance as at the end of the current year	
	Assets	Liabilities
USD	170,438,077.00	7,800,902.65
JPY	64,400,649.22	176,652,586.70
HKD	991,760.82	25,272.44

The Group closely monitors the impact of exchange rate changes on the Group's foreign exchange risk and will take measures to avoid foreign exchange risk according to the actual situation.

Sensitivity analysis of foreign exchange risk

With other variables unchanged, the pre-tax impact of reasonable changes in exchange rates on the current profit or loss and shareholders' equity is as follows:

RMB

ITEM	FLUCTUATION IN EXCHANGE RATE	CURRENT YEAR		PREVIOUS YEAR	
		IMPACT ON PROFIT	IMPACT ON SHAREHOLDERS' EQUITY	IMPACT ON PROFIT	IMPACT ON SHAREHOLDERS' EQUITY
ALL FOREIGN CURRENCIES	REVALUATION AGAINST RMB BY 5%	2,567,586.26	2,567,586.26	(2,401,052.54)	(2,401,052.54)
ALL FOREIGN CURRENCIES	DEPRECIATION AGAINST RMB BY 5%	(2,567,586.26)	(2,567,586.26)	2,401,052.54	2,401,052.54

1.1.2. Interest rate risk - risk of changes in cash flows

The Group's risk of changes in cash flows of financial instruments due to changes in interest rates is mainly related to bank borrowings with floating rates. The Group continues to closely monitor the impact of interest rate changes on the Group's interest rate risk. The Group's policy is to maintain the floating rate of these borrowings, and there are currently no interest rate swap arrangements.

(X) Risks associated with financial instruments - continued

1. RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES, AND CHANGES IN THE CURRENT YEAR - CONTINUED**1.1 MARKET RISK - CONTINUED****1.1.2. Interest rate risk - risk of changes in cash flow - continued*****SENSITIVITY ANALYSIS OF INTEREST RATE RISK:***

WITH OTHER VARIABLES UNCHANGED, THE PRE-TAX IMPACT OF REASONABLE CHANGES IN INTEREST RATES ON THE CURRENT PROFIT OR LOSS AND SHAREHOLDERS' EQUITY IS AS FOLLOWS:

RMB

ITEM	FLUCTUATION IN EXCHANGE RATE	CURRENT YEAR		PREVIOUS YEAR	
		IMPACT ON PROFIT	IMPACT ON SHAREHOLDERS' EQUITY IMPACT	IMPACT ON PROFIT	IMPACT ON SHAREHOLDERS' EQUITY IMPACT
FLOATING RATE BORROWINGS	UP 1%	(3,094,866.74)	(3,094,866.74)	(2,092,051.50)	(2,092,051.50)
FLOATING RATE BORROWINGS	DOWN 1%	3,094,866.74	3,094,866.74	2,092,051.50	2,092,051.50

1.2. Credit risk

As of December 31, 2025, the maximum credit risk exposure that may cause financial losses to the Group mainly comes from the losses of the Group's financial assets due to the failure of the other party to the contract to perform its obligations, including: monetary funds, financial assets held for trading, notes receivable, accounts receivable, receivables financing and other receivables. On the balance sheet date, the book value of the Group's financial assets represents its maximum credit risk exposure.

In order to reduce the credit risk, the Group arranges special personnel to determine the credit line, conduct credit approval, and implement other monitoring procedures to ensure that necessary measures are taken to recover overdue debts. In addition, the Group reviews the recovery of financial assets on each balance sheet date to ensure that adequate provision for credit losses has been made for the relevant financial assets. Therefore, the management of the Group believes that the credit risk assumed by the Group has been greatly reduced.

The Group's monetary funds are deposited in banks with high credit ratings, so the monetary funds only have low credit risk.

As of December 31, 2025, the balance of accounts receivable from the top five customers of the Group was RMB 477,547,582.82, accounting for 60.31% of the balance of accounts receivable of the Group. In addition, the Group has no other significant credit risk exposure concentrated in a single financial asset or a portfolio of financial assets with similar characteristics.

1.3. Liquidity risk

When managing liquidity risk, the Group maintains cash and cash equivalents that the management believes are sufficient and monitors them to meet the Group's operational needs and reduce the impact of fluctuations in cash flows. The Group's management monitors the use of bank borrowings and ensures compliance with loan agreements.

(X) Risks associated with financial instruments - continued

1. RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES, AND CHANGES IN THE CURRENT YEAR - CONTINUED1.3. Liquidity risk - continued

AS OF DECEMBER 31, 2025, THE UNUSED COMPREHENSIVE BANK CREDIT LINE OF THE GROUP WAS RMB 113,649.52.

THE GROUP'S FINANCIAL LIABILITIES HELD ARE PRESENTED AS FOLLOWS BASED ON THE MATURITY OF UNDISCOUNTED REMAINING CONTRACTUAL OBLIGATIONS:

RMB

Item	Within 1 year	1 - 5 years	Over 5 years	Total
Accounts payable	344,656,835.89	-	-	344,656,835.89
Other payables	159,826,234.73	-	-	159,826,234.73
Other current liabilities	53,001,736.07	-	-	53,001,736.07
Long-term borrowings	55,787,469.56	269,158,669.95	-	324,946,139.51
Lease liabilities	7,816,868.42	9,705,967.44	1,937,423.13	19,460,258.99
Derivative financial liabilities	4,071,800.19	-	-	4,071,800.19

2. Transfer of financial assets2.1 Classification of transfer methods

RMB

Transfer method	Nature of transferred financial assets	Amount of transferred financial assets	Derecognition	Judgment basis for derecognition
Transfer by endorsement	Outstanding bank acceptance bills classified as receivables financing	76,263,471.66	Derecognized	The credit risk level of the acceptance bank of the bank acceptance bill transferred by endorsement is relatively high, and almost all the risks and rewards of the ownership of the corresponding receivables financing have been transferred
Transfer by endorsement	Outstanding bank acceptance bills classified as notes receivable	53,001,736.07	Not derecognized	The credit risk level of the acceptance bank of the bank acceptance bill transferred by endorsement is not high, and almost all the risks and rewards of the ownership of the relevant notes receivable are retained
Total		129,265,207.73		

2.2 Financial assets derecognized due to transfer

RMB

Item	Transfer method of financial assets	Amount of derecognized financial assets	Gains or losses related to derecognition
Receivables financing	Transfer by endorsement	76,263,471.66	-

(X) Risks associated with financial instruments - continued**2. Transfer of financial assets - continued****2.3 Transfer of financial assets with continued involvement**

RMB

Item	Asset transfer method	Amount of assets arising from continued involvement	Amount of liabilities arising from continued involvement
Notes receivable	Transfer by endorsement	53,001,736.07	53,001,736.07

(XI) Disclosure of fair value**1. Fair value of assets and liabilities measured at fair value at the end of the year**

RMB

Item	Fair value at the end of current year			
	Measured at the fair value of the 1st level	Measured at the fair value of the 2nd level	Measured at the fair value of the 3rd level	Total
Continuous fair value measurement				
(I) Financial assets held for trading	-	736,341,286.18	-	736,341,286.18
(II) Receivables financing	-	-	22,584,820.72	22,584,820.72
(III) Other equity instrument investments	-	-	159,261,600.00	159,261,600.00
Total assets constantly measured at fair value	-	736,341,286.18	181,846,420.72	918,187,706.90
(IV) Derivative financial liabilities	-	4,071,800.19	-	4,071,800.19
Total liabilities constantly measured at fair value	-	4,071,800.19	-	4,071,800.19

2. Qualitative and quantitative valuation techniques and important parameters of sustainable and non-sustainable items measured on the basis of fair value of level 2

RMB

Item	Fair value at the end of current year	Valuation techniques	Input value
Financial assets held for trading	736,341,286.18	Discounted cash flow method	Expected rate of return
Derivative financial liabilities	4,071,800.19	Discounted cash flow method	The contracted delivery exchange rate under forward foreign exchange contracts and the market forward exchange rate as of the balance sheet date

3. Qualitative and quantitative valuation techniques and important parameters of sustainable and non-sustainable items measured on the basis of fair value of level 3

RMB

Item	Fair value at the end of current year	Valuation techniques	Input value
Receivables financing	22,584,820.72	Discounted cash flow method	Discount rate
Other equity instrument investments	159,261,600.00	Comparable Public Company Method	P/B ratio of similar listed companies
		Comparable earnings method	Market price
		Statement adjustment method	Book value

(XI) Disclosure of fair value - continued**4. Condition of fair value of financial assets and financial liabilities not measured at fair value**

Financial assets and liabilities not measured at fair value mainly include: monetary funds, notes receivable, accounts receivable, other receivables, notes payable, accounts payable, other payables, other current liabilities and long-term borrowings, etc.

The Group's management believes that the book value of financial assets and financial liabilities measured at amortized costs in the financial statements is close to the fair value of such assets and liabilities.

(XII) Related parties and related party transactions**1. Parent company**

Name	Registration place	Business nature	Registered capital (RMB 10,000)	Parent company's shareholding ratio in the Company (%)	Proportion of voting rights of the parent company in the Company (%)
Shenzhen Investment Holdings Co., Ltd.	Floor 18, Investment Building, Shennan Road, Futian District, Shenzhen	Equity investments, real estate development, etc.	3,358,600.00	46.21	46.21

Parent company of the Company: the parent company of the Company is a wholly state-owned company approved and authorized by the Shenzhen Municipal Government, which exercises the functions of the investor in accordance with the law for the state-owned enterprises within the authorized scope.

During the reporting period, the registered capital of the parent company changed as follows:

RMB 10,000

Balance at the beginning of the year	Increase in current year	Decrease in current year	Balance as at the end of the current year
3,318,600.00	40,000.00	-	3,358,600.00

2. Subsidiaries

See Note (VIII), 1 for details of the subsidiary.

3. Joint ventures and associates of the Company

See Note (V), 10 for details of the Company's joint ventures and associates.

(XII) Related parties and related-party transactions - continued

4. Other related parties of the Company

Name of related party	Relationship with the Company
Shenzhen Shentou Property Development Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Seg Longyan Energy Technology Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Guoren P&C Insurance Co., Ltd. Shenzhen Branch	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Talent Service Center (Shenzhen Talent Market)	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Property Management Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Cultural Enterprise Development Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Investment Holdings Development Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Investment Holdings Digital Technology Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Leaguer Education Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Legal Training Center Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Investment Holdings Sports Event Development Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Silver Lake Convention Center (Hotel) Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Wuzhou Guest House Operation Branch of Shenzhen Wuzhou International Hotel Management Group Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Jiazhihua Center Cinema of Shenzhen Cultural Enterprise Development Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Penglao Human Resources Management Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Talent Recruitment International (Group) Co., Ltd. (formerly known as Shenzhen Talent Recruitment International Co., Ltd.)	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Shenzhen Guohui Hotel Co., Ltd.	Subsidiary of the parent company of the Company, Shenzhen Investment Holdings Co., Ltd.
Xinmei Fontana Holding (Hong Kong) Limited	One of the directors of the Company is a director of SAPO Photoelectric
Kunshan Xinmei Optical Technology Co., Ltd.	One of the directors of the Company is a director of SAPO Photoelectric
Hengmei Optoelectronics Co., Ltd.	Minority shareholder of the Company's subsidiary SAPO Photoelectric; one of the directors of the Company is a director of SAPO Photoelectric
Fuzhou Hengmei Optoelectronics Co., Ltd.	A subsidiary of a minority shareholder of SAPO Photoelectric, a subsidiary of the Company
Haosheng Hengxin (Wuxi) Materials Co., Ltd.	A subsidiary of a minority shareholder of SAPO Photoelectric, a subsidiary of the Company
Hoardsun Advanced Materials Korea LLC	A subsidiary of a minority shareholder of SAPO Photoelectric, a subsidiary of the Company
Shenzhen Xinfang Knitting Factory Co., Ltd.	The Company's participated company
Shenzhen Dailisi Underwear Co., Ltd.	The Company's participated company

(XII) Related parties and related-party transactions - continued

5. Related party transactions

(1) Procurement of goods/receipt of labor services

RMB

Related party	Content of related party transactions	Amount for the current year	Amount for the previous year
Hengmei Optoelectronics Co., Ltd.	Equipment costs, optical film materials and processing	179,843,047.65	2,874.60
Xinmei Fontana Holding (Hong Kong) Limited	Raw materials	177,573,836.05	-
Kunshan Xinmei Optical Technology Co., Ltd.	Raw materials	18,328,566.87	-
Hoardsun Advanced Materials Korea LLC	Raw materials	5,388,320.92	-
Fuzhou Hengmei Optoelectronics Co., Ltd.	Optical film materials	1,370,344.95	-
Shenzhen Seg Longyan Energy Technology Co., Ltd.	Purchase of electricity	1,061,155.37	1,146,803.41
Shenzhen Investment Holdings Development Co., Ltd.	Rental and property management fees	618,425.18	65,786.40
Guoren P&C Insurance Co., Ltd. Shenzhen Branch	Insurance premiums	431,262.04	285,104.25
Shenzhen Talent Service Center (Shenzhen Talent Market)	Outsourcing service fee	128,290.23	125,596.14
Shenzhen Investment Holdings Digital Technology Co., Ltd.	Information construction	102,031.36	78,655.84
Shenzhen Penglao Human Resources Management Co., Ltd.	Labor dispatch fees	148,088.54	-
Shenzhen Legal Training Center Co., Ltd.	Training expenses	61,136.99	34,597.00
Shenzhen Leaguer Education Co., Ltd.	Training expenses	27,944.70	20,449.02
Shenzhen Property Management Co., Ltd.	Property management fee	25,899.76	47,258.75
Shenzhen Cultural Enterprise Development Co., Ltd.	Equipment costs, exhibition fees	23,416.00	136,298.00
Shenzhen Talent Recruitment International (Group) Co., Ltd. (formerly known as Shenzhen Talent Recruitment International Co., Ltd.)	Campus recruitment fees	14,342.15	7,000.00
Shenzhen Silver Lake Convention Center (Hotel) Co., Ltd.	Service fee	10,904.00	-
Wuzhou Guest House Operation Branch of Shenzhen Wuzhou International Hotel Management Group Co., Ltd.	Service fee	8,352.00	-
Shenzhen Guanhua Printing and Dyeing Co., Ltd.	Interest expenses	3,316.31	9,025.99
Jiazhihua Center Cinema of Shenzhen Cultural Enterprise Development Co., Ltd.	Service fee	3,040.00	-
Shenzhen Guohui Hotel Co., Ltd.	Service fee	1,200.00	-
Shenzhen Investment Holdings Sports Event Development Co., Ltd.	Marketing expenses	-	80,000.00
Shenzhen Property Management Co., Ltd.	Property management fee	-	47,258.75
Total		385,172,921.07	2,039,449.40

(XII) Related parties and related-party transactions - continued**5. Related party transactions - continued**

(2) Sales of goods/ rendering of services

RMB

Related party	Content of related party transactions	Amount for the current year	Amount for the previous year
Haosheng Hengxin (Wuxi) Materials Co., Ltd.	Processing fees	7,267,737.20	-
Fuzhou Hengmei Optoelectronics Co., Ltd.	Processing fees	910,142.37	-
Hengmei Optoelectronics Co., Ltd.	Processing fees	577,658.64	-
Shenzhen Xinfang Knitting Factory Co., Ltd.	Lease	11,428.57	-
Shenzhen Changlianfa Printing and Dyeing Co., Ltd.	Lease	11,428.57	-
Total		8,778,395.35	-

(3) Related party leases

The Group as lessor

RMB

Lessee	Type of leased asset	Lease income recognized in this period	Lease income recognized in previous period
Shenzhen Xinfang Knitting Factory Co., Ltd.	Houses and buildings	11,428.57	-
Shenzhen Changlianfa Printing and Dyeing Co., Ltd.	Houses and buildings	11,428.57	-
Total		22,857.14	-

The Group as lessee

RMB

Lessor	Type of leased asset	Amount in the current period				
		Rental costs for short-term leases and low-value asset leases for simplified processing (if applicable)	Variable lease payments not included in the measurement of lease liabilities (if applicable)	Paid rents	Interest expense on lease liabilities assumed	Increase in right-of-use assets
Shenzhen Investment Holdings Development Co., Ltd.	Houses and buildings	389,545.30	-	440,134.57	7,295.94	2,541,344.41

RMB

Lessor	Type of leased asset	Amount in the current period				
		Rental costs for short-term leases and low-value asset leases for simplified processing (if applicable)	Variable lease payments not included in the measurement of lease liabilities (if applicable)	Paid rents	Interest expense on lease liabilities assumed	Increase in right-of-use assets
Shenzhen Investment Holdings Development Co., Ltd.	Houses and buildings	65,786.40	-	65,786.40	-	-

(4) Loans from and to related parties

RMB

Related party	Amount borrowed	Start date	Maturity date	Notes
Borrowed from				
Shenzhen Guanhua Printing and Dyeing Co., Ltd.	3,806,454.17	July 30, 2019	July 31, 2025	Annual interest rate 0.15%

(XII) Related parties and related-party transactions - continued**5. Related party transactions - continued**

(5) Remuneration of key management personnel

RMB

Item	Amount for the current year	Amount for the previous year
Remuneration of key officers	6,322,000.00	6,932,991.00

6. Accounts receivable, accounts payable to related parties and other unsettled items

(1) Receivables

RMB

Project	Related party	Balance as at the end of the current year		Balance as at the end of the previous year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Haosheng Hengxin (Wuxi) Materials Co., Ltd.	3,255,772.72	41,863.57	-	-
	Fuzhou Hengmei Optoelectronics Co., Ltd.	1,028,460.87	848,850.89	-	-
	Hengmei Optoelectronics Co., Ltd.	652,754.27	538,757.54	-	-
	Shenzhen Shentou Property Development Co., Ltd.	6,027.00	1,808.10	6,027.00	602.70
	Total	4,943,014.86	1,431,280.10	6,027.00	602.70
Advances to suppliers	Kunshan Xinmei Optical Technology Co., Ltd.	4,745,325.94	-	-	-
	Shenzhen Investment Holdings Digital Technology Co., Ltd.	96,500.00	-	-	-
	Shenzhen Investment Holdings Development Co., Ltd.	53,118.73	-	-	-
	Total	4,894,944.67	-	-	-
Other receivables	Shenzhen Dailisi Underwear Co., Ltd.	1,100,000.00	55,000.00	1,100,000.00	55,000.00
	Shenzhen Investment Holdings Development Co., Ltd.	106,237.44	568.37	73,096.00	3,910.64
	Total	1,206,237.44	55,568.37	1,173,096.00	58,910.64

(2) Payables

RMB

Project	Related party	Balance as at the end of the current year	Balance as at the end of the previous year
Accounts payable	Xinmei Fontana Holding (Hong Kong) Limited	14,853,562.10	-
	Fuzhou Hengmei Optoelectronics Co., Ltd.	1,370,344.95	-
	Hengmei Optoelectronics Co., Ltd.	633,118.20	-
	Total	16,857,025.25	-
Other payables	Shenzhen Guanhua Printing and Dyeing Co., Ltd.	3,806,454.17	3,816,981.88
	Shenzhen Changlianfa Printing and Dyeing Co., Ltd.	2,281,299.95	2,281,299.95
	Shenzhen Xinfang Knitting Factory Co., Ltd.	244,789.85	244,789.85
	Shenzhen Investment Holdings Digital Technology Co., Ltd.	51,840.00	37,735.84
	Shenzhen Investment Holdings Development Co., Ltd.	18,417.00	29,238.40
	Shenzhen Cultural Enterprise Development Co., Ltd.	6,536.00	-
	Shenzhen Investment Holdings Sports Event Development Co., Ltd.	-	80,000.00
	Shenzhen Property Management Co., Ltd.	-	7,934.52
Total	6,409,336.97	6,497,980.44	

(XIII) Commitments and contingencies**1. Important commitments**

(1) Capital commitments

RMB

Item	Amount at the end of current year	Amount at the end of previous year
Contracted but not recognized in the financial statements		
Commitment on construction and purchase of long-lived assets	7,977,917.50	53,374.76

2. Contingencies

As of December 31, 2025, the Group had no contingencies such as pending litigations and external guarantees to be disclosed.

(XIV) Events after the balance sheet date**1. Profit distribution after the balance sheet date**

On March 26, 2026, the profit distribution proposal for the year 2025 was approved by the Board of the Company. It is proposed that the Company distribute cash dividends of RMB 0.48 per ten shares (tax inclusive) to all shareholders based on the total share capital of 506,521,849 shares as of December 31, 2025, resulting in total cash dividends of RMB 24,313,048.75 (tax inclusive). The profit distribution plan is subject to the consideration and approval of the Company's General Meeting.

RMB

Item	Amount
Profit or dividend to be distributed	24,313,048.75
Profit or dividend declared to be granted upon deliberation and approval	-

(XV) Other significant matters**1. Segment information**

(1) Determination basis and accounting policies for reporting segments

According to the internal organizational structure, management requirements and internal reporting system of the Group, the Group's operating business is divided into two operating segments. The management of the Group regularly evaluates the operating results of these segments to decide on the allocation of resources to them and evaluate their performance. On the basis of operating segments, the Group has identified the following two reporting segments, polarizer business, property leasing business and other business.

Information on segment reporting is disclosed according to the accounting policies and measurement standards adopted by each segment when reporting to the management, and these measurement bases are consistent with the accounting and measurement bases when preparing the financial statements.

(2) Financial information of reporting segments

RMB

Current year or end of current year	Polarizer	Property leasing and others	Offset	Total
Operating revenue:				
Revenue from external transactions	3,128,737,095.55	112,643,335.07	-	3,241,380,430.62
Revenue from transactions between segments	-	3,578,055.92	(3,578,055.92)	-
Total operating revenue of segments	3,128,737,095.55	116,221,390.99	(3,578,055.92)	3,241,380,430.62
Operating expenses (Note)	2,964,660,493.76	86,976,269.15	(3,239,268.69)	3,048,397,494.22
Operating profit	67,696,577.60	40,317,571.37	(5,049,907.23)	102,964,241.74
Net profit	67,893,144.85	32,905,892.39	(5,185,494.41)	95,613,542.83
Total assets of segments	4,231,298,575.88	3,142,462,542.68	(1,955,465,401.79)	5,418,295,716.77
Total liabilities of segments	966,686,977.47	196,395,831.31	(35,152,264.88)	1,127,930,543.90

Previous year or the beginning of current year	Polarizer	Property leasing and others	Offset	Total
Operating revenue:				
Revenue from external transactions	3,219,211,416.65	116,071,592.03	-	3,335,283,008.68
Revenue from transactions between segments	-	4,239,345.09	(4,239,345.09)	-
Total operating revenue of segments	3,219,211,416.65	120,310,937.12	(4,239,345.09)	3,335,283,008.68
Operating expenses (Note)	3,007,500,292.36	95,037,109.98	(3,900,557.86)	3,098,636,844.48
Operating profit	136,015,568.69	(20,628,307.04)	36,389,537.55	151,776,799.20
Net profit	134,120,025.66	(15,831,104.78)	24,767,845.50	143,056,766.38
Total assets of segments	4,031,861,994.76	3,149,618,569.49	(1,949,330,166.92)	5,232,150,397.33

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements
For the year ended December 31, 2025

Total liabilities of segments	835,237,595.88	191,159,171.74	(29,567,004.42)	996,829,763.20
-------------------------------	----------------	----------------	-----------------	----------------

Note: this item includes operating costs, taxes and surcharges, G&A expenses, R&D expenses, selling and distribution expenses and financial expenses.

(XV) Other important matters - Continued**2. Other significant events affecting the decision-making of investors**

Based on the current operating status of Shenzhen Xieli Automobile Enterprise Co., Ltd. (hereinafter referred to as "Shenzhen Xieli"), the Company applied to the People's Court of Luohu District, Shenzhen (hereinafter referred to as the "Court") for compulsory liquidation of Shenzhen Xieli on January 7, 2026. The Court accepted the case on January 22, 2026, and the case is currently under compulsory liquidation proceedings.

(XVI) Notes to the main items of the parent company's financial statements**1. Accounts receivable**

(1) Disclosure by aging

RMB

Aging	Book balance at the end of the year	Book balance at the beginning of the year
Within 1 year	8,710,793.24	10,649,986.34
1-2 years	-	-
2 to 3 years	-	-
3 - 4 years	-	2,485,076.00
4 to 5 years	118,603.99	-
Total	8,829,397.23	13,135,062.34

(2) Disclosure by provision method for bad debts

RMB

Category	Balance as at the end of the current year				Book value
	Book balance		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for bad debts accrued on an individual basis	-	-	-	-	-
Provision for bad debts made by portfolio	8,829,397.23	100.00	115,022.89	1.30	8,714,374.34
Total	8,829,397.23	100.00	115,022.89		8,714,374.34

(XVI) Notes to the main items of the parent company's financial statements - Continued**1. Accounts receivable - Continued****(2) Disclosure by provision method for bad debts - Continued**

RMB

Category	Balance as at the end of the previous year				Book value
	Book balance		Provision for bad debts		
	Amount	Ratio (%)	Amount	Provision ratio (%)	
Provision for bad debts accrued on an individual basis	-	-	-	-	-
Provision for bad debts made by portfolio	13,135,062.34	100.00	106,074.71	0.81	13,028,987.63
Total	13,135,062.34	100.00	106,074.71		13,028,987.63

As of December 31, 2025, accounts receivable with provision for bad debts accrued on a portfolio basis:

RMB

Aging	Balance as at the end of the current year			
	Expected average loss rate (%)	Book balance	Provision for bad debts	Book value
Within 1 year	1.32	8,710,793.24	115,022.89	8,595,770.35
4 to 5 years	-	118,603.99	-	118,603.99
Total		8,829,397.23	115,022.89	8,714,374.34

As of December 31, 2025, provision for bad debts is made based on the simplified expected credit losses model

RMB

Provision for bad debts	Whole duration Expected credit losses (No credit loss)	Whole duration Expected credit losses (With credit loss)	Total
Balance at the beginning of the year	106,074.71	-	106,074.71
Balance at the beginning of the year	-	-	-
- Transfer to credit loss incurred	-	-	-
- Reversal of credit loss not incurred	-	-	-
Withdrawal in the current year	8,948.18	-	8,948.18
Reversal in the current year	-	-	-
Charge-off in the current year	-	-	-
Write-off in the current year	-	-	-
Other changes	-	-	-
Balance as at the end of the current year	115,022.89	-	115,022.89

(3) Provision for bad debts

RMB

Type	Balance at the beginning of the year	Changes in the current year				Balance as at the end of the current year
		Provision	Recovery or reversal	Resale or write-off	Other changes	
Provision for bad debts	106,074.71	8,948.18	-	-	-	115,022.89

There was no significant amount of provision for bad debts recovered or reversed this year.

(XVI) Notes to the main items of the parent company's financial statements - Continued**1. Accounts receivable - Continued**

(4) There are no accounts receivable actually written off this year.

(5) Top five entities in terms of the ending balance of accounts receivable by debtor

RMB

Entity name	Book balance at the end of the year	Ratio in total accounts receivable (%)	Balance of provision for bad debts as at the end of the current year
Customer A	6,980,341.04	79.06	93,757.57
Customer B	1,227,979.88	13.91	-
Customer C	118,603.99	1.34	-
Customer D	117,394.64	1.33	5,869.73
Customer E	81,272.44	0.92	-
Total	8,525,591.99	96.56	99,627.30

2. Other receivables

(1) Disclosure by aging

RMB

Aging	Balance as at the end of the current year	Balance as at the end of the previous year
Within 1 year	1,973,476.50	15,129,726.66
1-2 years	13,636,400.01	273,000.00
2 to 3 years	273,000.00	2,204,641.09
Over 3 years	27,509,236.20	25,380,195.11
Total	43,392,112.71	42,987,562.86
Less: provision for bad debts	41,377,567.06	41,453,167.06
Book value	2,014,545.65	1,534,395.80

(2) Disclosure by nature of payment

RMB

Nature of payment	Book balance at the end of the year	Book balance at the end of the previous year
Transactions with related parties within the consolidation scope	26,114,041.10	26,189,641.10
Transactions with external units	15,455,577.41	15,422,435.97
Guarantee and deposits	10,000.00	10,000.00
Others	1,812,494.20	1,365,485.79
Total	43,392,112.71	42,987,562.86

(3) Provision for bad debts

As of December 31, 2025, provision for bad debts was made in accordance with the general model of expected credit loss.

RMB

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss for the next 12 months	Lifetime expected credit loss (without credit impairment)	Lifetime expected credit loss (credit-impaired)	
Balance at the beginning of the year	13,711,066.34	2,477,641.09	25,264,459.63	41,453,167.06
Balance at the beginning of the current year				
-- Transferred to Stage 2	(13,636,400.01)	13,636,400.01	-	-
-- Transferred to Stage 3	-	(2,204,641.09)	2,204,641.09	-
-- Reclassified to Stage 2	-	-	-	-
-- Reclassified to Stage 1	-	-	-	-
Provision for the year	-	-	-	-

Shenzhen Textile (Holdings) Co., Ltd.

Notes to the financial statements
For the year ended December 31, 2025

Reversed during the year	-	-	(75,600.00)	(75,600.00)
Written off during the year	-	-	-	-
Written off during the year	-	-	-	-
Other changes	-	-	-	-
Balance at the end of the year	74,666.33	13,909,400.01	27,393,500.72	41,377,567.06

As of December 31, 2025, provision for bad debts shall be made according to the credit risk characteristic combination

RMB

Phase	Balance as at the end of the current year			
	Expected average loss rate (%)	Book balance	Provision for bad debts	Book value
Provision for bad debts based on credit risk characteristic combination	95.36	43,392,112.71	41,377,567.06	2,014,545.65
Provision for other receivables				

(XVI) Notes to the main items of the parent company's financial statements - Continued**2. Other receivables - continued****(3) Provision for bad debts - continued**

As of December 31, 2025, the credit risk and provision for bad debts of other receivables are as follows:

RMB

Aging	Balance as at the end of the current year			
	Expected average loss rate (%)	Book balance	Provision for bad debts	Book value
Within 1 year	3.78	1,973,476.50	74,666.33	1,898,810.17
1-2 years	100.00	13,636,400.01	13,636,400.01	-
2 to 3 years	100.00	273,000.00	273,000.00	-
Over 3 years	99.58	27,509,236.20	27,393,500.72	115,735.48
Total		43,392,112.71	41,377,567.06	2,014,545.65

(4) Changes in provision for bad debts

RMB

Type	Balance at the beginning of the year	Changes in the current year				Balance as at the end of the current year
		Provision	Recovery or reversal	Resale or write-off	Other changes	
Provision for bad debts	41,453,167.06	-	(75,600.00)	-	-	41,377,567.06

(5) There were no other receivables actually written off this year.

(6) Top five entities in terms of ending balance of other receivables by debtors

RMB

Entity name	Balance as at the end of the current year	Proportion of other receivables Balance as at the end of the current year ratio (%)	Nature of amount	Aging	Provision for bad debts Balance as at the end of the current year
Customer A	26,114,041.10	60.18	Intercourse payment	Over 1- 3 years	26,114,041.10
Customer B	11,389,044.60	26.25	Intercourse payment	Over 3 years	11,389,044.60
Customer C	1,800,000.00	4.15	Intercourse payment	Over 3 years	1,800,000.00
Customer D	1,100,000.00	2.54	Intercourse payment	Within 1 year	55,000.00
Customer E	1,018,295.37	2.35	Intercourse payment	Over 3 years	1,018,295.37
Total	41,421,381.07	95.47			40,376,381.07

3. Long-term equity investments

RMB

Item	Balance as at the end of the current year			Balance as at the end of the previous year		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment subsidiaries in	1,963,252,748.31	37,390,767.64	1,925,861,980.67	1,962,688,268.31	36,826,287.64	1,925,861,980.67
Investments in joint ventures	104,274,952.84	-	104,274,952.84	111,555,887.28	-	111,555,887.28
Investments in associates	3,308,634.07	-	3,308,634.07	3,272,138.76	-	3,272,138.76
Total	2,070,836,335.22	37,390,767.64	2,033,445,567.58	2,077,516,294.35	36,826,287.64	2,040,690,006.71

(XVI) Notes to the main items of the parent company's financial statements - Continued**3. Long-term equity investments - Continued**

(1) Investment in subsidiaries

RMB

Investees	Balance at the beginning of the year	Increase in current year	Decrease in current year	Provision for impairment in the current year	Balance as at the end of the current year	Provision for impairment Balance as at the end of the current year
SAPO Photoelectric	1,910,247,781.94	-	-	-	1,910,247,781.94	14,415,288.09
Shenzhen Lisi Industrial Development Co., Ltd.	8,073,388.25	-	-	-	8,073,388.25	-
Shenzhen Meibainian Garment Co., Ltd.	-	564,480.00	-	564,480.00	-	22,975,479.55
Shenzhen Shenfang Property Management Co., Ltd.	1,713,186.55	-	-	-	1,713,186.55	-
Shenzhen Shenfang Sungang Property Management Co., Ltd.	5,827,623.93	-	-	-	5,827,623.93	-
Total	1,925,861,980.67	564,480.00	-	564,480.00	1,925,861,980.67	37,390,767.64

(2) Investment in associates and joint ventures

RMB

Investees	Balance at the beginning of the year	Changes in the current year								Balance as at the end of the current year	Balance of provision for impairment as at the end of the current year
		Additional investment	Reduced investment	Investment profit or loss recognized under the equity method	Other comprehensive income adjustment	Change in other equity	Cash dividends or profits declared to be paid	Provision for impairment	Others		
Joint ventures											
Shenzhen Guanhua Printing and Dyeing Co., Ltd.	111,555,887.28	-	-	(7,280,934.44)	-	-	-	-	-	104,274,952.84	-
Sub-total	111,555,887.28	-	-	(7,280,934.44)	-	-	-	-	-	104,274,952.84	-
Associates											
Shenzhen Changlianfa Printing and Dyeing Co., Ltd.	3,272,138.76	-	-	269,945.31	-	-	(233,450.00)	-	-	3,308,634.07	-
Sub-total	3,272,138.76	-	-	269,945.31	-	-	(233,450.00)	-	-	3,308,634.07	-
Total	114,828,026.04	-	-	(7,010,989.13)	-	-	(233,450.00)	-	-	107,583,586.91	-

Notes to the financial statements
For the year ended December 31, 2025

(XVI) Notes to the main items of the parent company's financial statements - Continued

4. Operating revenue and operating costs

(1) Operating revenue and operating costs

RMB

Item	Amount for the current year		Amount for the previous year	
	Revenue	Cost	Revenue	Cost
Primary business	76,736,666.87	10,942,684.48	77,167,496.95	10,205,157.84
Other business	903,094.00	684,545.01	-	-
Total	77,639,760.87	11,627,229.49	77,167,496.95	10,205,157.84

(2) Primary business by product

RMB

Products	Amount for the current year		Amount for the previous year	
	Income from primary business	Cost of primary business	Income from primary business	Cost of primary business
Property leasing	76,736,666.87	10,942,684.48	77,167,496.95	10,205,157.84

(3) Primary business by region

RMB

Region	Amount for the current year		Amount for the previous year	
	Income from primary business	Cost of primary business	Income from primary business	Cost of primary business
Domestic	76,736,666.87	10,942,684.48	77,167,496.95	10,205,157.84

5. Investment income

RMB

Item	Amount for the current year	Amount for the previous year
Long-term equity investment income calculated under the equity method	(7,010,989.13)	(10,701,895.08)
Income from long-term equity investments under cost method	5,200,000.00	4,700,000.00
Investment income from the recovery of long-term equity investments	-	5,838,587.94
Investment income obtained during holding the financial assets held for trading	14,540,478.82	10,795,474.10
Dividend income from investments in other equity instrument during the holding period	1,235,735.85	1,445,735.85
Total	13,965,225.54	12,077,902.81

Notes to the financial statements
For the year ended December 31, 2025

1. Breakdown of current non-recurring profit or loss

According to the Interpretive Announcement No. 1 on Information Disclosure of Companies Issuing Securities to the Public - Non-recurring Profit or Loss (Revision 2024) (hereinafter referred to as "Interpretive Announcement No. 1") issued by the China Securities Regulatory Commission, the Group's non-recurring profit or loss for 2025 are as follows:

RMB

Item	Amount for the current year
Profit or loss from disposal of non-current assets, including the writing-off part for which the asset impairment provision is made	1,137,242.81
Government subsidies included in the current profit or loss (except for those that are closely related to the Company's normal business operations, comply with national policies and regulations, are enjoyed according to determined standards, and have a sustained impact on the Company's profit or loss)	6,426,316.96
Profit or loss from changes in fair value of financial assets and liabilities held by non-financial enterprises and profit or loss from the disposal of financial assets and financial liabilities, except for effective hedging operations related to the Company's normal business operations	(11,769,635.37)
Reversal of provision for impairment of accounts receivable subject to separate impairment test	4,371,571.58
Non-operating revenue and expenses other than the above-mentioned items	5,481,728.35
Total non-recurring profit or loss	5,647,224.33
Less: income tax effect of non-recurring profit or loss	906,584.80
Net amount of non-recurring profit or loss	4,740,639.53
Less: net effect of non-recurring profit or loss attributable to minority shareholders (after tax)	(243,998.88)
Non-recurring profit or loss attributable to the Company's ordinary shareholders	4,984,638.41

2. Return on net assets and earnings per share

This return on net assets and earnings per share table is prepared by Shenzhen Textile (Holdings) Co., Ltd. in accordance with the Rules for the Compilation and Reporting of Information Disclosure by Companies Issuing Securities in Public (No. 9) - Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by the China Securities Regulatory Commission.

RMB

Profit in the reporting period	Weighted average rate of return on net assets %	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the COOEC	2.31	0.14	0.14
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	2.14	0.13	0.13