

**Independent Reporting Accountants' Report on Historical Financial Information of Shanghai Huali Microelectronics Corporation\***  
上海華力微電子有限公司**Introduction**

We report on the historical financial information of Shanghai Huali Microelectronics Corporation\* (上海華力微電子有限公司) (the “**Target Company**”) set out on pages 4 to 74, which comprises the statements of financial position of the Target Company as at 31 December 2022, 2023 and 2024 and 31 August 2025, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows of the Target Company for each of the three years ended 31 December 2022, 2023 and 2024 and the eight months ended 31 August 2025 (the “**Relevant Periods**”) and a summary of material accounting policy information and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages 4 to 74 forms an integral part of this report, which has been prepared for inclusion in the circular of Hua Hong Semiconductor Limited (the “**Company**”) dated 22 January 2026 (the “**Circular**”) in connection with the proposed acquisition of 97.4988% equity interest in the Target Company by the Company.

**Directors' responsibility for the Historical Financial Information**

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine are necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

\* English name is for identification purpose only.

**Independent Reporting Accountants' Report on Historical Financial Information of Shanghai Huali Microelectronics Corporation\***

上海華力微電子有限公司

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***Reporting accountants' responsibility***

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Target Company's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Company's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Opinion***

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2022, 2023 and 2024 and 31 August 2025, and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the eight months ended 31 August 2024 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Independent Reporting Accountants' Report on Historical Financial Information of Shanghai Huali Microelectronics Corporation\***

上海華力微電子有限公司

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**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 4 have been made.

***Dividends***

We refer to Note 12 to the Historical Financial Information which states that no dividend have been declared or paid by the Target Company in respect of the Relevant Periods.

Yours faithfully,

*Da Hua Moore International CPA Limited*

**Da Hua Moore International CPA Limited**  
*Certified Public Accountants*

**Hung Wan Fang Joanne**  
Practising Certificate Number: P05419

Hong Kong  
22 January 2026

# Shanghai Huali Microelectronics Corporation\*

## 上海華力微電子有限公司

### Historical Financial Information of the Target Company

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#### Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, have been prepared by the directors of the Target Company in accordance with the accounting policies that conform with HKFRS Accounting Standards issued by the HKICPA and were audited by Da Hua Moore International CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

# Shanghai Huali Microelectronics Corporation\*

上海華力微電子有限公司

## Statements of Profit or Loss and Other Comprehensive Income

For the three years ended 31 December 2022, 2023 and 2024 and eight months ended 31 August 2025

	Notes	Year ended 31 December			Eight months ended 31 August	
		2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
<b>Revenue</b>	5	5,492,787	2,371,122	4,476,976	2,878,119	3,401,413
Cost of sales		(3,562,370)	(2,524,039)	(4,174,795)	(2,944,629)	(2,614,354)
<b>Gross profit/(loss)</b>		1,930,417	(152,917)	302,181	(66,510)	787,059
Other income and gains	5	633,454	328,842	751,881	369,183	157,712
Selling and distribution expenses		(8,960)	(10,444)	(10,114)	(5,279)	(4,274)
Administrative expenses		(294,283)	(462,552)	(448,605)	(270,037)	(309,085)
Other expenses	5	(4,799)	(4,581)	(183)	(844)	(58,403)
Finance costs	7	(71,496)	(70,639)	(73,636)	(47,076)	(58,366)
<b>Profit/(loss) before income tax</b>	6	2,184,333	(372,291)	521,524	(20,563)	514,643
Income tax expense	10	-	-	-	-	-
<b>Profit/(loss) for the year/period</b>		2,184,333	(372,291)	521,524	(20,563)	514,643
<b>Other comprehensive (loss)/income</b>						
<i>Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:</i>						
Equity investments designated at fair value through other comprehensive income or loss:						
Change in fair value		(15,409)	5,284	-	-	-
<b>Total comprehensive income/(loss) for the year/period</b>		2,168,924	(367,007)	521,524	(20,563)	514,643

# Shanghai Huali Microelectronics Corporation\*

上海華力微電子有限公司

## Statements of Financial Position

As at 31 December 2022, 2023 and 2024 and 31 August 2025

		As at 31 December			As at
		2022	2023	2024	31 August
	Notes	RMB'000	RMB'000	RMB'000	2025
					RMB'000
<b>Non-current assets</b>					
Property, plant and equipment	13	2,804,840	2,256,919	1,793,622	1,652,545
Right-of-use assets	14	587,102	521,862	437,486	381,184
Intangible assets	15	80,583	158,227	151,780	129,893
Equity investments designated at fair value through other comprehensive income ("FVOCI")	16	49,112	-	-	-
Due from related parties	20	4,632	58,273	55,461	67,436
Long-term prepayments to third parties	19	6,291	-	-	5,348
Total non-current assets		<u>3,532,560</u>	<u>2,995,281</u>	<u>2,438,349</u>	<u>2,236,406</u>
<b>Current assets</b>					
Inventories	17	1,926,332	2,141,393	1,585,361	1,377,183
Trade and notes receivables	18	545,721	577,253	614,832	509,871
Prepayments, other receivables and other assets	19	54,845	33,509	151,078	12,838
Due from related parties	20	97,606	126,498	31,082	119,736
Restricted bank deposits	21	1,000	1,000	1,012	1,012
Deposits with banks	21	1,950,088	2,101,416	1,437,138	7,000
Cash and cash equivalents	21	1,935,183	923,471	40	2,994,457
Total current assets		<u>6,510,775</u>	<u>5,904,540</u>	<u>3,820,543</u>	<u>5,022,097</u>
<b>Current liabilities</b>					
Trade payables	22	920,183	502,272	715,431	638,454
Other payables and accruals	23	356,712	239,932	374,490	239,969
Interest-bearing bank and other borrowings	24	700,000	736,875	802,000	840,200
Lease liabilities	25	69,303	78,765	83,483	184,256
Due to related parties	28	3,988,360	3,920,008	175,925	138,200
Total current liabilities		<u>6,034,558</u>	<u>5,477,852</u>	<u>2,151,329</u>	<u>2,041,079</u>
<b>Net current assets</b>		<u>476,217</u>	<u>426,688</u>	<u>1,669,214</u>	<u>2,981,018</u>
<b>Total assets less current liabilities</b>		<u>4,008,777</u>	<u>3,421,969</u>	<u>4,107,563</u>	<u>5,217,424</u>

**Shanghai Huali Microelectronics Corporation\***

上海華力微電子有限公司

**Statements of Financial Position (Continued)**

As at 31 December 2022, 2023 and 2024 and 31 August 2025

		As at 31 December			As at
		2022	2023	2024	31 August
	Notes	RMB'000	RMB'000	RMB'000	2025
					RMB'000
<b>Non-current liabilities</b>					
Interest-bearing bank and other borrowings	24	2,350,000	2,183,125	2,428,000	2,897,338
Lease liabilities	25	533,746	471,701	390,033	300,807
Government grants	26	14,517	23,580	16,110	16,110
Provisions		<u>1,101</u>	<u>1,157</u>	<u>6,488</u>	<u>1,255</u>
Total non-current liabilities		<u>2,899,364</u>	<u>2,679,563</u>	<u>2,840,631</u>	<u>3,215,510</u>
<b>Net assets</b>		<u>1,109,413</u>	<u>742,406</u>	<u>1,266,932</u>	<u>2,001,914</u>
<b>Capital and reserves</b>					
Share capital	27	1,870,646	1,870,646	1,873,648	2,036,192
Reserves		<u>(761,233)</u>	<u>(1,128,240)</u>	<u>(606,716)</u>	<u>(34,278)</u>
Total equity		<u>1,109,413</u>	<u>742,406</u>	<u>1,266,932</u>	<u>2,001,914</u>

# Shanghai Huali Microelectronics Corporation\*

上海華力微電子有限公司

## Statements of Changes in Equity (Continued)

For the three years ended 31 December 2022, 2023 and 2024 and eight months ended 31 August 2025

	Share capital RMB'000 (note 27(a))	Fair value reserve RMB'000	Capital reserve RMB'000 (note 27(b))	Other reserve RMB'000	Accumulat ed losses RMB'000	Total RMB'000
<b>At 1 January 2022</b>	1,870,646	20,258	-	-	(2,950,415)	(1,059,511)
Profit for the year	-	-	-	-	2,184,333	2,184,333
Other comprehensive income:				-		
<i>Item that will not be reclassified subsequently to profit or loss:</i>						
Equity investments designated at fair value through other comprehensive income or loss	-	(23,654)	-	-	8,245	(15,409)
<b>At 31 December 2022 and 1 January 2023</b>	1,870,646	(3,396)	-	-	(757,837)	1,109,413
Loss for the year	-	-	-	-	(372,291)	(372,291)
Other comprehensive expense:						
<i>Item that will not be reclassified subsequently to profit or loss:</i>						
Equity investments designated at fair value through other comprehensive income	-	3,396	-	-	1,888	5,284
<b>At 31 December 2023 and 1 January 2024</b>	1,870,646	-	-	-	(1,128,240)	742,406
Profit for the year	-	-	-	-	521,524	521,524
Capital injection	3,002	-	-	-	-	3,002
<b>At 31 December 2024 and 1 January 2025</b>	1,873,648	-	-	-	(606,716)	1,266,932
Profit for the year	-	-	-	-	514,643	514,643
Work safety reserve	-	-	-	2,075	-	2,075
Capital injection	162,544	-	55,720	-	-	218,264
<b>At 31 August 2025</b>	2,036,192	-	55,720	2,075	(92,073)	2,001,914



# Shanghai Huali Microelectronics Corporation\*

上海華力微電子有限公司

## Statements of Cash Flows

For the three years ended 31 December 2022, 2023 and 2024 and eight months ended 31 August 2025

		Year ended 31 December			Eight months ended 31 August	
	Notes	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
<b>Operating activities</b>						
Profit/(loss) before income tax		2,184,333	(372,291)	521,524	(20,563)	514,643
Adjustments for:						
Finance costs	7	71,496	70,639	73,636	47,076	58,366
Interest income	5	(62,638)	(124,287)	(167,425)	(105,800)	(94,335)
Effect of foreign exchange rates changes	5	(155,184)	(43,591)	(46,939)	(1,047)	53,220
Loss/(gain) on disposal of items of property, plant and equipment	5	78	185	(321)	217	(23,614)
Depreciation of property, plant and equipment	6	701,930	642,108	495,984	319,838	252,651
Depreciation of right-of-use assets	6	84,573	84,995	85,512	57,019	57,088
Amortisation of intangible assets	6	94,229	65,109	43,103	27,500	23,573
Impairment loss/(reversal of impairment) on receivables	6	8,999	71,787	(20,195)	(1,568)	27,439
Write-down of inventories	6	5,386	183,967	10,072	15,346	16,283
		(883,290)	(399,028)	545,960	579,997	191,895
(Increase)/decrease in inventories						
Decrease/(increase) in trade and notes receivables		194,623	(99,588)	(7,107)	9,613	128,539
Decrease/(increase) in prepayments, other receivables and other assets		31,126	26,986	(97,804)	(104,434)	102,159
(Increase)/decrease in amounts due from related parties		(78,038)	(82,533)	91,911	80,372	(100,362)
Increase in pledged deposits		-	-	(12)	(12)	-
(Decrease)/increase in trade payables		(26,911)	(359,891)	177,374	477,770	(39,541)
Increase/(decrease) in other payables and accruals		11,327	(116,893)	134,083	686,336	(145,318)
Increase/(decrease) in provision		52	56	5,331	564	(5,233)
(Decrease)/increase in government grants		(534,049)	(2,818)	(3,075)	4,345	-
Increase/(decrease) in amounts due to related parties		95,480	(68,352)	119,318	(9,311)	(37,725)
Cash generated from/(used in) operations		1,743,522	(523,440)	1,960,930	2,063,258	979,728
Income tax paid		-	-	-	-	-
<b>Net cash generated from/(used in) operating activities</b>		<u>1,743,522</u>	<u>(523,440)</u>	<u>1,960,930</u>	<u>2,063,258</u>	<u>979,728</u>

# Shanghai Huali Microelectronics Corporation\*

上海華力微電子有限公司

## Statements of Cash Flows (Continued)

For the three years ended 31 December 2022, 2023 and 2024 and eight months ended 31 August 2025

		Year ended 31 December			Eight months ended 31 August	
		2022	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
<b>Cash flow from Investing activities</b>						
Interest received		34,706	124,916	152,823	108,800	135,557
Purchases of items of property, plant and equipment, prepaid lease payments and intangible assets		(135,460)	(317,415)	(54,104)	(8,687)	(197,516)
Proceeds from disposal of items of property, plant and equipment		63	156	30	15	756
Receipt of government grants for property, plant and equipment		2,335	25,669	1,270	1,270	-
Proceeds from disposal of financial assets at fair value through profit or loss		34,935	54,514	-	-	-
Uplift of fixed deposits held at banks with maturity over three months		-	-	664,278	-	1,430,138
Placements of fixed deposits held at banks with maturity over three months		(1,950,088)	(151,328)	-	(1,062,166)	-
<b>Net cash (used in)/generated from investing activities</b>		<u>(2,013,509)</u>	<u>(263,488)</u>	<u>764,297</u>	<u>(960,768)</u>	<u>1,368,935</u>
<b>Cash flow from financing activities</b>						
Capital contribution from shareholders		-	-	3,002	3,002	218,264
New bank and other borrowings	31	150,000	660,000	1,060,000	-	917,550
Interest paid	31	(50,535)	(43,486)	(49,718)	(30,771)	(32,281)
Repayment of bank and other borrowings	31	(500,000)	(790,000)	(750,000)	(509,875)	(410,012)
Cash paid during demerge	28(c)	-	-	(3,863,400)	-	-
Principal portion of lease payments	31	(68,688)	(72,338)	(78,086)	(2,508)	(2,213)
Interest portion of lease payments	31	(31,501)	(27,040)	(23,443)	(280)	(239)
<b>Net cash (used in)/generated from financing activities</b>		<u>(500,724)</u>	<u>(272,864)</u>	<u>(3,701,645)</u>	<u>(540,432)</u>	<u>691,069</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(770,711)</u>	<u>(1,059,792)</u>	<u>(976,418)</u>	<u>562,058</u>	<u>3,039,732</u>
<b>Cash and cash equivalents at the beginning of the reporting period</b>		2,544,826	1,935,183	923,471	923,471	40
Effective on exchange rate changes		<u>161,068</u>	<u>48,080</u>	<u>52,987</u>	<u>9,292</u>	<u>(45,315)</u>
<b>Cash and cash equivalents at the end of the reporting period, represented by cash and cash equivalent</b>	21	<u>1,935,183</u>	<u>923,471</u>	<u>40</u>	<u>1,494,821</u>	<u>2,994,457</u>

# Shanghai Huali Microelectronics Corporation\*

## 上海華力微電子有限公司

### Notes to the Historical Financial Information

For the three years ended 31 December 2022, 2023 and 2024 and eight months ended 31 August 2025

#### 1. General information

Shanghai Huali Microelectronics Corporation\* (上海華力微電子有限公司) (the "Target Company") is a limited liability company incorporated in the People's Republic of China (the "PRC"). In the opinion of the directors of the Target Company, the parent of the Target Company is Shanghai Huahong (Group) Co., Ltd. ("Huahong Group"), which is a state-owned company established in the People's Republic of China ("PRC") and supervised by the Shanghai State-owned Assets Supervision and Administration Commission ("Shanghai SASAC") and it is also a substantial shareholder of the Company. The ultimate parent of the Target Company is Shanghai SASAC.

During the years ended 31 December 2022, 2023 and 2024 and eight months ended 31 August 2025 (the "Relevant Periods"), the registered office and principal place of business of the Target Company are situated at No. 568 Gaosi Road, Pilot Free Trade Zone, Shanghai, the PRC.

The Target Company was established on 18 January 2010 in the PRC. On 29 August 2025, Hua Hong Semiconductor Limited (the "Company") has entered into an acquisition agreement with Huahong Group, Shanghai Integrated Circuit Industry Investment Fund Co., Ltd.\* (上海集成電路產業投資基金股份有限公司), China Integrated Circuit Industry Investment Fund (Phase I) Co., Ltd.\* (國家集成電路產業投資基金二期股份有限公司) and Shanghai Guotou IC Fund Leading Integrated Circuit Private Equity Investment Fund Partnership (Limited Partnership)\* (上海國投先導集成電路私募投資基金合夥企業(有限合夥)) (collectively as the "Vendors"), pursuant to which the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, a total of 97.4988% of the share capital of the Target Company (the "Acquisition").

There was previously horizontal competition between the Company and the Target Company on certain products. During the Company's listing on the Science and Technology Innovation Board of the Shanghai Stock Exchange on 7 August 2023, Huahong Group had undertaken to, in accordance with the national strategic deployment arrangement, after performing the approval procedures of the competent government departments, inject the Target Company into the Company within three years of the listing. As such, this Acquisition is the fulfillment of that commitment. In June 2025, the Target Company has underwent certain reorganisation for the purpose of spinning-off certain businesses carried out by its subsidiaries of that are not relevant to the aforementioned commitment ("Carve-out Business"). On 30 November 2024, the benchmark date of the spin-off, the Target Company split part of its assets, liabilities and staff to the newly established company which are attributable to the Carve-out Business. After the spin-off, the shareholders of the Target Company and their respective shareholding percentage remain unchanged, and the registered capital had been reduced to RMB2,036,192,000 in accordance with the spin-off agreement. During the Relevant Periods, the Target Company is principally engaged in the business of 12-inch integrated circuit wafer foundry services in the PRC and the Carve-out Business. It focuses on developing logic processes, and offers a comprehensive set of technical solutions for customers in communications and consumer electronics, etc.

The statutory financial statements of the Target Company for the years ended 31 December 2022, 2023 and 2024, as prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the PRC, that fall into the Relevant Periods have been audited by Dahua Certified Public Accountants (Special General Partnership) Shanghai Branch (大華會計師事務所(特殊普通合夥)上海分所), a CPA registered firm in the PRC. The auditor's reports were not qualified or otherwise modified, did not refer to any matter to which the auditor drew attention by way of emphasis without qualifying the reports.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**2. *Basis of preparation and presentation of the historical financial information***

The Historical Financial Information presents the financial track record of the Target Company excluding the Carve-out Business for the Relevant Periods and is prepared for the purposes of inclusion in a circular of Company to its shareholders for the Acquisition, using the accounting policies which are materially consistent with those of the Company as applied in the Company's financial statements for the year ended 31 December 2024, except for those HKFRS Accounting Standards that are effective for the financial years beginning on or after 1 January 2025 and applicable to the Historical Financial Information.

For the purpose of preparation of the Historical Financial Information, the assets, liabilities and financial performance of the Carve-out Business of the Target Company have been excluded throughout the Relevant Periods (i.e. a "carve-out" basis).

The directors of the Company are of the view that it is more appropriate to present the Historical Financial Information during the Relevant Periods on a "carve-out" basis since the Carve-out business do not form part of the Acquisition and such financial information is not relevant to the trading record of the Target Company. The directors of the Company believe that presenting the historical financial information of the Target Company and Carve-out business, which would include the assets, liabilities and financial performance of the Carve-out business that are not the subject of the Acquisition would provide irrelevant and potentially misleading financial information to the users of this Historical Financial Information. As such, presenting the Historical Financial Information of the Target Company on a "carve-out" basis would provide more direct and relevant information to the users of the Historical Financial Information.

The Historical Financial Information has been prepared based on accounting policies which conform HKFRS Accounting Standards issued by the HKICPA, which collective term includes all applicable individual HKFRS Accounting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The HKICPA has issued a number of new/revised HKFRS Accounting Standards during the Relevant Periods. For the purpose of the preparation of the Historical Financial Information, the Target Company has consistently applied the accounting policies which conform with HKFRS Accounting Standards, which are effective for the accounting period beginning on 1 January 2025 throughout the Relevant Periods.

The measurement basis used in the preparation of the Historical Financial Information is historical cost, except for financial assets at fair value through other comprehensive income ("FVOCI").

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. *Material accounting policy information***

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset. An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statements of profit or loss and other comprehensive income in the period in which it arises.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. Material accounting policy information (continued)**

Related parties

A party is considered to be related to the Target Company if:

- (a) the party is a person or a close member of that person's family and that person:
  - (i) has control or joint control over the Target Company;
  - (ii) has significant influence over the Target Company; or
  - (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company; or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Target Company are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Target Company are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. Material accounting policy information (continued)**

Related parties (continued)

- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the parent of the Target Company.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	9.5% to 13.6%
Office equipment	19.0%
Motor vehicles	19.0%
Leasehold improvements	20.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal or retirement recognised in the profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. *Material accounting policy information (continued)***

Construction in progress is stated at cost less any impairment losses and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

*Process technology licence and software*

Process technology licence and software are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 to 10 years of the underlying products, commencing from the date when the products are put into commercial production.

*Research and development costs*

All research costs are charged to the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Target Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.



**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. Material accounting policy information (continued)**

Leases

The Target Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*The Target Company as a lessee*

The Target Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets as separate line items in the statements of financial position.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 14 years
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If ownership of the leased asset transfers to the Target Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Company and payments of penalties for termination of a lease, if the lease term reflects the Target Company exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. Material accounting policy information (continued)**

Leases (continued)

(c) Lease liabilities (continued)

In calculating the present value of lease payments, the Target Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(d) Short-term leases and leases of low-value assets

The Target Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for lease of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. *Material accounting policy information (continued)***

Investments and other financial assets(continued)

The Target Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Target Company commits to purchase or sell the asset.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Financial assets designated at fair value through other comprehensive income (equity investments)*

Upon initial recognition, the Target Company can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Target Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. *Material accounting policy information (continued)***

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Company's statements of financial position) when the rights to receive cash flows from the asset have expired.

When the Target Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Company continues to recognise the transferred asset to the extent of the Target Company's continuing involvement. In that case, the Target Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Company has retained.

Impairment of financial assets

The Target Company recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. *Material accounting policy information (continued)***

Impairment of financial assets(continued)

*General approach*

ECLs are recognised in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Target Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Target Company considers a financial asset in default when contractual payments are 90 days to 150 days past due. However, in certain cases, the Target Company may also consider a financial asset to be in default when internal or external information indicates that the Target Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. Material accounting policy information (continued)**

Impairment of financial assets (continued)

*Simplified approach*

For trade receivables that do not contain a significant financing component or when the Target Company applies the practical expedient of not adjusting the effect of a significant financing component, the Target Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

*Initial recognition and measurement*

All financial liabilities are recognised initially at fair value, net of directly attributable transaction costs.

The Target Company's financial liabilities include trade payables, financial liabilities included in other payables and accruals, amounts due to related parties, interest-bearing bank and other borrowings and lease liabilities.

*Subsequent measurement*

After initial recognition, financial liabilities are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the profit or loss.

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**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. *Material accounting policy information (continued)***

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Costs for properties under development include land costs, construction costs and other direct and indirect development expenses in relation to property development. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand and at banks, excluding bank balances that are subject to regulatory restrictions, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Provisions

A provision is recognised when there is a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the Target Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. *Material accounting policy information (continued)***

Provisions (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Company has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. *Material accounting policy information (continued)***

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants that compensate the Target Company for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised. The grants are presented in the statements of profit or loss and other comprehensive income as a reduction of the related expense.

Grants related to the purchase or construction of qualifying assets are recognised in the statements of financial position as a reduction in the carrying amount of the related asset. The grant is subsequently released to profit or loss through a reduced depreciation charge over the expected useful life of the asset.

Revenue recognition

*Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Target Company expects to be entitled in exchange for those goods.

Other employee benefits

*Pension scheme*

The employees of the Target Company which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

*Termination benefits*

Termination benefits are recognised at the earlier of when the Target Company can no longer withdraw the offer of those benefits and when the Target Company recognises restructuring costs involving the payment of termination benefits.

## Notes to the Historical Financial Information (Continued)

For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025

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### 3. *Material accounting policy information (continued)*

#### Foreign currency translation

Items included in the financial statements of the Target Company are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The Target Company’s functional currency is Renminbi (“**RMB**”). The Historical Financial Information is presented in the currency of RMB, which is the Target Company’s presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### Key sources of estimation uncertainty

In the application of the Target Company’s accounting policies, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

In addition to information disclosed elsewhere in these financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

#### *Impairment of non-financial assets*

The Target Company assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period, which are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2022, 2023, and 2024 and 31 August 2025, the carrying amount of the non-financial assets was approximately RMB3,472,525,000, RMB2,937,008,000, RMB2,382,888,000 and RMB2,163,622 respectively. (note 13,14 and 15).

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**3. Material accounting policy information (continued)**

Key sources of estimation uncertainty (continued)

*Estimated impairment of trade receivables*

The Target Company recognises lifetime ECL for trade receivables. When measuring ECL, the Target Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The Target Company uses a provision matrix to calculate ECL for trade receivables. The provision matrix is based on the Target Company's historical default rates taking into consideration reasonable and supportable forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables which are credit impaired are assessed for ECL individually. Details about the ECLs are disclosed in note 18 and note 20.

*Net realisable value of inventories*

The carry amounts of inventories at each year/period end included in the statements of financial position, which are stated at the lower of the cost and net realisable value. The Target Company recognises write-down on inventories based on an assessment of the net realisable value of the inventories. Write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the inventories and write-down on inventories charged to profit or loss in the period in which such estimate has been changed. As at 31 December 2022, 2023, and 2024 and 31 August 2025, the carrying amount of inventories was approximately RMB1,926,332,000, RMB2,141,393,000, RMB1,585,361,000 and RMB1,377,183,000 respectively (note 17).

*Recognition of income taxes and deferred tax assets*

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in note 10 to the financial statements.

## **Notes to the Historical Financial Information (Continued)**

**For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025**

### **3. Material accounting policy information (continued)**

#### Future changes in HKFRS Accounting Standards

At the date of this report, the HKICPA has issued the following new and amendments to HKFRS Accounting Standards that are not yet effective for the Relevant Periods, which the Target Company has not early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature – dependent Electricity	1 January 2026
Amendments to HKFRS Accounting Standards	Annual improvements to HKFRS Accounting Standards-Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in financial Statements	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Target Company anticipate that the application of all other amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

#### **HKFRS 18 Presentation and Disclosure of Financial Statements**

This standard introduces the following three sets of new requirements to improve entities' reporting of financial performance and give investors a better basis for analysing and comparing entities:

- Presentation of new defined subtotals in the statement of profit or loss;
- Disclosures about management-defined performance measures; and
- Enhanced requirements for grouping (aggregation and disaggregation) of information.

HKFRS 18 supersedes HKAS 1 "Presentation of Financial Statements". Requirements in HKAS 1 that are unchanged have been transferred to HKFRS 18 and other HKFRSs. HKFRS 18 is effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. The Target Company is still currently assessing the impact that HKFRS 18 will have on the Target Company.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**4. Operating segment information**

For management purposes, the Target Company is organised into one single business unit that includes primarily the manufacture and sale of semiconductor products. Management reviews the results of the Target Company as a whole when making decisions about allocating resources and assessing the performance of the Target Company. Accordingly, no segment analysis is presented.

The principal assets employed by the Target Company are located in Shanghai, the PRC. Therefore, no segment information based on the geographical location of non-current assets is presented for the year/period.

Revenues by geographical segment based on the locations of customers for the year/period are presented as follows:

	Year ended 31 December			Eight months ended	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Within the PRC	1,973,363	1,339,010	2,218,721	1,461,708	1,606,290
Outside the PRC	<u>3,519,424</u>	<u>1,032,112</u>	<u>2,258,255</u>	<u>1,416,411</u>	<u>1,795,123</u>
Total revenue	<u>5,492,787</u>	<u>2,371,122</u>	<u>4,476,976</u>	<u>2,878,119</u>	<u>3,401,413</u>

The Target Company is principally engaged in the business of 12-inch integrated circuit wafer foundry services in the PRC. Revenue from the sale of semiconductor products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the semiconductor products, where the performance obligation is satisfied.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**4. Operating segment information (continued)**

**Information about major customers**

Details of the customers (including entities under common control) individually accounting for 10% or more of aggregate revenue of the Target Company during the Relevant Periods are as follows:

	Year ended 31 December			Eight months ended	
	2022	2023	2024	31 August 2024	2025
	RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000	RMB\$'000
				(unaudited)	
Customer A	1,654,123	341,858	1,252,013	749,523	969,049
Customer B	957,385	553,539	710,412	482,912	630,701
Customer C	788,820	Note	Note	Note	Note
Customer D	Note	Note	747,301	484,437	471,270

Note: The customers contributed less than 10% of the total revenue of the Target Company for relevant reporting periods.

There is no significant concentration of credit risk arising from these customers.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**5. Revenue, other income and gains and other expenses**

An analysis of revenue, other income and gains and other expenses is as follow:

	Year ended 31 December			Eight months ended 31 August	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<b>Revenue from contracts with customers</b>					
Sale of goods	5,492,787	2,371,122	4,476,976	2,878,119	3,401,413
<b>Other income and gains</b>					
Government grants (note a)	380,105	10,439	38,355	31,524	25,307
Interest income	62,638	124,287	167,425	105,800	94,335
Management service income	34,789	22,471	15,782	12,067	14,146
Technical development service income (note b)	-	121,360	471,000	94,200	-
Foreign exchange gains	155,184	43,591	46,939	1,047	-
Gains on disposal of items of property, plant and equipment	-	-	321	-	23,614
Others	738	6,694	12,059	124,545	310
	<u>633,454</u>	<u>328,842</u>	<u>751,881</u>	<u>369,183</u>	<u>157,712</u>
<b>Other expenses</b>					
Foreign exchange losses	-	-	-	-	53,220
Loss on disposal of items of property, plant and equipment	78	185	-	217	-
Others	4,721	4,396	183	627	5,183
	<u>4,799</u>	<u>4,581</u>	<u>183</u>	<u>844</u>	<u>58,403</u>

Notes:

- (a) Except for those government grants released from note 26, the remaining government grants were received from several local government authorities, of which the entitlement was unconditional and under the discretion of the relevant authorities.
- (b) Technical development service income represents income from transferring existing developed processes to related parties.

**Notes to the Historical Financial Information (Continued)**  
For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025

5. *Revenue, other income and gains and other expenses (continued)*

	Year ended 31 December			Eight months ended 31 August	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
<b>Types of goods</b>					
Sale of semiconductor products and total revenue from contracts with customers	<u>5,492,787</u>	<u>2,371,122</u>	<u>4,476,976</u>	<u>2,878,119</u>	<u>3,401,413</u>
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time and total revenue from contracts with customers	<u>5,492,787</u>	<u>2,371,122</u>	<u>4,476,976</u>	<u>2,878,119</u>	<u>3,401,413</u>

The disaggregation of the Target Company's revenue based on the geographical region for the historical period is given in note 4.



**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**6. Profit / (loss) before income tax**

The Target Company's profit/ (loss) before income tax is arrived at after charging/(crediting):

	Year ended 31 December			Eight months ended 31 August	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Cost of inventories sold	1,572,043	726,891	2,538,500	2,004,069	1,592,871
Depreciation of property, plant and equipment (note 13)	701,930	642,108	495,984	319,838	252,651
Depreciation of right-of-use assets (note14)	84,573	84,995	85,512	57,019	57,088
Amortisation of intangible assets included in cost of sales, selling and administrative expense (note15)	94,229	65,109	43,103	27,500	23,573
Research and development costs	145,296	255,804	325,535	187,702	184,919
Lease payments not included in the measurement of lease liabilities	1,967	2,469	2,590	1,480	2,051
Employee benefit expense (Note note 9)	627,869	528,708	629,251	335,814	382,534
Impairment loss/(reversal of impairment) on trade receivables and due from related parties	8,999	71,787	(20,195)	(1,568)	27,439
Write-down/(reversal of write-down) of inventories to net realisable value	5,386	183,967	10,072	(24,274)	16,283
Write-off of inventories	706	4,767	129,739	118,286	58,151

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**7. Finance costs**

		Eight months ended			
	2022	Year ended 31 December			31 August
	RMB'000	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Interest on bank and other borrowings	39,995	43,599	50,193	31,246	45,153
Interest on lease liabilities	31,501	27,040	23,443	15,830	13,213
Total	71,496	70,639	73,636	47,076	58,366

**8. Directors' emoluments**

The directors believe the presentation of directors' emolument and individual with highest emolument information is not meaningful for the purpose of this report.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**9. Employee benefit expense**

	Eight months ended				
	2022	Year ended 31 December		2024	31 August
	RMB'000	2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Employee benefit expense:					
Wages, salaries and other benefits	529,074	415,190	513,640	253,849	309,700
Pension scheme contributions (defined contribution scheme)	98,795	113,518	115,611	81,965	72,834
	<u>627,869</u>	<u>528,708</u>	<u>629,251</u>	<u>335,814</u>	<u>382,534</u>

**10. Income tax expense**

The Target Company is subject to PRC enterprise income tax, adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25%.

Pursuant to the relevant laws and regulations in the PRC and with approval from the tax authorities in charge, the Target Company is qualified as "High and New Technology Enterprise" and is therefore entitled to a preferential tax rate of 15% from 31 December 2020 to 11 December 2026.

Pursuant to the relevant laws and regulations in the PRC and with the approval from the tax authorities in charge, the Target Company is entitled to an exemption from CIT for five years, commencing from the first year that the Target Company generates taxable profits, and a deduction of 50% on the CIT rate for the following five years. The Target Company is in accumulated tax loss positions as 31 December 2022, 2023 and 2024 and 31 August 2025 and the tax holiday has not yet begun.

	Year ended 31 December			Eight months ended	
	2022	2023	2024	31 August	2025
	RMB'000	RMB'000	RMB'000	2024	2025
				RMB'000	RMB'000
				(unaudited)	
Current income tax	-	-	-	-	-
Deferred tax	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Deferred tax assets have not been recognised in respect of the temporary differences as it is not considered probable that taxable profit will be available against which the deductible temporary differences can be utilised. Tax effect of temporary differences not recognised mainly represents tax effect of temporary differences related to depreciation of property, plant and equipment, amortization of intangible assets, provision for asset impairment and government grant.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**11. Earnings/(losses) per share**

No earnings or losses per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

**12. Dividend**

The directors of the Target Company did not recommend payment of any dividends for the Relevant Periods.

**13. Property, plant and equipment**

	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2022	15,174,276	216,814	8,276	1,127	145,584	15,546,077
Addition	-	-	-	-	135,459	135,459
Transfer	236,487	3,682	-	990	(241,159)	-
Transfer to intangible assets (note 15)	-	-	-	-	(7,313)	(7,313)
Offset by government grants (note 26)	(173,396)	(4,121)	-	-	-	(177,517)
Disposal	-	(2,465)	(314)	-	-	(2,779)
At 31 December 2022	15,237,367	213,910	7,962	2,117	32,571	15,493,927
Addition	-	-	-	-	251,058	251,058
Transfer	81,304	5,317	406	7,877	(94,904)	-
Transfer to expense	-	-	-	-	(7)	(7)
Transfer to intangible assets (note 15)	-	-	-	-	(143,085)	(143,085)
Offset by government grants (note 26)	(13,452)	(4)	-	-	-	(13,456)
Disposal	(4,444)	(2,006)	-	-	-	(6,450)
At 31 December 2023	15,300,775	217,217	8,368	9,994	45,633	15,581,987
Addition	-	-	-	-	77,069	77,069
Transfer	49,180	113	-	-	(49,293)	-
Transfer to expense	-	-	-	-	(1,759)	(1,759)
Transfer to intangible assets (note 15)	-	-	-	-	(37,264)	(37,264)
Offset by government grants (note 26)	(5,057)	-	-	-	-	(5,057)
Disposal	-	(1,698)	(4,356)	-	-	(6,054)
At 31 December 2024	15,344,898	215,632	4,012	9,994	34,386	15,608,922
Addition	-	-	-	-	154,236	154,236
Transfer	42,511	1,878	-	-	(44,389)	-
Transfer to expense	-	-	-	-	(5,141)	(5,141)
Transfer to intangible assets (note 15)	-	-	-	-	(1,686)	(1,686)
Disposal	(117,233)	(2,127)	(3,289)	-	-	(122,649)
At 31 August 2025	15,270,176	215,383	723	9,994	137,406	15,633,682

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**13. Property, plant and equipment (continued)**

	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Accumulated depreciation</b>						
At 1 January 2022	11,794,477	187,407	7,606	305	-	11,989,795
Charge for the year	695,825	5,704	60	341	-	701,930
Disposal	-	(2,340)	(298)	-	-	(2,638)
At 31 December 2022	12,490,302	190,771	7,368	646	-	12,689,087
Charge for the year	636,503	4,702	106	797	-	642,108
Disposal	(4,221)	(1,906)	-	-	-	(6,127)
At 31 December 2023	13,122,584	193,567	7,474	1,443	-	13,325,068
Charge for the year	489,248	4,593	137	2,006	-	495,984
Disposal	-	(1,613)	(4,139)	-	-	(5,752)
As at 31 December 2024	13,611,832	196,547	3,472	3,449	-	13,815,300
Charge for the year	248,704	2,571	92	1,284	-	252,651
Disposal	(81,669)	(2,021)	(3,124)	-	-	(86,814)
As at 31 August 2025	13,778,867	197,097	440	4,733	-	13,981,137
<b>Net carrying amount</b>						
At 31 December 2022	2,747,065	23,139	594	1,471	32,571	2,804,840
At 31 December 2023	2,178,191	23,650	894	8,551	45,633	2,256,919
At 31 December 2024	1,733,066	19,085	540	6,545	34,386	1,793,622
At 31 August 2025	1,491,309	18,286	283	5,261	137,406	1,652,545

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**13.     *Property, plant and equipment (continued)***

At 31 December 2022, 2023, 2024 and 31 August 2025, certain of the Target Company's property, plant and equipment were pledged to banks to secure the Target Company's banking facilities (note 24).

As management of the Target Company concluded there are impairment indicators for non-financial assets as at 31 December 2022, 2023, and 2024 and 31 August 2025, an impairment assessment was performed. The impairment test is based on the recoverable amount of the CGU to which the non-financial assets are allocated. The recoverable amounts of the CGU has been determined based on value-in-use calculations which use cashflow projections based on financial budgets approved by the directors of the Target Company, covering a five-year period and pre-tax discount rate.

When arriving at the key assumptions used in the value-in-use calculations, management determined the earning before income tax, finance cost, depreciation and amortisation ("EBITDA margin") based on past performance and its expectations regarding market development. The terminal growth rate used does not exceed the long-term average growth rate for the industry. The discount rate is pre-tax and reflects specific risks relating to the CGU.

Based on the assessment, the management of the Target Company assessed the recoverable amount of the CGU was higher than their carrying values at 31 December 2022, 2023, 2024 and 31 August 2025, hence no impairment loss was provided.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**14. Right-of-use assets**

	<b>Buildings RMB'000</b>
<b>Cost</b>	
At 1 January 2022	807,389
Addition	5,963
Early termination	(65,006)
At 31 December 2022	748,346
Addition	19,755
At 31 December 2023	768,101
Addition	1,136
At 31 December 2024	769,237
Addition	786
At 31 August 2025	770,023
<b>Accumulated depreciation</b>	
At 1 January 2022	84,982
Charge for the year	84,573
Early termination	(8,311)
At 31 December 2022	161,244
Charge for the year	84,955
At 31 December 2023	246,239
Charge for the year	85,512
At 31 December 2024	331,751
Charge for the year	57,088
At 31 August 2025	388,839
<b>Net carrying amount</b>	
At 31 December 2022	587,102
At 31 December 2023	521,862
At 31 December 2024	437,486
At 31 August 2025	381,184

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**14. Right-of-use assets (continued)**

The Target Company leases several buildings to operate its production. The leases of buildings are made for fixed periods of two to fourteen years. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants. The lease of all buildings has been included in the lease liabilities (note 25).

**15. Intangible assets**

	<b>Software RMB'000</b>	<b>Process technology license RMB'000</b>	<b>Total RMB'000</b>
<b>Cost</b>			
At 1 January 2022	23,932	1,112,862	1,136,794
Transfer from construction in progress (note 13)	-	7,313	7,313
Offset by government grants (note 26)	-	(24,011)	(24,011)
At 31 December 2022	23,932	1,096,164	1,120,096
Transfer from construction in progress (note 13)	150	142,935	143,085
Offset by government grants (note 26)	-	(332)	(332)
Derecognition	-	(622,253)	(622,253)
At 31 December 2023	24,082	616,514	640,596
Transfer from construction in progress (note 13)	-	37,264	37,264
Offset by government grants (note 26)	-	(608)	(608)
Derecognition	(1,114)	(147,958)	(149,072)
At 31 December 2024	22,968	505,212	528,180
Transfer from construction in progress (note 13)	-	1,686	1,686
At 31 August 2025	22,968	506,898	529,866



**Notes to the Historical Financial Information (Continued)**  
For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025

**15. Intangible assets (continued)**

	Software RMB'000	Process technology license RMB'000	Total RMB'000
<b>Accumulated amortisation</b>			
At 1 January 2022	23,582	921,702	945,284
Change for the period	152	94,077	94,229
At 31 December 2022	23,734	1,015,779	1,039,513
Change for the period	138	64,971	65,109
Derecognition	-	(622,253)	(622,253)
At 31 December 2023	23,872	458,497	482,369
Change for the period	92	43,011	43,103
Derecognition	(1,114)	(147,958)	(149,072)
At 31 December 2024	22,850	353,550	376,400
Change for the period	22	23,551	23,573
At 31 August 2025	22,872	377,101	399,973
<b>Net Carrying Amount</b>			
At 31 December 2022	198	80,385	80,583
At 31 December 2023	210	158,017	158,227
At 31 December 2024	118	151,662	151,780
At 31 August 2025	96	129,797	129,893

As management of the Target Company concluded there are impairment indicators for long-term assets of Shanghai Huali Microelectronics Corporation as at 31 December 2022, 2023, and 2024 and 31 August 2025. Therefore an impairment assessment was performed on the year ended 31 December 2022, 2023, and 2024 and 31 August 2025. The impairment test is based on the recoverable amount of the CGU to which the long-term assets is allocated. The key assumptions that management used in the valuation can be found in note 13.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**16. Equity investments designated at fair value through other comprehensive income ("FVOCI")**

	2022	At 31 December	2024	At
	RMB'000	2023	RMB'000	31 August
		RMB'000		2025
				RMB'000
Equity investments designated at fair value through other comprehensive income:				
Listed equity investments	49,112	-	-	-

As at 31 December 2022, equity investments designated at fair value through other comprehensive income, represents ordinary shares of an A-share listed company, it was irrevocably designated at fair value through other comprehensive income as the Target Company considers the investment to be strategic in nature.

The Target Company disposed of the equity investment, at consideration of approximately RMB52,508,000, which was also the fair value at the date of disposal as the investment no longer meets the investment objective of the Target Company after the assessment of the political risk the investee. A gain on disposal of approximately RMB1,888,000 has been transferred to accumulated losses.

**17. Inventories**

Inventories in the financial statements of financial position comprise:

	2022	At 31 December	2024	At
	RMB'000	2023	RMB'000	31 August
		RMB'000		2025
				RMB'000
Raw materials	830,680	732,040	598,354	695,210
Work in progress	353,446	363,705	449,789	431,076
Finished goods	742,206	1,045,648	537,218	250,897
	<u>1,926,332</u>	<u>2,141,393</u>	<u>1,585,361</u>	<u>1,377,183</u>

The management of the Target Company determined the net realisable value of the inventories by reference to the estimated selling prices of the inventories, which takes into account a number of factors including prevailing market conditions in the PRC, estimated costs to completion, and costs necessary to make the sales.

During the period from January to August 2024, the Group recognised a reversal of previous inventory write-down, mainly due to the recoverable amount increased because these specific items were issued to production and subsequently completed as finished goods.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**18. Trade and notes receivables**

	<b>2022</b>	<b>At 31 December</b>	<b>2024</b>	<b>At</b>
	<b>RMB'000</b>	<b>2023</b>	<b>RMB'000</b>	<b>31 August</b>
		<b>RMB'000</b>		<b>2025</b>
				<b>RMB'000</b>
Trade receivables	554,458	657,562	661,441	593,945
Notes receivables	-	-	10,000	242
	554,458	657,562	671,441	594,187
Impairment of trade receivables	(8,737)	(80,309)	(56,609)	(84,316)
Net carrying amount	545,721	577,253	614,832	509,871

As at 1 January 2022, the gross amount and net amount of trade and note receivables of the Target Company amounted to approximately RMB751,794,000 and RMB751,777,000 respectively.

The Target Company's trading terms with its customers are mainly on credit and the credit period is generally 30 to 45 days. There is no significant concentration of credit risk. The Target Company does not hold any collateral or other credit enhancements over its trade and notes receivable balances. Trade and notes receivables are non-interest-bearing.

An ageing analysis of the trade and notes receivables, based on the invoice date and net of loss allowance, is as follows:

	<b>2022</b>	<b>At 31 December</b>	<b>2024</b>	<b>At</b>
	<b>RMB'000</b>	<b>2023</b>	<b>RMB'000</b>	<b>31 August</b>
		<b>RMB'000</b>		<b>2025</b>
				<b>RMB'000</b>
Within 3 months	401,164	567,946	606,040	507,430
3 to 6 months	135,902	9,307	8,792	2,441
Over 6 months but within one year	8,655	-	-	-
Total	545,721	577,253	614,832	509,871

The movements in loss allowance for impairment of trade and notes receivables are as follows:

	<b>2022</b>	<b>2023</b>	<b>At 31 December</b>	<b>At</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>2024</b>	<b>31 August</b>
			<b>RMB'000</b>	<b>2025</b>
				<b>RMB'000</b>
At 1 January	17	8,737	80,309	56,609
Impairment losses/(reversal of impairment), net	8,720	71,572	(23,700)	27,707
As at 31 December	8,737	80,309	56,609	84,316

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**18. Trade and notes receivables (continued)**

The Target Company applies a simplified approach in calculating ECLs prescribed by HKFRS 9, which permits the use of the lifetime expected loss for all trade and notes receivables. To measure the expected credit losses, trade and notes receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward-looking information. The expected credit loss rates for trade and notes receivables that were not yet past due or aged within 3 months are minimal.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Target Company's trade receivables using a provision matrix:

The credit quality of the trade and notes receivables are as follows:

	<b>Current RMB'000</b>	<b>Less than 3 months RMB'000</b>	<b>3 to 6 months RMB'000</b>	<b>Over 6 months RMB'000</b>	<b>Total RMB'000</b>
<b>As at 31 December 2022</b>					
Expected credit loss rate	0.04%	0.53%	16.27%	-	1.58%
Gross carrying amount	355,262	151,297	47,899	-	554,458
Expected credit losses	137	806	7,794	-	8,737
<b>As at 31 December 2023</b>					
Expected credit loss rate	0.12%	1.06%	16.27%	100.00%	12.21%
Gross carrying amount	455,620	120,852	3,128	77,962	657,562
Expected credit losses	557	1,281	509	77,962	80,309
<b>As at 31 December 2024</b>					
Expected credit loss rate	0.44%	3.43%	32.26%	100.00%	8.43%
Gross carrying amount	608,688	6,153	4,238	52,362	671,441
Expected credit losses	2,669	211	1,367	52,362	56,609
<b>As at 31 August 2025</b>					
Expected credit loss rate	0.88%	6.16%	42.79%	100.00%	14.20%
Gross carrying amount	472,251	44,217	521	77,198	594,187
Expected credit losses	4,170	2,725	223	77,198	84,316

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**19 Prepayments, other receivables and other assets and long-term prepayments to third parties**

	At 31 December 2022 RMB'000	At 31 December 2023 RMB'000	2024 RMB'000	At 31 August 2025 RMB'000
Other receivables	28,538	28,288	43,209	1,424
Prepayments and other assets	9,508	640	813	6,916
Value-added input tax	23,090	4,581	107,056	9,846
	<u>61,136</u>	<u>33,509</u>	<u>151,078</u>	<u>18,186</u>
Less: prepayment paid for property, plant and equipment classified as non-current assets	<u>(6,291)</u>	<u>-</u>	<u>-</u>	<u>(5,348)</u>
Current portion	<u>54,845</u>	<u>33,509</u>	<u>151,078</u>	<u>12,838</u>

The Target Company applies a general approach in calculating ECLs for other receivables. Other receivables related to debtors that are in default are classified as Stage 3 and the lifetime ECL rate was estimated to be 100% based on historical credit loss experience. The remaining other receivables are classified as Stage 1 without any significant increase in credit risk tracked since initial recognition.

At 31 December 2022, 2023, and 2024 and 31 August 2025, other receivables mainly include the interest receivables of approximately RMB28,302,000, RMB27,673,000, RMB42,731,000 and RMB1,053,000 respectively.

**20. Due from related parties**

	2022 RMB'000	At 31 December 2023 RMB'000	2024 RMB'000	At 31 August 2025 RMB'000
<b>Trade in nature:</b>				
Trade receivables	97,490	118,972	35,077	118,085
Prepayments, deposits and other receivables	<u>5,027</u>	<u>66,293</u>	<u>55,465</u>	<u>72,818</u>
Due from related parties	102,517	185,265	90,542	190,903
Less: prepayment for property, plant and equipment classified as non-current assets	<u>(4,632)</u>	<u>(58,273)</u>	<u>(55,461)</u>	<u>(67,436)</u>
Current portion	97,885	126,992	35,081	123,467
Impairment of amounts due from related parties	<u>(279)</u>	<u>(494)</u>	<u>(3,999)</u>	<u>(3,731)</u>
Net carrying amount	<u>97,606</u>	<u>126,498</u>	<u>31,082</u>	<u>119,736</u>

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**20. Due from related parties (continued)**

Apart from trade and notes receivables, all the carrying amounts of financial assets at amortised cost, applying the general approach under HKFRS 9, are classified as Stage 1 in terms of ECLs as at 31 December 2022, 2023, 2024 and 31 August 2025.

As at 1 January 2022, the gross amount and net amount of trade receivables from related parties of the Target Company amounted to approximately RMB24,200,000.

The trading terms with its related parties are mainly on credit and the credit period is generally 30 to 45 days. An ageing analysis of the trade receivables from related parties, based on the invoice date and net of loss allowance, is as follows:

	<b>2022</b>	<b>At 31 December</b>	<b>2024</b>	<b>At</b>
	<b>RMB'000</b>	<b>2023</b>	<b>RMB'000</b>	<b>31 August</b>
		<b>RMB'000</b>		<b>2025</b>
				<b>RMB'000</b>
Within 3 months	97,211	118,972	24,923	113,031
3 to 6 months	-	-	37	1,323
Over 6 months but within one year	-	-	6,118	-
<b>Total</b>	<b>97,211</b>	<b>118,972</b>	<b>31,078</b>	<b>114,354</b>

The movements in loss allowance for impairment of amounts due from related parties are as follows:

	<b>Year ended 31 December</b>	<b>2024</b>	<b>Eight month</b>
	<b>2022</b>	<b>2023</b>	<b>ended</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>31 August</b>
			<b>2025</b>
			<b>RMB'000</b>
At 1 January	-	279	494
Impairment losses, net	279	215	3,505
<b>As at 31 December/31 August</b>	<b>279</b>	<b>494</b>	<b>3,999</b>
			<b>3,731</b>

The credit quality of amounts due from related parties is as follows:

	<b>Current</b>	<b>Less than</b>	<b>3 to 6</b>	<b>Over 6</b>	<b>Total</b>
	<b>RMB'000</b>	<b>3 months</b>	<b>months</b>	<b>months</b>	<b>RMB'000</b>
		<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	
<b>As at 31 December 2022</b>					
Expected credit loss rate	0.04%	0.53%	n/a	n/a	0.29%
Gross carrying amount	48,646	48,844	-	-	97,490
Expected credit losses	19	260	-	-	279

**Notes to the Historical Financial Information (Continued)**  
For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025

**20. Due from related parties (continued)**

	Current RMB'000	Less than 3 months RMB'000	3 to 6 months RMB'000	Over 6 months RMB'000	Total RMB'000
<b>As at 31 December 2023</b>					
Expected credit loss rate	0.12%	1.06%	n/a	n/a	0.42%
Gross carrying amount	81,273	37,699	-	-	118,972
Expected credit losses	95	399	-	-	494
<b>As at 31 December 2024</b>					
Expected credit loss rate	0.44%	3.44%	32.25%	100.00%	11.40%
Gross carrying amount	10,157	15,378	9,029	513	35,077
Expected credit losses	45	529	2,912	513	3,999
<b>As at 31 August 2025</b>					
Expected credit loss rate	0.88%	6.16%	42.69%	n/a	3.16%
Gross carrying amount	76,157	40,628	1,300	-	118,085
Expected credit losses	672	2,504	555	-	3,731

**21. Restricted bank deposits, pledged bank deposits and cash and cash equivalents**

	2022 RMB'000	At 31 December 2023 RMB'000	2024 RMB'000	At 31 August 2025 RMB'000
Cash and bank balances	473,668	924,471	1,052	2,945,469
Time deposits	3,412,603	2,101,416	1,437,138	57,000
Subtotal	3,886,271	3,025,887	1,438,190	3,002,469
Less:				
Restricted bank deposits	(1,000)	(1,000)	(1,012)	(1,012)
Time deposits:				
More than three months to maturity when placed	(1,950,088)	(2,101,416)	(1,437,138)	(7,000)
Cash and cash equivalents	1,935,183	923,471	40	2,994,457

At 31 December 2022, 2023 and 2024 and 31 August 2025, the Target Company's cash and bank balances and time deposits denominated in RMB amounted to approximately RMB1,706,372,000 RMB1,209,411,000 RMB1,437,140,000 and RMB540,670,000 in aggregate.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for period of seven days, depending on the immediate cash requirements of the Target Company and earn interest at the respective short term time deposit rates. Time deposits which are more than three months to maturity when placed are made for varying periods of between three months and one year and earn interest at the respective deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**22. Trade payables**

An aging analysis of the trade payables of the Target Company as at the end of the reporting period, based on the invoice date, is as follows:

	<b>At 31 December</b>			<b>At</b>
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>31 August</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>2025</b>
				<b>RMB'000</b>
Within 30 days	470,863	313,177	450,025	370,401
31 to 60 days	295,826	116,150	189,988	165,192
61 to 90 days	75,106	23,455	42,565	59,258
91 to 120 days	45,871	14,869	11,672	28,213
Over 120 days	32,517	34,621	21,181	15,390
	<u>920,183</u>	<u>502,272</u>	<u>715,431</u>	<u>638,454</u>

The trade payables are unsecured, non-interest-bearing and are normally settled on terms of 30 to 60 days.



**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**23. Other payables and accruals**

	<b>2022</b>	<b>At 31 December</b>	<b>2024</b>	<b>At</b>
	<b>RMB'000</b>	<b>2023</b>	<b>RMB'000</b>	<b>31 August</b>
		<b>RMB'000</b>		<b>2025</b>
				<b>RMB'000</b>
Other payables and accruals (note (a))	100,989	60,074	95,158	75,699
Contract liabilities (note (b))	71,512	64,132	119,943	122,937
Payroll and bonus payables	166,856	100,028	133,904	6,381
Interest payables	1,155	1,268	1,743	14,615
Other tax payables	7,337	6,495	10,552	7,712
Output VAT Payables	8,863	7,935	13,190	12,625
	<u>356,712</u>	<u>239,932</u>	<u>374,490</u>	<u>239,969</u>

Notes:

(a) Other payables are unsecured, non-interest-bearing and repayable on demand.

(b) Movement of contract liabilities is as follows:

	<b>Year ended 31 December</b>	<b>2023</b>	<b>2024</b>	<b>Eight</b>
	<b>2022</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>months</b>
	<b>RMB'000</b>			<b>ended</b>
				<b>31 August</b>
				<b>2025</b>
				<b>RMB'000</b>
As 1 January	97,852	71,512	64,132	119,943
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	(75,814)	(49,842)	(41,872)	(114,745)
Revenue recognised as a result of cash received during the year	(191,554)	(79,550)	(267,891)	(350,792)
Decrease in contract liabilities as a result of refund to customers	-	-	(247)	(247)
Increase in contract liabilities as a result of advance payments from customers during the year/period	<u>241,028</u>	<u>122,012</u>	<u>365,821</u>	<u>468,778</u>
At 31 December/31 August	<u>71,512</u>	<u>64,132</u>	<u>119,943</u>	<u>122,937</u>

**Notes to the Historical Financial Information (Continued)**  
For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025

**23. Other payables and accruals (continued)**

The amount of transaction price allocated to the performance obligations that are unsatisfied at the end of each reporting period is as follows:

	2022	2023	At 31 December 2024	At 31 August 2025
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Expected timing of revenue recognition:</b>				
Within one year	62,331	55,432	113,044	117,740
In the second year	9,181	8,700	6,899	5,197
<b>Total</b>	<b>71,512</b>	<b>64,132</b>	<b>119,943</b>	<b>122,937</b>

## Notes to the Historical Financial Information (Continued)

For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025

### 24. Interest-bearing bank and other borrowings

	Effective interest rate (%)	Maturity	Current RMB'000	Non- current RMB'000	Total RMB'000
<b>Long term bank borrowings</b>					
<b>At 31 December 2022</b>					
Secured	1.20	2026-2030	700,000	2,200,000	2,900,000
Unsecured	2.00	2032	-	150,000	150,000
			700,000	2,350,000	3,050,000
<b>At 31 December 2023</b>					
Secured	1.20-3.00	2026-2031	700,000	1,630,000	2,330,000
Unsecured	2.00	2032	36,875	553,125	590,000
			736,875	2,183,125	2,920,000
<b>At 31 December 2024</b>					
Secured	1.20-3.00	2026-2031	700,000	1,760,000	2,460,000
Unsecured	2.00-2.54	2029-2032	102,000	668,000	770,000
			802,000	2,428,000	3,230,000
<b>At 31 August 2025</b>					
Secured	1.20-3.00	2026-2031	700,000	1,410,000	2,110,000
Unsecured	2.00-2.51	2029-2032	140,200	1,349,788	1,489,988
			840,200	2,759,788	3,599,988
<b>Long-term other borrowings</b>					
<b>At 31 August 2025</b>					
Unsecured	0.00	2028	-	137,550	137,550
			-	137,550	137,550

**Notes to the Historical Financial Information (Continued)**  
For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025

**24. Interest-bearing bank and other borrowings (continued)**

	2022	2023	At 31 December 2024	At 31 August 2025
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Bank borrowings repayable:</b>				
Within one year	700,000	736,875	802,000	840,200
In the second year	750,000	773,750	493,000	311,573
In the third to fifth year, inclusive	1,300,000	852,240	1,240,000	2,138,215
After five years	300,000	557,135	695,000	310,000
<b>Total</b>	<b>3,050,000</b>	<b>2,920,000</b>	<b>3,230,000</b>	<b>3,599,988</b>
<b>Other borrowings repayable:</b>				
In the third to fifth year, inclusive	-	-	-	137,550
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>137,550</b>

As at 31 December 2022, 2023 and 2024 and 31 August 2025, certain of the Target Company's bank loans were secured by pledges of the Target Company's property, plant and equipment with carrying amount as follows:

	2022	2023	At 31 December 2024	At 31 August 2025
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	-	147,468	106,025	980,605

As at 31 December 2022, 2023 and 2024, bank borrowings amounting to RMB 2,900 million, RMB2,200 million and RMB1,500 million are secured by 50% of the shares of Shanghai Huali Integrated Circuit Corporation ("Huali Integrated Circuit"), which is controlled by the Huahong Group.

Other borrowings from a related party as at 31 August 2025 included RMB137.55 million from Huahong Group. Huahong Group is an 66.54% shareholder of the Target Company. The loan interest free, unsecured and repayable on demand.

**Notes to the Historical Financial Information (Continued)**  
For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025

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**24. Interest-bearing bank and other borrowings (continued)**

As at 31 December 2022, 2023, 2024 and 31 August 2025, the breakdown of the Target Company's bank and other borrowings by interest rate type was as follows:

	2022	At 31 December 2023	2024	At 31 August 2025
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Bank and other borrowings:</b>				
Fixed rate	3,050,000	2,330,000	2,460,000	2,247,550
Variable rate	-	590,000	770,000	1,489,988
<b>Total</b>	<u>3,050,000</u>	<u>2,920,000</u>	<u>3,230,000</u>	<u>3,737,538</u>

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**25. Lease liabilities**

	Year ended 31 December			Eight months ended
	2022	2023	2024	31 August
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Carrying amount at 1 January	722,471	603,049	550,466	473,516
Additions	5,963	19,755	1,136	786
Early termination	(57,735)	-	-	-
Accretion of interest	31,501	27,040	23,443	13,213
Payments	(99,151)	(99,378)	(101,529)	(2,452)
Carrying amount at 31 December/31 August	<u>603,049</u>	<u>550,466</u>	<u>473,516</u>	<u>485,063</u>
The maturity profile of lease liabilities is as follows:				
Within one year	95,575	102,163	102,997	201,054
In the second year	96,682	102,062	100,342	101,433
In the third to fifth years, inclusive	294,687	303,696	307,538	223,756
After five years	<u>218,223</u>	<u>120,146</u>	<u>16,977</u>	<u>-</u>
Total undiscounted lease liabilities	705,167	628,067	527,854	526,243
Discount amount	<u>(102,118)</u>	<u>(77,601)</u>	<u>(54,338)</u>	<u>(41,180)</u>
Total present value of lease liabilities	<u>603,049</u>	<u>550,466</u>	<u>473,516</u>	<u>485,063</u>
Current portion	<u>69,303</u>	<u>78,765</u>	<u>83,483</u>	<u>184,256</u>
Non-current portion	<u>533,746</u>	<u>471,701</u>	<u>390,033</u>	<u>300,807</u>
Analysed into:				
Within one year	69,303	78,765	83,483	184,256
In the second year	73,928	82,592	84,942	88,867
In the third to fifth years, inclusive	249,736	270,766	288,252	211,940
After five years	<u>210,082</u>	<u>118,343</u>	<u>16,839</u>	<u>-</u>
Total present value of lease liabilities	<u>603,049</u>	<u>550,466</u>	<u>473,516</u>	<u>485,063</u>

The weighted average incremental borrowing rates applied to lease liabilities range from 4.35% to 4.9% per annum. All leases are entered at fixed prices. The Target Company does not face significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Target Company's treasury function.

At 31 December 2022, 2023, and 2024 and 31 August 2025, certain building leases of the Target Company were provided by the related party (note 28).

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**26. Government grants**

	Year ended 31 December			Eight months ended 31 August 2025
	2022	2023	2024	
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	725,306	14,517	23,580	16,110
Additions	80,463	78,658	11,260	-
Released to offsetting:				
-research and development costs	(154,793)	(47,662)	(13,065)	-
-other income	(353,569)	(1,200)	-	-
-reduction to property, plant and equipment (note 13)	(177,517)	(13,456)	(5,057)	
-reduction to intangible assets (note 15)	(24,011)	(332)	(608)	-
-administrative expenses	(5,083)	-	-	-
-cost of sales	(76,279)	(6,945)	-	-
As at 31 December/31 August	<u>14,517</u>	<u>23,580</u>	<u>16,110</u>	<u>16,110</u>

The Target Company received government funding for several government-sponsored projects focusing on the research and development of advanced technologies.

**27. Share capital and reserves**

**(a) Share Capital**

	2022	At 31 December		At 31 August 2025
	2022	2023	2024	
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	1,870,646	1,870,646	1,870,646	1,873,648
Capital injection	-	-	3,002	162,544
Issued and fully paid	<u>1,870,646</u>	<u>1,870,646</u>	<u>1,873,648</u>	<u>2,036,192</u>

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**27. Share capital and reserves (Continued)**

**(a) Share Capital (Continued)**

Pursuant to the capital increase agreement, during the year ended 31 December 2024, the shareholders of the Target Company had made additional capital contribution of RMB3,002,000. During the period ended 31 August 2025, the shareholder of the Target Company had made additional capital contribution of RMB218,264,000, based on the assessed value per RMB1 of registered capital, RMB162,544,000 of the total capital contribution was credited to share capital, and the remaining RMB55,720,000 was credited to capital reserve.

**(b) Capital reserve**

Capital reserves represents the capital contribution from shareholders.

**28. Related party transactions and balances**

**(a) Name and relationship**

Name of related party	Relationship with the Target Company
-Shanghai Huahong (GROUP) Co., Ltd.("Huahong Group") 上海华虹(集团)有限公司("华虹集团")	Shareholder holding 66.54% equity interest of the Company
-Shanghai Integrated Circuit Industry Investment Fund Co., Ltd.("Shanghai Jicheng") 上海集成电路产业投资基金股份有限公司("上海集成")	Shareholder holding 16.46% equity interest of the Company
-Shanghai Huahong Grace Semiconductor Manufacturing Corporation("Grace Semiconductor") 上海华虹宏力半导体制造有限公司("宏力半导体")	Shareholder holding 2.62% equity interest of the Company
-National IC Industry Investment Fund Phase II Co., Ltd.("National IC") 国家集成电路产业投资基金二期股份有限公司("国集电投")	Shareholder holding 10.2% equity interest of the Company
-Shanghai Guotou Pioneer Integrated Circuit Private Equity Investment Fund Partnership Enterprise (Limited Partnership)("SH National IC") 上海国投先导集成电路私募投资基金合伙企业(有限合伙)("上国投集电")	Shareholder holding 4.18% equity interest of the Company



**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**28. Related party transactions and balances**

(a) Name and relationship

<b>Name of related party</b>	<b>Relationship with the Target Company</b>
- Huali Integrated Circuit 上海華力集成電路製造有限公司("華力集電")	Subsidiary of Huahong Group
-Company B* 公司 B	Subsidiary of Huahong Group
-Shanghai Huahong Zealcore Electronics Technology Co., Ltd.("Huahong Zealcore") 上海華虹摯芯電子科技有限公司("華虹摯芯")	Subsidiary of Huahong Group
-Zhixin Electronics (Shanghai) Co., Ltd.("Zhixin SH") 摯芯電子(上海)有限公司("摯芯上海")	Subsidiary of Huahong Group
-Shanghai Huahong HONGRI Electronics Co., Ltd.("Huahong HONGRI") 上海華虹虹日電子有限公司("華虹虹日")	Subsidiary of Huahong Group
-Shanghai Huahong Jitong Smart System Co., Ltd.("Huahong Jitong") 上海華虹計通智能系統股份有限公司("華虹計通")	Subsidiary of Huahong Group
-Hua Hong Semiconductor Limited("Hua Hong Semiconductor") 華虹半導體有限公司("華虹半導體")	Subsidiary of Huahong Group
-Hua Hong Semiconductor Manufacturing (Wuxi) Co., Ltd.("Huahong SM Wuxi") 華虹半導體製造(無錫)有限公司("華虹半導體製造")	Subsidiary of Huahong Group
-Huahong semiconductor (Wuxi) Limited("Huahong semiconductor Wuxi") 華虹半導體(無錫)有限公司("華虹半導體無錫")	Subsidiary of Huahong Group
- Shanghai Huahong Zhilian Information Technology Co., Ltd.("Huahong Zhilian ") 上海華虹智聯信息科技有限公同("華虹智聯")	Subsidiary of Huahong Group
- Shanghai Huajin Property Management Co., Ltd.("Huajin ") 上海華錦物業管理有限公司("Huajin")	Subsidiary of Huahong Group
-Huahong Real Estate (Wuxi) Co., Ltd.("Huahong Real Estate")	Subsidiary of Huahong Group
-Global Synergy Technology Limited ("Global Synergy")	Subsidiary of Huahong Group
-HHGrace Semiconductor USA, Inc. ("HHGrace USA")	Subsidiary of Huahong Group
-HHGrace Semiconductor Japan Co., Ltd. ("HHGrace JPN")	Subsidiary of Huahong Group
-Shanghai Hua Hong International, Inc ("Huahong International")	Subsidiary of Huahong Group
-Company A* 公司 A	Subsidiary of Huahong Group

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**28. Related party transactions and balances (continued)**

(a) Name and relationship(continued)

\*Pursuant to the laws applicable to the Target Company's principal place of business, the disclosure of information in respect of such related party is exempted with the approval of the regulatory authority of the place where the Target Company is located, by reason of such information involving state secrets.

(b) Related party transactions

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, the Target Company had the following transactions with related parties:

Name of related party	Year ended 31 December			Eight months ended	
	2022	2023	2024	31 August	
	RMB'000	RMB'000	RMB'000	2024	2025
				(unaudited)	
<b>Sales of goods to related parties(Note(i))</b>					
Huali Integrated Circuit Company B	195,642	104,652	271,168	242,482	114,689
	-	-	-	-	2,097
Huahong Zealcore	5,190	-	-	-	-
Zhixin SH	-	3,078	700	700	-
<b>Technical development service income to related parties (Note (ii))</b>					
Grace Semiconductor Company B	-	121,360	-	-	-
	-	-	471,000	94,200	-
<b>Management service fee charged to related parties(Note(iii))</b>					
Huali Integrated Circuit Company B	101,693	26,123	15,160	8,817	12,589
	-	-	5,382	3,250	4,007
<b>Purchase of goods from related parties(Note(iv))</b>					
Huali Integrated Circuit	373,332	141,986	278,583	-	194,408
Huahong HONGRI	226,849	29,496	38,476	17,413	12,154
Company B	-	-	128	-	5,487
Huahong Zealcore	676	1,305	1,622	1,183	742
Huahong Zhilian	-	2,900	-	-	-
Zhixin SH	-	-	14	-	104

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**28. Related party transactions and balances (continued)**

(b) Related party transactions (continued)

Name of related party	Year ended 31 December			Eight months ended 31 August	
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
<b>Rental income from related parties(Note(v))</b>					
Huali Integrated Circuit Company B	560	516	571	371	371
	-	-	-	-	910
<b>Interest expense charged by a related party (Note (vi))</b>					
Grace Semiconductor	29,563	26,787	23,250	15,649	13,152
<b>Service fees charged by related parties (Note (vii))</b>					
Huali Integrated Circuit	63,408	27,846	31,563	-	61,748
Huajin	957	190	-	-	-
Company B	-	-	72	-	29
<b>Expense paid on behalf of a related party (Note(viii))</b>					
Company B	-	7,542	-	-	-
Grace Semiconductor	221,144	205,229	203,583	135,722	137,392
Huajin	-	10	-	-	-

Note:

(i) The sales of goods to related parties were made according to the prices and terms agreed between the related parties.

(ii) The technical development service income from related parties was made according to the prices and terms offered by the related party.

(iii) The management service fee charged to related parties was made according to the prices and terms offered by the related party.

(iv) The purchases of goods from related parties were made according to the prices and terms offered by the related parties.

(v) The rental income received from a related party was based on the prices and terms agreed between the related parties.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**28. Related party transactions and balances (continued)**

(b) Related party transactions (continued)

(vi) The Target Company entered into leases in respect of certain factory buildings. At 31 December 2022, 2023 and 2024 and 31 August 2025, the balances of those right-of-use assets and lease liabilities were RMB587,063,000, RMB516,131,000, RMB434,418,000, RMB379,870,000 and RMB603,009,000, RMB544,361,000, RMB470,784,000, RMB483,671,000, respectively.

(vii) The service fees charged by related parties were based on the prices and terms agreed between the related parties.

(viii) The expense paid on behalf of a related party was made according to the prices and terms offered by the related parties.

(c) Outstanding balances with related parties

	<b>At 31 December</b>			<b>At</b>
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>31 August</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>2025</b>
				<b>RMB'000</b>
<b>Amount due from related parties</b>				
Company B	-	8,146	1,186	72,512
Grace Semiconductor	5,027	68,497	3,876	3,811
Huali Integrated Circuit	97,211	105,082	81,481	110,849
Zhixin Shanghai	-	3,046	-	--
<b>Total</b>	<b>102,238</b>	<b>184,771</b>	<b>86,543</b>	<b>187,172</b>
<b>Amount due to related parties</b>				
Global Synergy	139	69	-	-
Company B	-	-	162	22
Grace Semiconductor	74,044	47,002	66,981	46,556
Huahong HONGRI	71,369	8,071	15,474	220
Huahong Jitong	-	-	-	-
Huahong Zealcore	279	513	477	510
Huali Integrated Circuit	45,130	77,049	92,818	90,792
Zhixin Shanghai	-	-	13	100
Company A (Note)	3,797,115	3,785,909	-	-
Huahong Zhilian	-	1,395	-	-
Huajin	284	-	-	-
<b>Total</b>	<b>3,988,360</b>	<b>3,920,008</b>	<b>175,925</b>	<b>138,200</b>

The Target Company did not have any non-trade in nature balances with related parties.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**28. Related party transactions and balances (continued)**

(c) Outstanding balances with related parties(continue)

Note:

In accordance with the spin-off agreement, on 30 November 2024, the benchmark date of the demerger, the Target Company allocates cash balance of RMB3,863,400,000 to Company A. The cash balance is legally owned and controlled by the Target Company and will only be transferred to Company A after the spin-off date. As of 31 December 2022 and 31 December 2023, the Target Company recognized the cash division commitment as amounts due to related parties.

(d) Other borrowing from a related party

	At 31 December			At
	2022	2023	2024	31 August
	RMB'000	RMB'000	RMB'000	2025
				RMB'000
Huahong Group (Note 24)	-	-	-	137,550

(e) Compensation of key management personnel of the Target Company

Key management personnel comprises the directors and other members of the Target Company. The remuneration of directors and other members of the Target Company during the Relevant Periods were as follows:

	Year ended 31 December			Eight months ended	
	2022	2023	2024	31 August	
	RMB'000	RMB'000	RMB'000	2024	2025
				RMB'000	RMB'000
				(unaudited)	
Salaries, allowances, discretionary bonus and other benefits in kind	36,810	27,152	34,722	12,539	13,275
Contributions to defined contribution plans	1,744	1,740	1,805	1,178	1,250
Equity-settled share option expense	9,577	-	-	-	-
	<u>48,131</u>	<u>28,892</u>	<u>36,527</u>	<u>13,717</u>	<u>14,525</u>

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**29. Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets – at amortised cost

	<b>2022</b>	<b>At 31 December 2023</b>	<b>2024</b>	<b>At 31 August 2025</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Trade and notes receivables	545,721	577,253	614,832	509,871
Financial assets included in prepayments, other receivables and other assets (note 19)	28,538	28,288	43,209	1,424
Due from related parties	97,606	126,498	31,082	119,736
Restricted bank deposits	1,000	1,000	1,012	1,012
Pledged bank deposits	1,950,088	2,101,416	1,437,138	7,000
Cash and cash equivalents	<u>1,935,183</u>	<u>923,471</u>	<u>40</u>	<u>2,994,457</u>
<b>Total</b>	<u><b>4,558,136</b></u>	<u><b>3,757,926</b></u>	<u><b>2,127,313</b></u>	<u><b>3,633,500</b></u>

**Notes to the Historical Financial Information (Continued)**  
For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025

**29. Financial instruments by category (continued)**

Financial assets – at fair value through other comprehensive income without recycling to profit or loss

	2022 RMB'000	At 31 December 2023 RMB'000	2024 RMB'000	At 31 August 2025 RMB'000
Equity investments designated at fair value through other comprehensive income	49,112	-	-	-

Financial liabilities – at amortised cost

	2022 RMB'000	At 31 December 2023 RMB'000	2024 RMB'000	At 31 August 2025 RMB'000
Trade payables	920,183	502,272	715,431	638,454
Financial liabilities included in other payables and accruals (note 23)*	102,144	61,342	96,901	90,314
Interest-bearing bank and other borrowings	3,050,000	2,920,000	3,230,000	3,737,538
Due to related parties	3,988,360	3,920,008	175,925	138,200
<b>Total</b>	<b>8,060,687</b>	<b>7,403,622</b>	<b>4,218,257</b>	<b>4,604,506</b>

\* Including other payables and accruals and interest payables in note 23.

**30. Fair value and fair value hierarchy of financial instruments**

Some of the Target Company's financial instruments were measured at fair value as follows:

	Carrying amounts and fair values			At
	At 31 December			31 August
	2022 RMB'000	2023 RMB'000	2024 RMB'000	2025 RMB'000
Financial assets				
Equity investments designated at fair value through other comprehensive income	49,112	-	-	-

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**30. Fair value and fair value hierarchy of financial instruments (continued)**

Management has assessed that the fair values of cash and cash equivalents, restricted bank deposits, pledged bank deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, amounts due from/to related parties, the current portion of interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Company's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Target Company's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at 31 December 2022, 2023, 2024 and 31 August 2025 were assessed to be insignificant.

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Target Company's financial instruments:

Financial assets measured at fair value

**31 December 2022**

	Quoted prices in active markets Level 1 RMB'000	Quoted prices in active markets Level 2 RMB'000	Quoted prices in active markets Level 3 RMB'000
Equity investments designated at fair value through other comprehensive income	49,112	-	-



**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**30. Fair value and fair value hierarchy of financial instruments (continued)**

During the years ended 31 December 2022, 2023, 2024, and the period ended 31 August 2025, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. The Target Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

**31. Notes to the statement of cash flows**

**(a) Major non-cash transactions**

During the year ended 31 December 2022, 2023, 2024 and the period ended 31 August 2025, the Target Company had non-cash additions to right-of-use assets or lease liabilities of RMB156,000, RMB19,755,000, RMB1,136,00 and RMB786,000 in respect of lease arrangements for buildings.

During the year ended 31 December 2022, 2023, 2024 and the period ended 31 August 2025, the Target Company had non-cash transfer from property, plant and equipment to intangible assets of RMB7,313,000, RMB143,085,000, RMB37,264,000 and RMB1,686,000 respectively.

During the year ended 31 December 2022, 2023, 2024 and the period ended 31 August 2025, the Target Company had non-cash transfer from government grants to property, plant and equipment of RMB177,517,000, RMB13,456,000, RMB5,057,000 and Nil respectively.

During the year ended 31 December 2022, 2023, 2024 and the period ended 31 August 2025, the Target Company had non-cash transfer from government grants to intangible assets of RMB24,011,000, RMB332,000, RMB608,000 and Nil respectively.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**31. Notes to the statement of cash flows (continued)**

(b) Changes in liabilities arising from financing activities are as follows:

	<b>Interest-bearing borrowings</b>	<b>Interest Payables</b>	<b>Lease liabilities</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Year ended 31 December 2022</b>				
At 1 January 2022	3,400,000	1,247	722,471	4,123,718
Changes from financing cash flows	(350,000)	(40,087)	(93,344)	(483,431)
Interest expense	-	39,995	31,501	71,496
New lease	-	-	156	156
Early termination	-	-	(57,735)	(57,735)
At 31 December 2022	<u>3,050,000</u>	<u>1,155</u>	<u>603,049</u>	<u>3,654,204</u>
<b>As at 31 December 2023</b>				
At 1 January 2023	3,050,000	1,155	603,049	3,654,204
Changes from financing cash flows	(130,000)	(43,486)	(99,378)	(272,864)
Interest expense	-	43,599	27,040	70,639
New lease	-	-	19,755	19,755
At 31 December 2023	<u>2,920,000</u>	<u>1,268</u>	<u>550,466</u>	<u>3,471,734</u>
<b>As at 31 December 2024</b>				
At 1 January 2024	2,920,000	1,268	550,466	3,471,734
Changes from financing cash flows	310,000	(50,946)	(100,301)	158,753
Interest expense	-	51,421	22,215	73,636
New lease	-	-	1,136	1,136
At 31 December 2024	<u>3,230,000</u>	<u>1,743</u>	<u>473,516</u>	<u>3,705,259</u>
<b>As at 31 August 2025</b>				
At 1 January 2025	3,230,000	1,743	473,516	3,705,259
Changes from financing cash flows	507,538	(32,241)	(2,492)	472,805
Interest expense	-	45,113	13,253	58,366
New lease	-	-	786	786
At 31 August 2025	<u>3,737,538</u>	<u>14,615</u>	<u>485,063</u>	<u>4,237,216</u>

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**31. Notes to the statement of cash flows (continued)**

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2022	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Within operating activities	1,967	2,469	2,590	1,480	2,051
Within financing activities	93,344	99,378	100,301	2,788	2,492
	<u>95,311</u>	<u>101,847</u>	<u>102,891</u>	<u>4,268</u>	<u>4,543</u>

**32. Financial risk management objectives and policies**

The Target Company's principal financial instruments comprise bank and other borrowings, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Target Company's operations. The Target Company has various other financial assets and liabilities, such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Target Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are recognised below.

**Interest rate risk**

The Target Company's exposure to the risk of changes in market interest rates relates primarily to the Target Company's interest-bearing bank and other borrowings with a floating and fixed interest rate. The Target Company's policy is to manage its interest cost using a mix of fixed and variable rate debts.

As at 31 December 2022, 2023, 2024 and 31 August 2025, if the interest rates had been 100 basis points higher/lower with all other variables held constant, profit/loss for the year/period would have been RMB1,749,000, RMB3,334,000, RMB16,990,000 and RMB9,151,000 lower/higher, mainly as a result of higher/lower interest expense on floating rate bank and other borrowings.

**Foreign currency risk**

The Target Company has transactional currency expenditures. These exposures arise from sales or purchases in US\$ other than the Target Company's functional currency, which is RMB. During the year ended 31 December 2022, 2023, 2024, and period ended 31 August 2025, approximately 30%, 16%, 30% and 29% of the Target Company's sales were denominated in currencies other than the functional currency of the Target Company, whilst costs of sales were denominated in the Target Company's functional currency.

**Notes to the Historical Financial Information (Continued)**  
For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025

**32. Financial risk management objectives and policies (continued)**

The following table details the Target company's exposure at the end of the reporting period to currency risk arising from monetary assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year/period end date.

	2022 RMB'000	2023 RMB'000	At 31 December 2024 RMB'000	At 31 August 2025 RMB'000
<b>Monetary assets denominated in:</b>				
<b>- United States Dollar</b>				
Trade and other receivables	148,856	388,750	350,141	305,868
Deposits with banks	1,950,088	1,593,608	1,132,238	2,460,747
Cash and cash equivalents	228,772	221,830	3	3
<b>- Euro</b>				
Cash and cash equivalents	11	12	11	12
<b>- Japanese Yen</b>				
Cash and cash equivalents	27	26	24	25
<b>Total</b>	<b>2,327,754</b>	<b>2,204,226</b>	<b>1,482,417</b>	<b>2,766,655</b>
<b>Monetary liabilities denominated in:</b>				
<b>- United States Dollar</b>				
Trade and other payables	(539,216)	(159,076)	(259,656)	(193,705)
<b>- Euro</b>				
Trade and other payables	(4,940)	(3,188)	(3,586)	(5,045)
<b>- Japanese Yen</b>				
Trade and other payables	(54,216)	(27,375)	(57,896)	(22,700)
<b>Total</b>	<b>(598,372)</b>	<b>(189,639)</b>	<b>(321,138)</b>	<b>(221,450)</b>

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**32. Financial risk management objectives and policies (continued)**

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Target Company's profit/loss before tax for the year/period (arising from USD, EUR and JPY denominated financial instruments):

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit/loss before tax
<b>Year ended 31 December 2022</b>		
If RMB weakens against USD	5%	89,425
If RMB strengthens against USD	(5%)	(89,425)
If RMB weakens against EUR	5%	248
If RMB strengthens against EUR	(5%)	(248)
If RMB weakens against JPY	5%	2,712
If RMB strengthens against JPY	(5%)	(2,712)
<b>Year ended 31 December 2023</b>		
If RMB weakens against USD	5%	102,256
If RMB strengthens against USD	(5%)	(102,256)
If RMB weakens against EUR	5%	160
If RMB strengthens against EUR	(5%)	(160)
If RMB weakens against JPY	5%	1,370
If RMB strengthens against JPY	(5%)	(1,370)
<b>Year ended 31 December 2024</b>		
If RMB weakens against USD	5%	61,136
If RMB strengthens against USD	(5%)	(61,136)
If RMB weakens against EUR	5%	180
If RMB strengthens against EUR	(5%)	(180)
If RMB weakens against JPY	5%	2,896
If RMB strengthens against JPY	(5%)	(2,896)
<b>Year ended 31 August 2025</b>		
If RMB weakens against USD	5%	128,646
If RMB strengthens against USD	(5%)	(128,646)

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**32. Financial risk management objectives and policies (continued)**

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in profit before tax
<b>Year ended 31 August 2025</b>		
If RMB weakens against EUR	5%	253
If RMB strengthens against EUR	(5%)	(253)
If RMB weakens against JPY	5%	1,136
If RMB strengthens against JPY	(5%)	(1,136)

**Credit risk**

Credit risk is the risk that a counterparty cannot meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Target Company is exposed to credit risk from its operating activities (primarily trade and notes receivables).

The Target Company trades only with recognised and credit worthy third parties and related parties. It is the Target Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Target Company's exposure to bad debts is not significant.

The Target Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Target company has significant exposure to individual customers. At the end of each reporting date, the Target company's trade receivables were predominantly concentrated with its largest and top five customers, with the specific proportions shown in the table below:

	2022 %	At 31 December 2023 %	2024 %	At 31 August 2025 %
Largest Customer	-	19	26	18
Top Five Customers	50	55	67	51

The carrying amounts of cash and cash equivalents, trade and notes receivables, financial assets included in prepayments other receivables and other assets, amounts due from related parties and pledged deposits included in the statement of financial position represent the Target Company's maximum exposure to credit risk in relation to its financial assets. The Target Company has no other financial assets which carry significant exposure to credit risk.

Further qualitative and quantitative information regarding trade receivables, for which the Target Company applies the simplified approach in calculating ECLs under HKFRS 9, is disclosed in note 18 to the financial statements.

Apart from trade and notes receivables, all the carrying amounts of financial assets at amortised cost, applying the general approach under HKFRS 9, are classified as Stage 1 in terms of ECLs as at 31 December 2022, 2023, 2024 and 31 August 2025.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**32. Financial risk management objectives and policies (continued)**

**Liquidity risk**

The Target Company's policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The maturity profile of the Target Company's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

<b>31 December 2022</b>	<b>On demand RMB'000</b>	<b>Less than 3 months RMB'000</b>	<b>3 to 12 months RMB'000</b>	<b>1 to 5 years RMB'000</b>	<b>Over 5 years RMB'000</b>	<b>Total RMB'000</b>
Interest-bearing bank and other borrowings	-	9,321	726,383	2,107,212	306,270	3,149,186
Lease liabilities	-	94,251	1,324	391,369	218,223	705,167
Trade payables	920,183	-	-	-	-	920,183
Financial liabilities included in other payables and accruals	102,144	-	-	-	-	102,144
Amounts due to related parties	3,988,360	-	-	-	-	3,988,360
<b>Total</b>	<b>5,010,687</b>	<b>103,572</b>	<b>727,707</b>	<b>2,498,581</b>	<b>524,493</b>	<b>8,865,040</b>
<b>31 December 2023</b>						
Interest-bearing bank and other borrowings	-	11,381	769,491	1,721,696	578,811	3,081,379
Lease liabilities	-	97,312	4,851	405,758	120,146	628,067
Trade payables	502,272	-	-	-	-	502,272
Financial liabilities included in other payables and accruals	61,342	-	-	-	-	61,342
Amounts due to related parties	3,920,008	-	-	-	-	3,920,008
<b>Total</b>	<b>4,483,622</b>	<b>108,693</b>	<b>774,342</b>	<b>2,127,454</b>	<b>698,957</b>	<b>8,193,068</b>

**Notes to the Historical Financial Information (Continued)**  
For the three years ended 31 December 2022, 2023 and 2024 and  
eight months ended 31 August 2025

**32. Financial risk management objectives and policies (continued)**

**Liquidity risk(continued)**

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>31 December 2024</b>						
Interest-bearing bank and other borrowings	-	16,903	850,515	1,895,687	712,700	3,475,805
Lease liabilities	-	98,094	4,903	407,880	16,977	527,854
Trade payables	715,431	-	-	-	-	715,431
Financial liabilities included in other payables and accruals	96,901	-	-	-	-	96,901
Amounts due to related parties	175,925	-	-	-	-	175,925
<b>Total</b>	<b>988,257</b>	<b>114,997</b>	<b>855,418</b>	<b>2,303,567</b>	<b>729,677</b>	<b>4,991,916</b>
<b>31 August 2025</b>						
Interest-bearing bank and other borrowings	-	128,824	780,229	2,765,562	316,170	3,990,785
Lease liabilities	-	197,668	3,386	325,189	-	526,243
Trade payables	638,454	-	-	-	-	638,454
Financial liabilities included in other payables and accruals	90,314	-	-	-	-	90,314
Amounts due to related parties	138,200	-	-	-	-	138,200
<b>Total</b>	<b>866,968</b>	<b>326,492</b>	<b>783,615</b>	<b>3,090,751</b>	<b>316,170</b>	<b>5,383,996</b>



**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

**32. Financial risk management objectives and policies (continued)**

**Capital management**

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios to support its business and maximise shareholders value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Target Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Period.

The Target Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Target Company includes, within net debt, trade payables, other payables and accruals, interest-bearing bank and other borrowings, lease liabilities and amounts due to related parties, less cash and cash equivalents. The gearing ratios as at the end of each of the reporting periods were as follows:

	<b>2022</b>	<b>At 31 December 2023</b>	<b>2024</b>	<b>At 31 August 2025</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Trade payables	920,183	502,272	715,431	638,454
Other payables and accruals, excluding contract liabilities (Note 23)	285,200	175,800	254,547	117,032
Interest-bearing bank and other borrowings	3,050,000	2,920,000	3,230,000	3,737,538
Lease liabilities	603,049	550,466	473,516	485,063
Amounts due to related parties (Note 28)	3,988,360	3,920,008	175,925	138,100
Less: Cash and cash equivalents (Note 21)	(1,935,183)	(923,471)	(40)	(2,994,457)
Net debt	6,911,609	7,145,075	4,849,379	2,121,730
Total equity	1,109,413	742,406	1,266,932	2,001,914
Total equity and net debt	8,021,022	7,887,481	6,116,311	4,123,644
Gearing ratio	86.17%	90.59%	79.29%	51.45%

**33. Employee retirement benefit**

**Pension scheme contributions (defined contribution retirement plans)**

Pursuant to the relevant labour rules and regulations in the PRC, the Target Company participates in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authority in Shanghai whereby the Target Company is required to make contributions to the Scheme at rates of 16% of the eligible employees' relevant salaries. The local government authority is responsible for the entire pension obligations payable to retired employees. The Target Company has no legal or construction obligations to pay further contributions after payment of the fixed contributions.

**Notes to the Historical Financial Information (Continued)**  
**For the three years ended 31 December 2022, 2023 and 2024 and**  
**eight months ended 31 August 2025**

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**34.     *Events after the reporting period***

Subsequent to 22 January 2026, save as disclosed elsewhere in the Historical Financial Information, the Target Company has no any significant subsequent events.

**35.     *Subsequent financial statements***

No audited financial statements have been prepared in accordance with HKFRS Accounting Standards and/or other applicable financial reporting standards for the Target Company in respect of any period subsequent to 22 January 2026.