Deloitte.

德勤

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Tel: +852 2852 1600
Fax: +852 2541 1911
Email: enquiry@deloitte.com.hk
www.deloitte.com/cn

# ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF TRULY (RENSHOU) HIGH-END DISPLAY TECHNOLOGY LIMITED TO THE DIRECTORS OF TRULY INTERNATIONAL HOLDINGS LIMITED

## Introduction

We report on the historical financial information of Truly (Renshou) High-end Display Technology Limited* (信利(仁壽)高端顯示科技有限公司) (the "**Target Company**") set out on pages 3 to 37, which comprises the statements of financial position of the Target Company as at 31 December 2021, 2022 and 2023, 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 2023 (the "**Relevant Periods**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 3 to 37 forms an integral part of this report, which has been prepared for inclusion in the circular of Truly International Holdings Limited (the "**Company**") dated 26 April 2024 (the "**Circular**") in connection with the acquisition of approximately 12.55% equity interests in the Target 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 set out in note 3 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of 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 the Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on the accounting policies materially consistent with those of the Company.

## 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 ("**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.

* *For identification purposes only*

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 2021, 2022 and 2023, and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 3 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 3 have been made.

***Dividends***

We refer to note 10 to the Historical Financial Information which states that no dividend was declared or paid by the Target Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*
Hong Kong
26 April 2024

## HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

### Preparation of Historical Financial Information

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

The financial statements of the Target Company for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

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

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | *NOTES* | **2021** | **2022** | **2023** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue | *5* | 1,745,432 | 1,857,020 | 2,329,722 |
| Cost of sales | | (1,489,234) | (1,844,840) | (2,511,411) |
| Gross profit (loss) | | 256,198 | 12,180 | (181,689) |
| Other income | *6* | 52,054 | 312,650 | 675,943 |
| Other gains and losses, net | *6* | 729 | 1,575 | (12,522) |
| Distribution and selling expenses | | (3,567) | (4,941) | (2,110) |
| Administrative expenses | | (101,967) | (97,331) | (94,731) |
| Finance costs | *7* | (9,947) | (41,591) | (92,633) |
| Profit before taxation | | 193,500 | 182,542 | 292,258 |
| Income tax expense | *8* | (16,680) | (24,508) | (44,743) |
| Profit and total comprehensive income for the year | *9* | 176,820 | 158,034 | 247,515 |

## STATEMENTS OF FINANCIAL POSITION

| | NOTES | As at 31 December 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | *12* | 9,220,613 | 8,867,551 | 8,368,652 |
| Right-of-use assets | *13* | 62,395 | 58,057 | 56,778 |
| Long-term receivables | *16* | — | — | 296,688 |
| Deposits paid for acquisition of property, plant and equipment | *14* | 94,119 | 28,998 | 29,055 |
| Loan receivables from related parties | *25* | 512,161 | 536,330 | 549,654 |
| | | 9,889,288 | 9,490,936 | 9,300,827 |
| **CURRENT ASSETS** | | | | |
| Inventories | *15* | 168,642 | 215,325 | 311,448 |
| Trade and other receivables | *16* | 639,954 | 237,131 | 733,170 |
| Amounts due from related parties | *25* | 743,153 | 768,154 | 1,346,886 |
| Restricted bank deposits | *17* | 124,670 | — | 4,672 |
| Bank balances | *17* | 93,236 | 68,179 | 13,537 |
| | | 1,769,655 | 1,288,789 | 2,409,713 |
| **TOTAL ASSETS** | | 11,658,943 | 10,779,725 | 11,710,540 |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | *18* | 962,432 | 766,648 | 873,316 |
| Contract liabilities | *19* | 82,640 | 49,031 | 87,169 |
| Amounts due to related parties | *25* | 313,819 | 123,785 | 249,742 |
| Bank and other borrowings due within one year | *20* | 1,222,644 | 1,513,161 | 1,494,684 |
| | | 2,581,535 | 2,452,625 | 2,704,911 |
| **NET CURRENT LIABILITIES** | | (811,880) | (1,163,836) | (295,198) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 9,077,408 | 8,327,100 | 9,005,629 |

| | | As at 31 December | | |
|---|---|---|---|---|
| | *NOTES* | **2021** | **2022** | **2023** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **NON-CURRENT LIABILITIES** | | | | |
| Bank and other borrowings due after one year | *20* | 1,664,687 | 731,837 | 1,118,108 |
| Deferred tax liabilities | *21* | 42,316 | 66,824 | 111,567 |
| | | 1,707,003 | 798,661 | 1,229,675 |
| **TOTAL LIABILITIES** | | 4,288,538 | 3,251,286 | 3,934,586 |
| **NET ASSETS** | | 7,370,405 | 7,528,439 | 7,775,954 |
| **CAPITAL AND RESERVES** | | | | |
| Paid-up capital | *22* | 7,000,000 | 7,000,000 | 7,000,000 |
| Reserves | | 370,405 | 528,439 | 775,954 |
| **TOTAL EQUITY** | | 7,370,405 | 7,528,439 | 7,775,954 |

## STATEMENTS OF CHANGES IN EQUITY

| | Paid-up capital<br>*RMB'000* | Statutory reserve<br>*RMB'000*<br>*(note)* | Retained profits<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|
| At 1 January 2021 | 7,000,000 | 102 | 193,483 | 7,193,585 |
| Profit and total comprehensive income for the year | — | — | 176,820 | 176,820 |
| Appropriation to reserve | — | 2,944 | (2,944) | — |
| At 31 December 2021 | 7,000,000 | 3,046 | 367,359 | 7,370,405 |
| Profit and total comprehensive income for the year | — | — | 158,034 | 158,034 |
| Appropriation to reserve | — | 864 | (864) | — |
| At 31 December 2022 | 7,000,000 | 3,910 | 524,529 | 7,528,439 |
| Profit and total comprehensive income for the year | — | — | 247,515 | 247,515 |
| Appropriation to reserve | — | 848 | (848) | — |
| At 31 December 2023 | 7,000,000 | 4,758 | 771,196 | 7,775,954 |

*Note:* The statutory reserve represents the amount transferred from net profit for the year of the Target Company, which was established in the People's Republic of China (the "**PRC**"), based on the financial statements of the Target Company prepared in accordance with the China Accounting Standards for Business Enterprise, in accordance with the relevant PRC laws until the statutory surplus reserve reaches 50% of its registered capital. The statutory surplus reserve cannot be reduced except either use to set off the accumulated losses or increase capital.

## STATEMENTS OF CASH FLOWS

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **OPERATING ACTIVITIES** | | | |
| Profit before taxation | 193,500 | 182,542 | 292,258 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 433,283 | 549,763 | 551,560 |
| Depreciation of right-of-use assets | 1,344 | 1,333 | 1,279 |
| (Reversal of) allowance for inventories | (2,586) | 75,436 | (67,743) |
| (Gain) loss on disposal/write-off of property, plant and equipment and right-of-use assets | — | (4,294) | 11,729 |
| Interest income | (19,360) | (30,050) | (73,545) |
| Finance costs | 9,947 | 41,591 | 92,633 |
| Operating cash flows before movements in working capital | 616,128 | 816,321 | 808,171 |
| Decrease (increase) in inventories | 111,607 | (122,119) | (28,380) |
| Decrease (increase) in trade and other receivables | 244,553 | 402,823 | (792,727) |
| (Increase) decrease in trade amounts due from related parties | (78,646) | 104,702 | 40,968 |
| (Decrease) increase in trade and other payables | (30,214) | (110,763) | 438,322 |
| Increase (decrease) in contract liabilities | 33,180 | (33,609) | 38,138 |
| (Decrease) increase in trade amounts due to related parties | (57,550) | (804) | 154,427 |
| **NET CASH FROM OPERATING ACTIVITIES** | 839,058 | 1,056,551 | 658,919 |

| | Year ended 31 December | | |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **INVESTING ACTIVITIES** | | | |
| Placement of restricted bank deposits | (124,670) | — | (4,672) |
| Withdrawal of restricted bank deposits | — | 124,670 | — |
| Purchase and deposits paid for property, plant and equipment | (647,899) | (169,699) | (350,183) |
| Proceeds from disposal of property, plant and equipment and right-of-use assets | — | 11,808 | — |
| Government grant received | — | 31,212 | — |
| Interest income received | 19,360 | 30,050 | 73,545 |
| Advances to related parties | (700,000) | (1,020,000) | (1,320,000) |
| Repayment from related parties | 26,969 | 866,128 | 686,976 |
| **NET CASH USED IN INVESTING ACTIVITIES** | (1,426,240) | (125,831) | (914,334) |
| **FINANCING ACTIVITIES** | | | |
| New bank and other borrowings raised | 1,111,000 | 610,000 | 1,972,178 |
| Repayment of bank and other borrowings | (634,588) | (1,215,085) | (1,564,935) |
| Interest paid | (191,347) | (161,462) | (178,000) |
| Advances from related parties | 269,942 | 118,888 | 21,000 |
| Repayments to related parties | (3,210) | (308,118) | (49,470) |
| **NET CASH FROM (USED IN) FINANCING ACTIVITIES** | 551,797 | (955,777) | 200,773 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (35,385) | (25,057) | (54,642) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | 128,621 | 93,236 | 68,179 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,** represented by bank balances | 93,236 | 68,179 | 13,537 |

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

The Target Company was established in the PRC with limited liability on 8 September 2017. The addresses of the registered office and principal places of business of the Target Company are Wenlin Industrial Zone, 1 Xinli Road, Renshou Town, Meishan City, Sichuan Province, the PRC.

The shareholders of the Target Company are Renshou County Industries Investment Co., Ltd. (仁壽縣產業投資有限公司) ("**Renshou Industries**"), Renshou Jian No. 1 Investment Centre Limited Partnership (仁壽集安一號投資中心(有限合夥)) ("**Renshou Jian No. 1 L.P.**") and Truly Opto-Electronics Limited (信利光電股份有限公司), a subsidiary of the Company, which was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (together with its subsidiaries refer to as "**Truly Group**"), and owned as to 64.29%, 18.57% and 17.14% of the Target Company, respectively. Renshou Industries are indirectly held by Renshou Development Investment Group Co., Ltd. (仁壽發展投資集團有限公司), a state-owned entity (together with Renshou Industries and Renshou Jian No. 1 L.P. refer to as "**Renshou Shareholders**").

The Target Company is engaged in manufacturing and sales of LCD products.

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Target Company.

The statutory financial statements of the Target Company for each of the years ended 31 December 2021 and 2022 prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the PRC were audited by ShineWing Certified Public Accountants (Special General Partnership) Sichuan Branch, certified public accountants registered in the PRC. The statutory financial statements of the Target Company for the year ended 31 December 2023 prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the PRC were audited by Yongtuo Certified Public Accountants (Special General Partnership) Sichuan Branch, certified public accountants registered in the PRC.

### 2. APPLICATION OF HKFRSs

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Target Company has consistently applied the accounting policies which conform with HKFRSs issued by the HKICPA, that are effective for the accounting period beginning on 1 January 2023 throughout the Relevant Periods.

**Amendments to HKFRSs in issue but not yet effective**

The Target Company has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[2] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[2] |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements[2] |
| Amendments to HKAS 21 | Lack of Exchangeability[3] |

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Target Company anticipate that the application of the above amendments to HKFRSs will have no material impact on the financial performance and positions of the Target Company in the foreseeable future.

## 3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

### 3.1 Basis of preparation of Historical Financial Information

***Going concern***

As at 31 December 2023, the Target Company had net current liabilities of approximately RMB295,198,000. The directors of the Target Company have carefully assessed the Target Company's liquidity position by taking into account: (a) included in the current liabilities were the contract liabilities of approximately RMB87,169,000 with no expected future cash outflows; and (b) Renshou Industries has committed to provide financial support to the Target Company to meet in full its financial obligations as and when they fall due for at least the next twelve months from date of this report. The directors of the Target Company believe that the Target Company has adequate resources to continue operations and meet its liabilities as at when they fall due for the foreseeable future of not less than 12 months from the date of this report. Therefore, the directors of the Target Company are of opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

### 3.2 Material accounting policy information

The Historical Financial Information has been prepared on the historical cost basis, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

***Revenue from contracts with customers***

The Target Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Target Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Company's obligation to transfer goods or services to a customer for which the Target Company has received consideration (or an amount of consideration is due) from the customer.

Information about Target Company's accounting policies relating to contracts with customers is provided in note 5.

***Property, plant and equipment***

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Target Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the reducing balance/straight-line methods. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

***Leases***

*Definition of 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.

*Right-of-use assets*

The cost of right-of-use assets includes the amount of the initial measurement of lease liability.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the lease term.

The Target Company presents right-of-use assets as a separate line item on the statements of financial position.

### *Impairment on property, plant and equipment and right-of-use assets*

At the end of each reporting period, the Target Company reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets is estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

### *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

### *Government grants*

Government grants are not recognised until there is reasonable assurance that the Target Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised at fair value in profit or loss on a systematic basis over the periods in which the Target Company recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Target Company should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Company with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

### *Taxation*

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Target Company must incur to make the sale.

***Financial instruments***

Financial assets and financial liabilities are recognised when the Target Company becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*Financial assets*

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of financial asset from the beginning of each reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets subject to impairment assessment under HKFRS 9 *Financial Instruments* ("HKFRS 9")

The Target Company performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, loan receivables from related parties, amounts due from related parties, restricted bank deposits and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at each reporting date as well as the forecast of future conditions.

The Target Company always recognises lifetime ECL for trade receivables and trade related balances with related parties.

For all other instruments, the Target Company measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target Company recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Target Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

(ii) Definition of default

For internal credit risk management, the Target Company considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Company, in full (without taking into account any collaterals held by the Target Company).

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

(iii) Credit-impaired financial assets

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

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

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Company in accordance with the contract and the cash flows that the Target Company expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Company recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

*Financial liabilities and equity*

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to related parties, and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Company's accounting policies, the management of the Target Company are required to make judgments, 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 on-going 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.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

### Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Target Company has to exercise judgment and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 December 2021, 2022 and 2023, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment in aggregate were RMB9,283,008,000, RMB8,925,608,000 and RMB8,425,430,000, respectively. Based on the impairment assessment, no impairment loss is considered necessary.

### Allowance for inventories

Inventories are carried at the lower of cost and net realisable value at the end of each reporting period. Net realisable value is determined on the basis of the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices, current market conditions, historical experience on selling similar inventories and physical conditions of the inventories. When there is a downward trend in the market, the selling price of the finished goods may decrease which imposes pressures to the net realisable values. In addition, the management performs an inventory review at the end of each reporting period and assesses the need for write down of inventories.

As at 31 December 2021, 2022 and 2023, the carrying amount of the inventories amounted to RMB168,642,000, RMB215,325,000 and RMB311,448,000, respectively, after taking into account for the allowance for inventories of RMB675,000, RMB76,111,000 and RMB8,368,000, as at 31 December 2021, 2022 and 2023, respectively.

## 5. REVENUE

Disaggregation of revenue from contract with customers by types of products is analysed as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Types of goods** | | | |
| Sales of LCD products — Recognised at a point in time | 1,745,432 | 1,857,020 | 2,329,722 |

The Target Company is principally engaged in manufacturing and sales of LCD products. The Target Company recognises the revenue at a point in time when the control of products is transferred to the customer, i.e. when the goods have been delivered to customer's specific location. A receivable is recognised by the Target Company when the goods are delivered to the customer's premises as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The customers have neither right of return nor rights to defer or avoid payment for the goods once they are accepted by the customers. The normal credit period is 30 to 90 days upon delivery.

During the Relevant Periods, all performance obligations for sales of LCD products are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to unsatisfied performance obligations as at 31 December 2021, 2022 and 2023 are not disclosed.

## 6. OTHER INCOME, OTHER GAINS AND LOSSES, NET

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Other income** | | | |
| Government grants *(note 16)* | 10,351 | 256,383 | 577,758 |
| Bank interest income | 9,060 | 13,397 | 5,645 |
| Interest income from amounts due from related parties *(note 25)* | 10,300 | 16,653 | 67,900 |
| Lease income | 21,954 | 24,542 | 24,615 |
| Others | 389 | 1,675 | 25 |
| | 52,054 | 312,650 | 675,943 |
| **Other gains and losses, net** | | | |
| Gain (loss) on disposal/write-off of property, plant and equipment and right-of-use assets *(note)* | — | 4,294 | (11,729) |
| Net exchange gain (loss) | 1,249 | (1,194) | (778) |
| Others | (520) | (1,525) | (15) |
| | 729 | 1,575 | (12,522) |

*Note:* During the year ended 31 December 2022, the Target Company entered into an agreement with the relevant government authority in Sichuan Province, the PRC, pursuant to which land use rights of certain parcels of land in Renshou Town, Sichuan Province, the PRC, together with certain structures and other assets thereon, were resumed by the relevant government authority at a consideration by way of cash compensation of RMB11,808,000 (the "**Land Resumption**"). The carrying amounts of the relevant land use rights and property, plant and equipment are RMB4,509,000 and RMB3,005,000, respectively, were derecognised as a result of the Land Resumption and a net gain of RMB4,294,000 was recognised and included in the gain on disposal of property, plant and equipment and right-of-use assets for the year ended 31 December 2022.

## 7. FINANCE COSTS

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest on bank and other borrowings | 162,237 | 116,098 | 138,531 |
| Interest on loan from related parties *(note 25)* | 6,376 | 8,116 | 20 |
| | 168,613 | 124,214 | 138,551 |
| Less: Capitalised in the cost of qualifying assets | (158,666) | (82,623) | (45,918) |
| | 9,947 | 41,591 | 92,633 |

Borrowing costs capitalised during the years ended 31 December 2021, 2022 and 2023 that arose on the general borrowing pool are calculated by applying a capitalisation rate of 6.62%, 6.46% and 5.73% per annum, respectively, to expenditures on qualifying assets.

## 8. INCOME TAX EXPENSE

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current tax in the PRC | | | |
| Enterprise income tax ("**EIT**") | — | — | — |
| Deferred tax *(note 21)* | 16,680 | 24,508 | 44,743 |
| | 16,680 | 24,508 | 44,743 |

The Target Company, which was registered in Sichuan Province and regarded as advanced technology enterprise by local tax bureau, is entitled to the PRC income tax at a preferential rate of 15% since 1 January 2021 to 15 December 2024.

No provision for the EIT was made for the years ended 31 December 2021 and 2023 since the Target Company had no assessable profits for the respective years.

No provision for the EIT was made for the year ended 31 December 2022 since the Target Company had unutilised tax loss to offset the assessable profit for the year.

The income tax expense for the Relevant Periods can be reconciled to the profit before taxation for the statements of profit or loss and other comprehensive income are as follows:

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Profit before taxation | 193,500 | 182,542 | 292,258 |
| Tax at EIT rate of 15% | 29,025 | 27,381 | 43,839 |
| Tax effect of expenses not deductible for tax purpose | 83 | 1,702 | 6,038 |
| Tax effect of additional deduction of research and development expenses incurred *(note)* | (12,428) | (4,575) | (5,134) |
| Income tax expense for the year | 16,680 | 24,508 | 44,743 |

*Note:* The eligible research and development costs incurred in the PRC and charged to profit or loss is subject to an additional 100% tax deduction in the calculation of income tax expense for the Relevant Periods.

## 9. PROFIT FOR THE YEAR

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Profit for the year has been arrived at after charging (crediting): | | | |
| Auditors' remuneration | 150 | 138 | 150 |
| Staff's salaries and other benefits | 142,376 | 133,917 | 130,405 |
| Staff's retirement benefit contributions | 8,075 | 9,271 | 9,211 |
| | 150,451 | 143,188 | 139,616 |
| Less: Amount capitalised in inventories | (2,967) | (10,516) | (12,144) |
| | 147,484 | 132,672 | 127,472 |
| Depreciation of property, plant and equipment | 433,283 | 549,763 | 551,560 |
| Less: Amount capitalised in inventories | (11,181) | (54,595) | (63,102) |
| | 422,102 | 495,168 | 488,458 |
| Depreciation of right-of-use assets | 1,344 | 1,333 | 1,279 |
| Cost of inventories recognised as cost of sales | 1,262,471 | 1,613,051 | 2,461,964 |
| Research and development costs included in cost of sales | 82,854 | 87,624 | 88,463 |
| (Reversal of) allowance for inventories recognised as cost of sales | (2,586) | 75,436 | (67,743) |

## 10. DIVIDENDS

No dividend was declared or paid by the Target Company during the Relevant Periods.

## 11. EARNINGS PER SHARE

Earnings per share has not been presented as its inclusion is not considered meaningful for the purpose of the Historical Financial Information in this report.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Buildings *RMB'000* | Furniture, fixtures and equipment *RMB'000* | Plant and machinery *RMB'000* | Motor vehicles *RMB'000* | Construction in progress *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **COST** | | | | | | |
| At 1 January 2021 | 1,480,068 | 1,969,688 | 1,778,966 | 2,728 | 3,960,587 | 9,192,037 |
| Additions | — | 12,072 | 6,080 | 170 | 562,676 | 580,998 |
| Finance costs capitalised | — | — | — | — | 158,666 | 158,666 |
| Transfer upon completion | 465,150 | 443,545 | 2,173,053 | — | (3,081,748) | — |
| At 31 December 2021 | 1,945,218 | 2,425,305 | 3,958,099 | 2,898 | 1,600,181 | 9,931,701 |
| Additions | — | 3,846 | 5,000 | — | 140,953 | 149,799 |
| Finance costs capitalised | — | — | — | — | 82,623 | 82,623 |
| Government grant received *(note a)* | — | — | — | — | (31,212) | (31,212) |
| Transfer upon completion | — | 1,538 | 590,181 | — | (591,719) | — |
| Disposals *(note b)* | — | — | (6,106) | — | — | (6,106) |
| At 31 December 2022 | 1,945,218 | 2,430,689 | 4,547,174 | 2,898 | 1,200,826 | 10,126,805 |
| Additions | — | 3,366 | 241 | — | 14,865 | 18,472 |
| Finance costs capitalised | — | — | — | — | 45,918 | 45,918 |
| Transfer upon completion | — | — | 354,952 | — | (354,952) | — |
| Disposals/write-off | — | — | (14,530) | — | — | (14,530) |
| At 31 December 2023 | 1,945,218 | 2,434,055 | 4,887,837 | 2,898 | 906,657 | 10,176,665 |
| **DEPRECIATION** | | | | | | |
| At 1 January 2021 | 49,179 | 78,150 | 149,164 | 1,312 | — | 277,805 |
| Provided for the year | 43,310 | 62,377 | 327,146 | 450 | — | 433,283 |
| At 31 December 2021 | 92,489 | 140,527 | 476,310 | 1,762 | — | 711,088 |
| Provided for the year | 48,630 | 73,042 | 427,750 | 341 | — | 549,763 |
| Eliminated on disposals *(note b)* | — | — | (1,597) | — | — | (1,597) |
| At 31 December 2022 | 141,119 | 213,569 | 902,463 | 2,103 | — | 1,259,254 |
| Provided for the year | 48,630 | 71,698 | 430,993 | 239 | — | 551,560 |
| Eliminated on disposals/ write-off | — | — | (2,801) | — | — | (2,801) |
| At 31 December 2023 | 189,749 | 285,267 | 1,330,655 | 2,342 | — | 1,808,013 |
| **CARRYING AMOUNTS** | | | | | | |
| At 31 December 2021 | 1,852,729 | 2,284,778 | 3,481,789 | 1,136 | 1,600,181 | 9,220,613 |
| At 31 December 2022 | 1,804,099 | 2,217,120 | 3,644,711 | 795 | 1,200,826 | 8,867,551 |
| At 31 December 2023 | 1,755,469 | 2,148,788 | 3,557,182 | 556 | 906,657 | 8,368,652 |

*Notes:*

(a) During the year ended 31 December 2022, the Target Company received government grants from Renshou government amounting to RMB31,212,000 related to the construction of manufacturing plant and facilities, which are deducted from the carrying amount of the asset.

(b) During the year ended 31 December 2022, the Target Company disposed certain parcel of land use rights together with certain structures and other assets, which were classified as plant and machinery and included in property, plant and equipment. Details are set out in note 6.

The cost of buildings is depreciated over forty years, using the straight-line method.

The other items of property, plant and equipment, other than construction in progress, are depreciated on a reducing balance method at the following rates per annum:

| | |
|---|---|
| Furniture, fixtures and equipment | 2.5% to 20% |
| Plant and machinery | 11% to 15% |
| Motor vehicles | 25% to 30% |

## 13. RIGHT-OF-USE ASSETS

| | **Leasehold land** |
|---|---|
| | *RMB'000* |
| Carrying amounts | |
| At 31 December 2021 | 62,395 |
| At 31 December 2022 | 58,057 |
| At 31 December 2023 | 56,778 |

| | **As at 31 December** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Depreciation charge | 1,344 | 1,333 | 1,279 |

The Target Company owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Target Company is the registered owner of these property interests, including the underlying leasehold lands.

During the year ended 31 December 2022, the Target Company disposed certain parcel of land use rights together with certain structures and other assets thereon. Details are set out in note 6.

## 14. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2021, 2022 and 2023, the Target Company had made deposits of RMB94,119,000, RMB28,998,000 and RMB29,055,000 in relation to the acquisition of the property, plant and equipment from independent third parties, repsectively.

## 15. INVENTORIES

| | **As at 31 December** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials | 123,825 | 61,042 | 59,755 |
| Work in progress | 27,553 | 49,194 | 63,701 |
| Finished goods | 17,264 | 105,089 | 187,992 |
| | 168,642 | 215,325 | 311,448 |

## 16. TRADE AND OTHER RECEIVABLES

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables from third parties | 48 | 315 | 338,358 |
| Prepayments | 58,948 | 62,854 | 100,909 |
| Deposit paid for lease liabilities | — | — | — |
| Other tax recoverables | 434,752 | 13 | 1,031 |
| Government subsidy receivables from Renshou government *(note)* | 140,767 | 160,000 | 582,258 |
| Other receivables | 5,439 | 13,949 | 7,302 |
| | 639,954 | 237,131 | 1,029,858 |
| Less: Government subsidy receivables classified as non-current assets | — | — | (296,688) |
| | 639,954 | 237,131 | 733,170 |

*Note:* During the year ended 31 December 2023, a government subsidy of RMB601,060,000 is granted to the Target Company for the operating expenses and finance costs already incurred in relation to the development and production of LCD products, which are classified as advanced technology products, by Renshou government. There were no unfulfilled conditions of the Target Company in relation to the entitlement of the government grant. The Target Company has obtained a written confirmation from the Renshou government that it will receive the government grants by instalments from 2024 to 2026. Accordingly, the fair value of such government grants amounting to RMB560,857,000 are recognised in profit or loss and included in "other income" for the year ended 31 December 2023.

As at 31 December 2023, the carrying amount of government subsidy receivables are RMB560,857,000, of which RMB264,169,000 will be due in one year are classified as current assets and RMB296,688,000 which will be due after one year are classified as non-current assets.

The significant portion of the government subsidy receivables at 31 December 2021 and 2022 have been recovered by the Target Company.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB25,000,000.

The Target Company allows a credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables based on the invoice date at the end of each reporting period.

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 60 days | 48 | 170 | 338,358 |
| More than 90 days | — | 145 | — |
| | 48 | 315 | 338,358 |

Details of impairment assessment of trade and other receivables are set out in note 27.

## 17. RESTRICTED BANK DEPOSITS/BANK BALANCES

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Restricted bank deposits | 124,670 | — | 4,672 |
| Bank balances | 93,236 | 68,179 | 13,537 |
| | 217,906 | 68,179 | 18,209 |

Bank balances and deposits denominated in currencies other than the functional currency of the Target Company are set out below:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Denominated in United States Dollar ("**USD**") | 4,626 | — | 4,671 |
| Denominated in Japan Yen ("**JPY**") | 20,047 | — | — |
| | 24,673 | — | 4,671 |

Restricted bank deposits are to secure letters of guarantee with maturity within one year and are classified as current assets. The restricted bank deposits are released upon expiration of letters of guarantee subsequent to the end of each reporting period.

The interest rates of the restricted bank deposits and bank balances are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Interest rates (per annum): | | | |
| Restricted bank deposits | 0.3% | N/A | 0.3% |
| Bank balances | 0.3% | 0.3% | 0.3% |

## 18. TRADE AND OTHER PAYABLES

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | 356,616 | 264,541 | 700,531 |
| Accrued construction cost for property, plant and equipment | 551,813 | 466,792 | 135,138 |
| Other payables | 28,959 | 10,472 | 20,072 |
| Other tax payables | 411 | 6,873 | 956 |
| Accrued staff costs | 24,633 | 17,970 | 16,619 |
| | 962,432 | 766,648 | 873,316 |

The credit period on purchases of goods ranges from 60 to 90 days. The Target Company has financial risk management policies in place to ensure that all payables are settled within the credit time frame. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 60 days | 272,781 | 212,267 | 600,196 |
| 61 to 90 days | 19,021 | 12,881 | 48,267 |
| More than 90 days | 64,814 | 39,393 | 52,068 |
| | 356,616 | 264,541 | 700,531 |

Trade and other payables denominated in currencies other than the functional currency of the Target Company are set out below:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Denominated in USD | 106,294 | 76,084 | 46,351 |
| Denominated in JPY | 56,464 | 27,081 | 23,136 |
| | 162,758 | 103,165 | 69,487 |

## 19. CONTRACT LIABILITIES

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Amounts received in advance in respect of sale of goods | 82,640 | 49,031 | 87,169 |

As at 1 January 2021, contract liabilities amounted to RMB49,460,000.

The following table sets out the revenue in each reporting period recognised that was included in the contract liabilities balance at the beginning of each reporting period:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Sale of LCD products | 49,460 | 82,640 | 49,031 |

## 20. BANK AND OTHER BORROWINGS

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Bank borrowings, secured | 680,000 | 664,000 | 922,778 |
| Other borrowings, secured | 2,207,331 | 1,580,998 | 1,690,014 |
| | 2,887,331 | 2,244,998 | 2,612,792 |
| Fixed-rate borrowings | 2,207,331 | 1,620,998 | 2,316,792 |
| Variable-rate borrowings | 680,000 | 624,000 | 296,000 |
| | 2,887,331 | 2,244,998 | 2,612,792 |
| Bank and other borrowings | | | |
| — current liabilities | 1,222,644 | 1,513,161 | 1,494,684 |
| — non-current liabilities | 1,664,687 | 731,837 | 1,118,108 |
| | 2,887,331 | 2,244,998 | 2,612,792 |

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Carrying amount of bank borrowings repayable*:** | | | |
| Within one year | 431,000 | 664,000 | 655,798 |
| More than one year but not exceeding two years | 249,000 | — | 266,980 |
| | 680,000 | 664,000 | 922,778 |
| Less: Amounts due within one year shown under current liabilities | (431,000) | (664,000) | (655,798) |
| Amounts due after one year shown under non-current liabilities | 249,000 | — | 266,980 |
| **Carrying amount of other borrowings repayable*:** | | | |
| Within one year | 791,644 | 849,161 | 838,886 |
| More than one year but not exceeding two years | 761,904 | 470,210 | 516,565 |
| More than two years but not exceeding five years | 653,783 | 261,627 | 334,563 |
| | 2,207,331 | 1,580,998 | 1,690,014 |
| Less: Amounts due within one year shown under current liabilities | (791,644) | (849,161) | (838,886) |
| Amounts due after one year shown under non-current liabilities | 1,415,687 | 731,837 | 851,128 |

* The amounts due are based on scheduled repayment dates set out in loan agreements.

All the Target Company's borrowings are denominated in RMB. The effective interest rates of the Target Company's borrowings are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Effective interest rates (per annum): | | | |
| Fixed-rate borrowings | 5.01% to 8.88% | 5.01% to 8.88% | 5.01% to 8.88% |
| Variable-rate borrowings | 3.9% to 5.05% | 3.6% to 5.05% | 4.35% to 6.98% |

As at 31 December 2021, 2022 and 2023, the bank and other borrowings are secured by property, plant and equipment as disclosed in note 24 and are guaranteed by Renshou Shareholders as disclosed in note 25.

## 21. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Relevant Periods:

| | **Temporary difference on deductible depreciation** | **Temporary difference on allowance for inventories** | **Tax losses** | **Total** |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2021 | 32,725 | (489) | (6,600) | 25,636 |
| Charge (credit) to profit or loss | 21,544 | 388 | (5,252) | 16,680 |
| At 31 December 2021 | 54,269 | (101) | (11,852) | 42,316 |
| Charge (credit) to profit or loss | 30,081 | (11,315) | 5,742 | 24,508 |
| At 31 December 2022 | 84,350 | (11,416) | (6,110) | 66,824 |
| Charge (credit) to profit or loss | 35,604 | 10,161 | (1,022) | 44,743 |
| At 31 December 2023 | 119,954 | (1,255) | (7,132) | 111,567 |

As at 31 December 2021, 2022 and 2023, the Target Company had unutilised tax losses of RMB79,013,000, RMB40,733,000 and RMB47,547,000, respectively, for which a deferred tax asset of RMB11,852,000, RMB6,110,000 and RMB7,132,000, respectively, has been recognised.

## 22. PAID-UP CAPITAL

| | *RMB'000* |
|---|---|
| **Registered capital and paid-up captial** | |
| At 1 January 2021, 31 December 2021, 2022 and 2023 | 7,000,000 |

## 23. CAPITAL COMMITMENTS

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Capital expenditure contracted for but not provided in the Historical Financial Information in respect of property, plant and equipment | 336,652 | 304,414 | 273,289 |

## 24. PLEDGE OF ASSETS

The followings assets were pledged to secured certain facilities granted to the Target Company at the end of each reporting period.

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Property, plant and equipment | 5,873,384 | 5,602,112 | 6,255,411 |

## 25. RELATED PARTY DISCLOSURES

### (a) Related party balances

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Amounts due from related parties: | | | |
| — Trade nature *(note i)* | | | |
| Truly Group | 573,226 | 468,524 | 427,556 |
| — Non-trade nature | | | |
| *Interest-bearing* | | | |
| Renshou Shareholders *(note ii)* | 669,619 | 821,118 | 1,442,789 |
| *Interest-free* | | | |
| Truly Group *(note iii)* | 12,469 | 14,842 | 26,195 |
| | 1,255,314 | 1,304,484 | 1,896,540 |
| Less: Loan receivables due after one year and classified as non-current assets | (512,161) | (536,330) | (549,654) |
| | 743,153 | 768,154 | 1,346,886 |

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Amounts due to related parties: | | | |
| — Trade nature *(note iv)* | | | |
| Truly Group | 917 | 5,363 | 86,138 |
| Renshou Shareholders | 22,186 | 16,936 | 90,588 |
| | 23,103 | 22,299 | 176,726 |
| — Non-trade nature | | | |
| *Interest-bearing* | | | |
| Renshou Shareholders *(note v)* | 235,000 | — | — |
| *Interest-free* | | | |
| Truly Group *(note vi)* | 37,716 | 4,940 | 7,051 |
| Renshou Shareholders *(note v)* | 18,000 | 96,546 | 65,965 |
| | 55,716 | 101,486 | 73,016 |
| | 313,819 | 123,785 | 249,742 |

*Notes:*

(i) For the trade balances due from Truly Group, a 30 to 90 days credit term is granted from the issuance of invoices.

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB494,580,000.

The following is an aging analysis of trade amounts due from Truly Group presented based on the invoice date at the end of each reporting period, which approximated to the respective revenue recognition date:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 60 days | 380,111 | 195,666 | 252,287 |
| 61 to 90 days | 158,169 | 139,752 | 58,790 |
| More than 90 days | 34,946 | 133,106 | 116,479 |
| | 573,226 | 468,524 | 427,556 |

(ii) During the years ended 31 December 2021, 2022 and 2023, the Target Company entered into loan agreements with Renshou Shareholders, regarding the fund provision of RMB700,000,000, RMB1,020,000,000, and RMB1,320,000,000, respectively, with maturity periods ranging from one year to six years. The funds advanced to Renshou Shareholders carried interest ranging from 5.0% per annum to 7.5% per annum and were unsecured and unguaranteed.

At 31 December 2021, 2022 and 2023, the amounts of RMB157,458,000, RMB284,788,000 and RMB893,135,000, respectively, are due in one year and classified as current assets and the amounts of RMB512,161,000, RMB536,330,000 and RMB549,654,000, respectively, are due after one year and classified as non-current assets.

(iii) As at 31 December 2021, 2022 and 2023, the non-trade balances due from Truly Group were interest-free, unsecured and repayable on demand.

(iv) For the trade balances due to Truly Group and Renshou Shareholders, the credit period on purchases of goods ranges from 60 to 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 60 days | 917 | 5,063 | 176,726 |
| 61 to 90 days | — | 34 | — |
| More than 90 days | 22,186 | 17,202 | — |
| | 23,103 | 22,299 | 176,726 |

(v) As at 31 December 2021, included in the non-trade balances due to Renshou Shareholders, the amount of RMB235,000,000 represented the loan provided by Renshou Shareholders. As at 31 December 2021, 2022 and 2023, the remaining balances due to Renshou Shareholders were interest-free, unsecured and repayable on demand.

During the years ended 31 December 2021, 2022 and 2023, the Target Company entered into loan agreements with certain subsidiaries of Renshou Shareholders, regarding the fund provision of RMB235,000,000, RMB300,000,000 and RMB21,000,000, respectively, with maturity dates ranging March 2022 to June 2023. The funds advanced from Renshou Shareholders carried interests ranging from 7% per annum to 8% per annum and were unsecured and unguaranteed and repayable within one year.

(vi) As at 31 December 2021, 2022 and 2023, the non-trade balances due to Truly Group and Renshou Shareholders were interest-free, unsecured and repayable on demand.

(vii) All the amounts due from/to related parties are denominated in RMB.

**(b) Related party transactions**

Saved as disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, the Target Company entered into the following transactions with related parties:

| | | As at 31 December | | |
|---|---|---|---|---|
| **Related party** | **Nature of transaction** | **2021** | **2022** | **2023** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| Truly Group | Sales | 1,602,788 | 1,623,090 | 764,573 |
| | Purchase | 39,074 | 26,310 | 210,508 |
| Renshou Shareholders | Sales | — | 227 | — |
| | Purchase | 36,142 | 49,388 | 58,870 |
| | Interest income | 10,300 | 16,653 | 67,900 |
| | Interest expenses | 6,376 | 8,116 | 20 |

During the Relevant Periods, Renshou Shareholders provided guarantees in respective of bank and other borrowings of the Target Company. As at 31 December 2021, 2022 and 2023, the carrying amounts of the guaranteed bank and other borrowings are RMB2,887,331,000, RMB2,244,998,000 and RMB2,612,792,000, respectively.

**(c) Compensation of key management personnel**

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| Short-term benefits | 4,595 | 4,002 | 3,914 |
| Post-employment benefits | 276 | 291 | 282 |
| | 4,871 | 4,293 | 4,196 |

The remuneration of key management personnel is determined having regard to the performance of the individuals.

### 26. CAPITAL RISK MANAGEMENT

The Target Company manages its capital to ensure that the Target Company will be able to continue as a going concern while maximising the return to the shareholders of The Target Company through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Company consists of net debts, which includes, where appropriate, amounts due to related parties, bank and other borrowings, net of cash and cash equivalents and equity attributable to the owners of the Target Company, comprising issued share capital and reserves.

The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with each class of the capital, and takes appropriate actions to balance its overall capital structure.

### 27. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets** | | | |
| At amortised cost | 1,478,707 | 1,386,927 | 2,260,409 |
| **Financial assets** | | | |
| At amortised cost | 3,586,725 | 2,643,796 | 3,583,137 |

#### (b) Financial risk management objectives and policies

The Target Company's major financial instruments include loan receivables from related parties, trade and other receivables, amounts due from related parties, restricted bank deposits, bank balances, trade and other payables, amounts due to related parties, and bank and other borrowings.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

***Market risks***

*(i) Currency risk*

Certain bank balances, and trade and other payables of the Target Company are denominated in currencies other than RMB, the functional currency of the Target Company, which expose the Target Company to foreign currency risk.

The Target Company currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Target Company's foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

| | As at 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Assets** | | | |
| USD | 4,626 | — | 4,671 |
| JPY | 20,047 | — | — |
| **Liabilities** | | | |
| USD | 106,294 | 76,084 | 46,351 |
| JPY | 56,464 | 27,081 | 23,136 |

Sensitivity analysis

The Target Company are mainly exposed to the fluctuation of foreign exchange rates of USD and JPY.

The following table details the Target Company's sensitivity to a 5% increase and decrease in RMB, the functional currency of the Target Company, against the relevant foreign currencies. 5% is the sensitivity rate used in the management's assessment of the reasonably possible change in the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of each reporting period for a 5% change in the functional currency of the Target Company. A positive number below indicates an increase in profit for the year where RMB, strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB, there would be an equal and opposite impact on the profit for the year.

| | Year ended 31 December | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Impact on profit for the year** | | | |
| USD | 4,321 | 3,234 | 1,771 |
| JPY | 1,548 | 1,151 | 983 |

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Relevant Periods.

*(ii) Interest rate risk*

The Target Company is exposed to fair value interest rate risk in relation to fixed-rate loan receivables due from related parties, fixed-rate loans due to related parties, and bank and other borrowings. The Target Company is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank and other borrowings. The Target Company's cash flow interest rate risk is mainly concentrated on the fluctuation on the fluctuation of benchmark rate for the bank and other borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of each reporting period. The analysis is prepared assuming the variable-rate bank and other borrowings outstanding at the end of each reporting period were outstanding for the whole year. A 100 basis point increase or decrease in variable-rate bank and other borrowings are used and represents management's assessment of the reasonably possible change in interest rates. A negative number below indicates a decrease in profit for the year where the interest rates are higher for 100 basis points and all other variables were held constant. Where the interest rates are lower for 100 basic points and all other variables were held constant, there would be an equal and opposite impact on the profit for the year.

| | **Year ended 31 December** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Impact on profit for the year | (5,780) | (5,304) | (2,516) |

***Credit risk and impairment assessment***

At the end of each reporting period, the Target Company's maximum exposure to credit risk which will cause a financial loss to the Target Company due to failure to discharge an obligation by the counterparties is the gross carrying amount of each class of financial assets disclosed as below.

| | **External credit rating** | **Internal credit rating** | *Notes* | **12m or life-time ECL** | **Gross carrying amount** | | |
|---|---|---|---|---|---|---|---|
| | | | | | **2021** | **2022** | **2023** |
| | | | | | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables and trade amounts due from related parties | N/A | (i) | 16/25 | Life-time ECL (individual assessment) | 573,274 | 468,839 | 765,914 |
| Other receivables and non-trade amounts due from related parties (including loan receivables from related parties) | N/A | (ii) | 16/25 | 12m ECL | 687,527 | 849,909 | 1,476,286 |
| Restricted bank deposits and bank balances | AAA | N/A | 17 | 12m ECL | 217,906 | 68,179 | 18,209 |

*(i) Trade receivables arising from contracts with customers and trade amounts due from related parties*

As at 31 December 2021, 2022 and 2023, the Target Company was exposed to concentration of credit risk on trade receivables accounted for 99.99%, 99.93% and 55.82% of the total trade receivables, respectively, which represented the trade balances due from certain subsidiaries of Truly Group, the Target Company's largest customers.

In order to minimise credit risk, the management of the Target Company promptly monitors determination of credit limits, credit approvals and other reviewing procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Target Company has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Target Company considered the expected credit losses on trade receivables and trade amounts due from related parties are insignificant.

*(ii) Other receivables, non-trade amounts due from related parties (including loan receivables from related parties), restricted bank deposits and bank balances*

The credit risk of other receivables and non-trade amounts due from related parties (including loan receivables from related parties) are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Target Company also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Target Company closely monitors the financial performance of the related parties. In this regard, the directors of the Target Company consider that the Target Company's credit risk is significantly reduced.

For other receivables and non-trade amounts due from related parties (including loan receivables from related parties), the directors of the Target Company consider the counterparties with good credit worthiness based on past repayment history. In the opinion of the directors of the Target Company, the risk of default by these counterparties is not significant and the Target Company assessed that the ECL on these balances are insignificant.

The credit risk on bank balances and restricted bank deposits is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC. In the opinion of the directors of the Target Company, the risk of default by these counterparties is not significant and the Target Company assessed that the ECL on these balances are insignificant.

***Liquidity risk***

In the management of liquidity risk, the Target Company's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows. The Target Company is dependent upon its bank and other borrowings as significant sources of liquidity.

As at 31 December 2023, the Target Company had net current liabilities of approximately RMB295,198,000. The directors of the Target Company have carefully assessed the Target Company's liquidity position by taking into account: (a) included in the current liabilities were the contract liabilities of approximately RMB87,169,000 with no expected future cash outflows; and (b) Renshou Industries has committed to provide financial support to the Target Company to meet in full its financial obligations as and when they fall due for at least the next twelve months from date of this report. The directors of the Target Company believe that the Target Company has adequate resources to continue operations and meet its liabilities as at when they fall due for the foreseeable future of not less than 12 months from the end of the reporting period.

The following table details the Target Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Company can be required to pay. The maturity dates for financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates existing at the end of each reporting period.

*Liquidity tables*

| | Weighted average effective interest rate | On demand and less than 3 months | 3 months to 1 year | 1–5 years | Total undiscounted cash flows | Carrying amount |
|---|---|---|---|---|---|---|
| | *%* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **At 31 December 2021** | | | | | | |
| *Financial liabilities* | | | | | | |
| Trade and other payables | — | 385,575 | — | — | 385,575 | 385,575 |
| Amounts due to related parties | | | | | | |
| — interest-bearing | 8.00 | — | 244,400 | — | 244,400 | 235,000 |
| — interest-free | — | 78,819 | — | — | 78,819 | 78,819 |
| Bank and other borrowings | | | | | | |
| — fixed rate | 7.23 | 403,889 | 513,405 | 1,568,986 | 2,486,280 | 2,207,331 |
| — variable rate | 4.64 | 4,963 | 454,821 | 254,644 | 714,428 | 680,000 |
| | | 873,246 | 1,212,626 | 1,823,630 | 3,900,102 | 3,586,725 |
| **At 31 December 2022** | | | | | | |
| *Financial liabilities* | | | | | | |
| Trade and other payables | — | 275,013 | — | — | 275,013 | 275,013 |
| Amounts due to related parties | | | | | | |
| — interest-free | — | 123,785 | — | — | 123,785 | 123,785 |
| Borrowings | | | | | | |
| — fixed rate | 7.27 | 436,010 | 532,925 | 854,118 | 1,823,053 | 1,620,998 |
| — variable rate | 4.34 | 103,394 | 535,153 | — | 638,547 | 624,000 |
| | | 938,202 | 1,068,078 | 854,118 | 2,860,398 | 2,643,796 |
| **At 31 December 2023** | | | | | | |
| *Financial liabilities* | | | | | | |
| Trade and other payables | — | 720,603 | — | — | 720,603 | 720,603 |
| Amounts due to related parties | | | | | | |
| — interest-free | — | 249,742 | — | — | 249,742 | 249,742 |
| Borrowings | | | | | | |
| — fixed rate | 5.81 | 303,755 | 1,139,617 | 1,137,131 | 2,580,503 | 2,316,792 |
| — variable rate | 5.11 | 129,218 | 5,738 | 182,750 | 317,706 | 296,000 |
| | | 1,403,318 | 1,145,355 | 1,319,881 | 3,868,554 | 3,583,137 |

The amounts included above for variable-rate borrowings are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of each reporting period.

**(c) Fair value measurements of financial instruments**

The management considers that the carrying amounts of the financial assets and financial liabilities of the Target Company recorded at amortised cost in the Historical Financial Information at the end of each reporting period approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

## 28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Target Company's liability arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Target Company's statements of cash flows as cash from financing activities:

| | **Amounts due to related parties (excluding trade amounts due to related parties)** | **Bank and other borrowings** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| | *(note 25)* | *(note 20)* | |
| At 1 January 2021 | 23,984 | 2,433,653 | 2,457,637 |
| Financing cash flows | 260,356 | 291,441 | 551,797 |
| Interest expenses | 6,376 | 162,237 | 168,613 |
| At 31 December 2021 | 290,716 | 2,887,331 | 3,178,047 |
| Financing cash flows | (197,346) | (758,431) | (955,777) |
| Interest expenses | 8,116 | 116,098 | 124,214 |
| At 31 December 2022 | 101,486 | 2,244,998 | 2,346,484 |
| Financing cash flows | (28,490) | 229,263 | 200,773 |
| Interest expenses | 20 | 138,531 | 138,551 |
| At 31 December 2023 | 73,016 | 2,612,792 | 2,685,808 |

## 29. EVENTS AFTER THE RELEVANT PERIODS

Subsequent to 31 December 2023, no significant event took place.

## 30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company have been prepared in respect of any period subsequent to 31 December 2023.