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匯成國際控股有限公司
Huicheng International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1146)

SUPPLEMENTAL ANNOUNCEMENT
DISCLOSEABLE TRANSACTIONS
FORMATION OF PARTNERSHIP

Reference is made to the announcement of the Company dated 12 June 2025 (the "**Announcement**") regarding the discloseable transaction in relation to formation of partnership. Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the Announcement.

The Company wishes to provide Shareholders and potential investors with supplemental information to the Announcement.

1. REASONS FOR THE FORMATION OF THE PARTNERSHIP

A. Creates synergies with the business of the Company

As disclosed in the Announcement, the Partnership shall invest in the fields of semiconductors, artificial intelligence ("**AI**"), robotics, information technology and biotechnology. The Partnership would prioritize investments in areas that can generate synergies with the business of the Company.

Such strategic focus is aligned with the Company's long-term development, particularly its continued efforts to integrate advanced technologies into its principal business – the design, manufacturing, marketing and sale of apparel and accessories.

Over the years, the Company has been actively implementing new technologies into the daily operations of the Company, including (1) application of Radio Frequency Identification ("**RFID**") chips and technology to monitor and manage the full life-cycle of its products; (2) establishment of a dedicated information technology subsidiary and has obtained multiple proprietary intellectual property rights in the field of information technology; (3) formation of a joint venture focusing on the application of AI image recognition technology in apparel design, pattern making and smart manufacturing; and (4) establishment of a Digital Marketing Department and set up an Artificial Intelligence Generated Contents Production Unit under the department.

The development and implementation of cutting-edge technologies is essential for the Company to maintain its competitiveness in the Chinese apparel retail market, the Company is of the view that the formation of the Partnership will enable it to:

(1) identify technology companies with leading expertise in biotechnology and new materials, with the aim of developing lighter, more durable and highly functional textile fibres and apparel fabrics, thereby differentiating the Company's products and securing long-term competitiveness;

(2) identify and collaborate with leading companies in semiconductor, artificial intelligence, robotics and advanced biotechnology and new-materials industries can further strengthening the Company's competitiveness in smart manufacturing and RFID applications;

(3) identify companies with leading AI capabilities to support the advancement of digital marketing and data-driven decisions in the apparel retail industry; and

(4) identify leading robotics companies and apply advanced robotic technologies on apparel manufacturing and warehousing processes, thereby enhancing both production and logistics efficiency,

which can compliment the Company's existing development of new technology and further strengthening the Company's competitiveness in smart manufacturing, RFID applications, product development, digital marketing and improving its daily operation efficiency.

Once the Partnership identifies and invests in the investment targets, it would allow the Company to gain early access, control or influence to new technologies and would allow the Company to create synergy through various commercial channels, such as new product, software or technology development, strategic merger, collaboration or joint venture. The Company is of the view that, as compared to traditional or more direct methods (such as identifying targets through trade show or direct investment in the targets), through the establishment of Partnership:

(1) By partnering with the fund managers, the Company can leverage their project pipeline to more efficiently identify and access high-quality technology companies, thereby accelerating the implementation of the Company's strategic initiatives.

(2) Furthermore, compared to sourcing projects independently, investing through the Partnership allows the Company to draw on the fund manager's professional investment experience and dedicated due diligence team to conduct a more comprehensive and systematic evaluation of potential targets.

In January 2024, the Company conducted a discloseable transaction to form two partnerships ("**2024 Partnerships**"), which would invest in targets engaging in the fields of new generation information technology, new energy, integrated circuits, intelligent manufacturing, biomedicine and health, smart home appliances, equipment manufacturing and fine chemicals. The Board considered that the 2024 Partnerships would prioritize investments in areas that can generate synergies with the business of the Company, and expand the Group's investment portfolio which complements the Group's existing business and allow the Group to diversify its business and sources of revenue. For details, please refer to announcements of the Company dated 24 January 2024 and 30 January 2024.

Up to date, the 2024 Partnerships has already completed one investment, with details as follows:

1. Investee: A technology company incorporated in the PRC

2. Principal of business: Specializing in the development of chemical materials and processes, including silver-coated copper powder and wet chemicals required for electroplating processes

3. Investment amount: RMB10 million

4. Closing date: 29 August 2024

5. Synergies with the Company: Silver ions and copper ions both have antibacterial properties and can inhibit the growth of bacteria and mould. Silver-coated copper powder has broad application potential in the field of functional apparel due to its excellent conductivity and antibacterial properties. It enables the development of fabrics with anti-static, antibacterial and odor-resistant functions. These materials can be incorporated into textiles via yarn blending or surface coating techniques, supporting large-scale production of functional garments. The Company is currently in preliminary discussion with the Investee to jointly develop antibacterial and odor-resistant apparels and accessories using silver-coated copper powder materials, with the aim of enhancing the added value and technological competitiveness of the Company's products. The Company expects to enter into a formal agreement with the Investee in the fourth quarter of 2025 if the negotiation is fruitful.

Based on the above, the Board is of the view that the formation of the Partnership may expand the investment portfolio in a manner that complements its existing operations.

B. Appropriate Use of Company Resources

The reasons for formation of the Partnership instead of distributing dividends in accordance with the Company's dividend policy are mainly as follows:

(1) Business transformation requirements

The apparel retail industry in PRC is currently undergoing a phase of deep integration between digitalization and intelligentization. Leading companies in the industry are significantly increasing investments in new technologies to gain long-term competitive advantages. The Company also places strong emphasis on building technology-driven capabilities. Through its investment in the Partnership, the Company expects to gain access to and potentially adopt cutting-edge technologies such as RFID, AI, robotics, information technology and functional fabrics, thereby enabling upgrades in key areas including product development, smart manufacturing, supply chain management and digital marketing etc. By contrast, while cash dividends can deliver short-term shareholder returns, they do not contribute to building core capabilities for the future. The Company believes that allocating a portion of its "idle cash and cash equivalents" to high-potential projects with business synergy is more conducive to maximizing long-term shareholder value.

(2) Maintaining financial flexibility

If the Company were to distribute cash dividends, its cash and cash equivalents and net assets would be permanently reduced. However, by investing the Partnership, the form of the asset changes from "cash and cash equivalents" to "investment in associates", but the Company's total assets on the balance sheet remain unchanged. This allows the Company to retain flexibility in resource allocation going forward.

(3) Deferred distribution based on potential returns

Once the projects invested in by the Partnership achieve successful exits (e.g., via IPOs or mergers and acquisitions etc.) and generate satisfactory investment returns, the Company will evaluate – based on its cash position, profitability and development needs – whether to propose the distribution of special dividends to shareholders, subject to the Board and Shareholders' approvals, thereby enhancing long-term shareholder value.

The reason for not investing in bank deposits is that the interest rate on bank deposits in the PRC has declined significantly, from approximately 3% per annum in 2023 to approximately 1.5% per annum as of the current date and is expected to continue to fall in the near and medium-term future.

Therefore, the Company believes that the formation of Partnership allows the Company to allocate a portion of its resources to high-potential projects with business synergy is currently more conducive to maximizing long-term shareholder value.

C. In Line with the Company's Treasure Management Policy

The Company has consistently adhered to a treasury management philosophy cantered on "prudence, safety and value enhancement". While ensuring liquidity and capital security, the Company actively explores diversified approaches to improve the efficiency of capital utilization and achieve capital appreciation. Specifically, the Company's treasury management policy includes the following key elements:

(1) Liquidity management

As previously disclosed in the announcement dated 29 April 2025 of the Company in relation to the Group's disposal of certain listed securities, the Group received an aggregate consideration of approximately RMB43,878,000 (excluding transaction costs) which will be fully applied to fund the capital contribution to be made by Guangdong Junrui; and the remaining capital contribution of approximately RMB6,122,000 represents approximately 1.9% of the Group's aggregate balance of cash and cash equivalents and time deposits of RMB321,536,000 as at 31 December 2024.

Furthermore, the capital contributions subscribed by Guangdong Junrui shall be paid in several instalments over a span of four years and with the first instalment of RMB20.0 million. Accordingly, the Board considers that such arrangements will not have a material adverse impact on the Company's operating cashflow requirements.

(2) Risk Control

To ensure the secure and compliant use of the contributed capital, the Partnership and the Fund Manager have entered into a custody agreement (the "**Custody Agreement**") with the Agricultural Bank of China Limited, Nanjing Jiangbei New Area Branch.

Pursuant to the Custody Agreement, two bank accounts have been established: a subscription supervision account and a custodian account. The subscription supervision account primarily handles investor contributions, distributions to investors and related transactions. After each investor payment is received in the subscription supervision account, the funds will be transferred to the custodian account. The custodian account is used for making investments and receiving proceeds from investment projects.

When initiating any fund transfer, the Partnership is required to submit the relevant transaction documents to the bank. The bank shall conduct a thorough review of the payment, including verifying whether the purpose of the payment complies with applicable laws, regulations and the scope of investment as stipulated in the Partnership Agreement, as well as confirming that the payment amount and method are consistent with the submitted transaction documents.

This arrangement enables account-level oversight of the entire fund flow process – including capital contribution, investment, exit and distribution – thus preventing the misappropriation or improper use of funds.

In addition, the staged capital contribution structure over four years allows the Company to evaluate project progress and associated risks of the investment before each instalment, thereby maintaining capital liquidity and safeguarding capital security.

(3) Return Optimization

The financial returns of the Partnership are expected to come primarily from the following sources:

1) Equity exit proceeds from investee companies (e.g. IPOs, mergers and acquisitions, share buybacks etc.);

2) Interim income such as dividends and interest paid by the investee companies; and

3) Increase in fair value driven by the increase in post-investment valuation.

As at 31 March 2025, the Fund Manager and other active funds under the same control structure had invested in a total of 856 venture equity projects, with 259 of them successfully exited through IPOs, backdoor listings, merge and acquisition transactions etc. The investment period for the said 259 projects was from February 2014 to March 2024. Details of the exited projects are listed in the table below:

Method of exit	Number of projects	Investment amount (RMB billion)	%	Recovery amount (RMB billion)	MOIC
IPOs	67	2.6	17%	11.8	4.5
Backdoor listings	3	0.4	2%	1.6	4.4
Merge & acquisition	18	0.7	5%	1.7	2.4
Transfer	26	0.9	6%	1.6	1.8
Buyback	116	3.7	25%	4.5	1.2
Private investment in public equity disposal	29	6.8	45%	8.2	1.2
Total	**259**	**15.1**	**100%**	**29.4**	**2.0**

The average multiple on invested capital ("**MOIC**") of the exited projects was 2 times. In addition, the annualised return rate of these exited projects managed by the Fund Manager ranged from 8% to 97%. Furthermore, the Fund Manager exited 9 projects during the year 2024, with an aggregate initial investment amount of RMB297.1 million and an aggregate recovery amount of RMB587.1 million. These projects, invested between October 2019 and November 2022, achieved an MOIC of 1.98 times. Although, there is no guarantee regarding the return on the Partnership, considering the term of the Partnership and the past performance of the investment projects of the Fund Manager illustrated above, the Company is optimistic that the Partnership may translate into an expected annualised return on the Partnership of approximately 8%.

(4) Business Synergy

The Partnership would prioritize investments in areas that can generate synergies with the business of the Company. The Company expects to achieve technological integration and operational efficiency in various areas, including semiconductor applications (e.g., RFID technology), AI technology (e.g., digital marketing and big data drive decisions), robotics (e.g., automated warehousing and intelligent manufacturing) and advanced materials (e.g., functional fabrics). These synergies are expected to accelerate the Company's digital transformation, optimize supply chain and order fulfilment efficiency and support the development of a differentiated product portfolio that will ultimately build sustainable competitive advantages of the Company.

Based on the above, the Company is of the view that the formation of the Partnership is in line with the Company's treasury management policy. It maintains a reasonable balance among liquidity and safeguarding the prudent use of the Company's funds. In addition, the Partnership is expected not only to achieve satisfactory financial returns, but also to bring about strategic synergies that support the Company's long-term development.

2. BASIS OF DETERMINING THE CAPITAL CONTRIBUTION TO THE PARTNERSHIP

The factors and basis considered by the Board to contribute RMB50.0 million to the Partnership are: (1) the expertise of the Fund Manager and its investment focus aligns with the Company's key interests in frontier technologies and complements the Company's years of experience in information technology infrastructure and intelligent applications; (2) comparable market transactions; and (3) the anticipation that approximately 4-5 investment projects would be invested initially and the total cumulative investment by the Partnership in a single investment project would not exceed 20% of the total capital contribution of the Partnership; and (4) the customary minimum eligible amount of paid-in capital contribution of a partnership in order to invest in the relevant sectors.

3. DUE DILIGENCE ON THE FUND MANAGER

Prior to the formation of the Partnership and selecting the Fund Manager, the Company conducted due diligence on the fund manager from 21 May 2025 to 30 May 2025. Details on the results and findings of the due diligence are set out as follows:

(1) Verification of basic information

The Fund Manager's basic registration details and are set out as follows:

Name:	Guangdong Yida Huishun Equity Investment Management Partnership (Limited Partnership) 廣東毅達匯順股權投資管理企業(有限合夥)
Date of incorporation:	22 June 2018
Paid-in capital:	RMB12.5 million
Scope of business:	Entrusted management of equity investment funds; equity investment management.
Certificate of registration for social organization legal person*:	She Zheng Zi No.4951 (社證字第4951號)

* *Information registered with the Asset Management Association of China.*

(2) Background and expertise of the senior management of the Fund Manager

The senior management team of the Fund Manager comprises Mr. Ying Wenlu (應文祿先生), Mr. Dai Huakun (戴華坤先生), and Mr. Tu Yun (塗鋆先生). Their respective backgrounds and professional expertise are set out below:

Mr. Ying Wenlu is the Chairman and Founder of Jiangsu Yida Equity Investment Fund Management Co., Ltd., ("**Jiangsu Yida**", 江蘇毅達股權投資基金管理有限公司), which indirectly controls the Fund Manager. He also serves as the representative of the executive partner of the Fund Manager. Mr. Ying previously served as a member of the 6th ChiNext Issuance Examination Committee of the China Securities Regulatory Commission and currently serves as a member of the Venture Capital Fund Committee of the Asset Management Association of China. Mr. Ying has over 20 years of experience in equity and venture capital investment.

Mr. Dai Huakun is a partner of Nanjing Huishun Innovation Investment Partnership (Limited Partnership) (南京匯順創新投資合夥企業(有限合夥)), which is also a partner of the Fund Manager and holds a 40% equity interest therein. Mr. Dai is also a distinguished professor at Guangdong University of Finance and Economics and has been recognized as a senior financial executive talent in Guangzhou. He has managed 23 funds with a total scale of RMB34.25 billion.

Mr. Tu Yun is the General Manager of the Fund Manager. He has approximately ten years of experience in equity investment, with a focus on sectors including electronic information, new materials, advanced manufacturing and consumption upgrades. Mr. Tu has led the investment in multiple projects.

Mr. Ying, Mr. Dai and Mr. Tu each possesses investment expertise in key and strategic technology sectors, including semiconductors, new energy, new materials, next-generation information technology, which aligns with the Company's strategic focus on frontier technologies.

(3) Private investment funds managed by the Fund Manager

In addition to managing the Partnership, the Fund Manager also serves as the fund manager for the following 4 private investment funds with a total assets under management of RMB1.3 billion:

Name	Paid-in capital	Date of incorporation	Number and amount of investment projects	Number and amount of exited projects	Current valuation
Guangdong Yida Innovation and Entrepreneurship Investment Partnership (Limited Partnership) (廣東毅達創新創業投資合夥企業(有限合夥))	RMB605 million	26 October 2018	16 projects, RMB559.5 million	A total of RMB608 million has been distributed to date, including 6 projects successfully listed	Valuation of RMB950 million
Guangdong Yida Huiyi Venture Investment Partnership (Limited Partnership) (廣東毅達匯邑創業投資合夥企業(有限合夥))	RMB300 million	1 November 2019	12 projects, RMB267 million	A total of RMB137.5 million has been distributed to date, including 1 project successfully listed	Valuation of RMB340 million
Foshan Gaotou Yida Innovation and Entrepreneurship Investment Partnership (Limited Partnership) (佛山高投毅達創新創業投資合夥企業(有限合夥))	RMB210 million	8 May 2021	13 projects, RMB194 million	A total of RMB16 million has been distributed to date	Valuation of RMB210 million
Guangdong Gaotou Yida No. 2 Venture Investment Partnership (Limited Partnership) (廣東高投毅達貳號創業投資合夥企業(有限合夥))	RMB200 million	30 June 2022	5 projects, RMB105.6 million	–	Valuation of RMB200 million

The above private investment funds primarily focus on new technology sectors, including smart manufacturing, new materials, energy conservation and environmental protection. The Company believes that the Fund Manager's capabilities will help expand its access to a broader range of high-quality project resources.

(4) Track record

As at 31 March 2025, the Fund Manager and other active funds under the same control structure had invested in a total of 856 venture equity projects, with 259 of them successfully exited through IPOs, backdoor listings, merge and acquisition transactions etc. The average MOIC of the exited projects was 2 times. Details of the exited projects have been listed above.

(5) Organizational structure

Jiangsu Yida has established the following functional departments, which share the headquarters' back-office functions with the Fund Manager:

1) The Headquarters Fund Management Department and Strategic Client Department are responsible for fund formation, fundraising, fund management, policy research and business relationship management.

2) The Legal Department and Risk Management Department serve as the central units for internal control and comprehensive risk management of external investments. They are responsible for building the company's risk control system, implementing risk mitigation measures, and conducting oversight.

3) The Financial Management Department is in charge of the company's financial management and accounting, budgeting and final accounts and cash flow management. It also handles tax planning and tax-related matters.

4) The Human Resources Department is responsible for personnel management, performance evaluation, employee training, and staff welfare.

5) The Administration Department oversees general administration, meeting arrangements, reception services, IT platform development and maintenance, and logistical support.

6) The Branding Department is responsible for external communications, meeting minutes preparation, administrative secretarial work, and corporate culture development.

(6) Investment decision making process

The flow of investment decision making process of the Fund Manager is similar to that of the Partnership as stipulated in "5. RISK MANAGEMENT AND CONTROL MEASURES ON THE PERFORMANCE OF THE PARTNERSHIP – (2) Ongoing control through organizational structure and personnel arrangements – 1) Investment decision making process of the Partnership and constitution of the advisory committee" below.

4. MANAGEMENT FEE AND WATERFALL OF PROFIT DISTRIBUTION OF THE PARTNERSHIP

The management fee and waterfall of profit distribution of the Partnership are set forth as follows:

(1) Management fee

During the term of the Partnership, the Fund Manager shall be entitled to charge an annual management fee equal to 1.2% of each partner's paid-in capital contribution. During the extension period of the Partnership, the Fund Manager may continue to charge a management fee, the method of which shall be subject to approval by the partners' meeting.

(2) Key policy of distributable profits

Any distributable profits attributable to the Partnership shall be distributed in the following order of priority:

1) 100% to the partners (in proportion to their aggregate paid-in capital contribution to the Partnership) until each partner has received an amount equal to its aggregate paid-in capital contribution to the Partnership;

2) 80% to all the partners (in proportion to their aggregate paid-in capital contribution to the Partnership), 20% to the general partners.

5. RISK MANAGEMENT AND CONTROL MEASURES ON THE PERFORMANCE OF THE PARTNERSHIP

In order to effectively safeguard the Company's interests as a limited partner and manage potential risks, the following measures have been implemented to monitor the investments to be made by the Partnership and oversee the performance of the Partnership:

(1) Ex-ante control through investment restrictions

Pursuant to the terms of the Partnership Agreement, the Partnership's investment activities are subject to clearly defined restrictions, including but not limited to:

1) Prohibited sectors

The Partnership Agreement includes specific investment restrictions, such as prohibitions on investments in real estate, futures or financial derivatives, industries restricted under PRC regulation or policies etc.

2) Investment proportion limit

The total cumulative investment by the Partnership in a single investment project would not exceed 20% of the total capital contribution of the Partnership, in order to ensure portfolio diversification and mitigate concentration risk.

3) Related party transactions

Any investment involving related party transactions shall be approved by unanimous consent of all the disinterested partners at the partners' meeting.

These restrictions ensure that investment decisions are made within a controlled framework, reducing risks such as asset concentration and regulatory non-compliance etc.

(2) Ongoing control through organizational structure and personnel arrangements

1) Investment decision making process of the Partnership and constitution of the advisory committee

The detailed flow of the investment decision making process of the Partnership is as follows:

a) Business due diligence

After identifying and sourcing a potential project, the investment team of the Fund Manager conducts due diligence on the target company by interviewing with the actual controllers and senior management, performing on-site investigations and conducting external interviews with upstream and downstream industry participants as well as competitors, in order to assess the fundamentals of the target company.

b) Project initiation

For target companies that the investment team deems to have investment value, the team will submit the project to its internal Capital Industry Initiation Committee for review.

c) Financial and legal due diligence

The head office of the Fund Manager has established in-house independent legal and financial teams composed of professionals with relevant qualifications. These back-office teams work closely with the front-office investment team to conduct independent due diligence on potential investment projects, thereby effectively identifying and controlling investment risks.

d) Internal committees' review

After preliminarily communication and agreement between the investment team and the due diligence team, the project is submitted to the Fund Manager's internal Industry Investment Committee and ESG Review Committee for a comprehensive evaluation and decision-making.

e) Review by the Advisory Committee

Projects approved by the Fund Manager's Industry Investment Committee and ESG Review Committee are then submitted to the Advisory Committee of the Partnership for compliance review.

The Advisory Committee comprises three members, with one representative each appointed by Guangdong Junrui, General Partner 1 and General Partner 2. The Advisory Committee is responsible for conducting a preliminary review of proposed investment projects to assess whether they fall within the business scope, investment objectives and investment restrictions set out in the Partnership Agreement as well as comply with applicable laws and regulations. If a project is deemed inconsistent with the investment scope, objectives or restrictions defined in the Partnership Agreement, it must be unanimously approved by the partners' meeting prior to implementation.

f) Investment Committee/Partner's meeting decision

Projects that pass the Advisory Committee's review are then submitted to the Partnership's Investment Committee for final decision-making.

2) Designated personnel

The Company will designate personnel to keep close contact with the Fund Manager and to allow the Fund Manager to fully understand the business operation of the Company and enable the Company to evaluate potential synergies between the proposed investment and its core business operations.

(3) Internal evaluation Team

The Company has also established a dedicated internal team comprising the chief executive officer, chief financial officer, investment managers, financial analysts and external legal advisors to evaluate proposed investment projects from various perspective, including financial, legal, tax and commercial.

The above measures ensure that the Company maintains substantial access to information and decision-making insights in relation to the Partnership's investment activities.

(4) Reporting system

The Partnership and the Fund Manager are subject to regular reporting and disclosure obligations to ensure the Company remains informed of investment activities.

Save as the supplemental information as disclosed above, all other information contained in the Announcement remain unchanged.

By Order of the Board
Huicheng International Holdings Limited
Zhang Yongli
Chairman

Shanghai, 19 August 2025

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Yongli, Mr. Sun David Lee and Ms. Huang Xiaoyun; the non-executive director is Mr. Wang Wei; and the independent non-executive directors are Mr. Kwong Wilson Wai Sun, Mr. Yeung Chi Wai and Mr. Ho Ka Wang.