
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Fibocom Wireless Inc.** (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Fibocom Wireless Inc.

深圳市廣和通無線股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 00638)

**(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF
THE 37.16% EQUITY INTERESTS
IN SHENZHEN HANGSHENG ELECTRONICS CO., LTD.;**
**(2) CHANGE IN REGISTERED CAPITAL,
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND CHANGE OF BUSINESS REGISTRATION;
AND
(3) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

A letter from the Board is set out on pages 9 to 75 of this circular.

A notice dated 23 September 2026 convening the EGM of the Company to be held at Conference Room, Floor 10, Tower A, Building 6, Shenzhen International Innovation Valley, Dashi 1st Road, Xili Community, Xili Subdistrict, Nanshan District, Shenzhen, Guangdong Province, the PRC, at 2:30 p.m. on Wednesday, 14 October 2026 is set out on pages EGM-1 to EGM-5 of this circular.

The proxy form for H Shareholders for the EGM is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.fibocom.com.

Any Shareholder(s) entitled to attend and vote at the EGM are entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Shareholder of the Company. If you intend to appoint a proxy to attend the EGM and vote on your behalf, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it by hand, by post or by facsimile to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders only) as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be) (i.e. before 2:30 p.m., Beijing time, on Tuesday, 13 October 2026). Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment hereof should you so wish.

This circular is prepared in both Chinese and English. In case of any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 29 June 2026 in relation to the major transaction for the acquisition of the Target Equity Interests
“Acquisition Completion”	the completion of the SPAs
“Acting in Concert Agreement”	the acting in concert agreement dated 29 June 2026 entered into between the Company and each Concert Party, the principal terms of which are summarised in the section headed “VI. Summary of principal terms of the Acting in Concert Agreement” in the Letter from the Board contained in this circular
“Avary Investment”	Avary Holding Investment (Shenzhen) Co., Ltd.* (鵬鼎控股投資(深圳)有限公司), a company established in the PRC with limited liability
“Baoteng Lianxiang”	Shenzhen Baoteng Lianxiang Investment Enterprise (Limited Partnership)* (深圳保騰聯享投資企業(有限合伙)), a limited partnership established in the PRC
“Board”	the Board of Directors of the Company
“Bohuasheng”	Shenzhen Bohuasheng Investment Partners Enterprise (Limited Partnership)* (深圳市博華盛投資合夥企業(有限合伙)), a limited partnership established in the PRC
“Capital Investment”	Shenzhen Capital Investment Co., Ltd.* (深圳市創新資本投資有限公司), a company established in the PRC with limited liability
“CITICS Investment”	CITIC Securities Investment Co., Ltd.* (中信證券投資有限公司), a company established in the PRC with limited liability
“Company” or “Fibocom”	Fibocom Wireless Inc., a joint stock company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00638) and the Shenzhen Stock Exchange (stock code: 300638), respectively

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“Compensating Obligor(s)”	has the meaning given to it in the section headed “X. Information of the Parties – Compensating Obligors, Pledgors and Concert Parties” in the Letter from the Board contained in this circular
“Concert Party(ies)”	has the meaning given to it in the section headed “X. Information of the Parties – Compensating Obligors, Pledgors and Concert Parties” in the Letter from the Board contained in this circular
“Conditions”	has the meaning given to it in the section headed “III. Summary of principal terms of the SPAs – Conditions Precedent of the Agreements” in the Letter from the Board contained in this circular
“connected person”	has the meaning given to it in the Listing Rules
“Directors”	the directors of the Company
“Enlarged Group”	the Group as enlarged by Hangsheng Electronics Group upon Acquisition Completion
“Ganshang United Investment”	Shenzhen Ganshang United Investment Co., Ltd.* (深圳市贛商聯合投資股份有限公司), a joint stock company (unlisted) established in the PRC with limited liability
“Group”	Fibocom and its subsidiaries
“Guangshen United”	Guangxi Guangshen United Venture Capital Co., Ltd.* (廣西廣深聯合創業投資有限公司), a company established in the PRC with limited liability
“Hangsheng Electronics” or “Target Company”	Shenzhen Hangsheng Electronics Co., Ltd. (深圳市航盛電子股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Hangsheng Electronics Group”	Hangsheng Electronics and its subsidiaries
“Hangsheng Investment”	Shenzhen Hangsheng Investment Co., Ltd.* (深圳市航盛投資有限責任公司), a company established in the PRC with limited liability

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“HAXC”	HAXC Holdings (Beijing) Co., Ltd.* (華安鑫創控股(北京)股份有限公司), a joint stock company established in the PRC with limited liability and listed in the PRC
“Hi-Tech Investment and Capital”	Shenzhen Hi-Tech Investment and Venture Capital Co., Ltd.* (深圳市高新投創業投資有限公司), a company established in the PRC with limited liability
“Hi-Tech Investment Yun”	Shenzhen Hi-Tech Investment Yun Capital Equity Investment Fund Partnership (Limited Partnership)* (深圳市高新投雲資本股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Hi-Tech Investment Zhiyuan Phase I”	Shenzhen Hi-Tech Investment Zhiyuan Phase I Equity Investment Fund Partnership (Limited Partnership)* (深圳市高新投致遠一期股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hongtao Chengxuan”	Foshan Hongtao Chengxuan Equity Investment Partnership (Limited Partnership)* (佛山弘陶成選股權投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Huadeng II”	Hefei Huadeng II Integrated Circuit Industry Investment Partnership (Limited Partnership)* (合肥華登二期集成電路產業投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Huajian Jiachuang”	Shenzhen Huajian Jiachuang Enterprise Management Consulting Partnership (Limited Partnership)* (深圳華建佳創企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC
“Huaxin Yunkai”	Hangzhou Huaxin Yunkai Equity Investment Partnership (Limited Partnership)* (杭州華芯雲開股權投資合夥企業(有限合夥)), a limited partnership established in the PRC

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“Huiyou Haojia”	Xiamen Huiyou Haojia Equity Investment Partnership (Limited Partnership)* (廈門市惠友豪嘉股權投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Independent Valuer”	Shanghai Zhonghua Assets Appraisal Co., Ltd.* (上海眾華資產評估有限公司)
“Interim Period”	has the meaning given to it in the section headed “III. Summary of principal terms of the SPA – Profit Compensation for the Interim Period” in the Letter from the Board contained in this circular
“Jinshi Transportation”	Jiangsu Jinshi Transportation Technology Industry Fund Partnership (Limited Partnership)* (江蘇金石交通科技產業基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Jinshi Zhongtou”	Shenzhen Jinshi Zhongtou Smart Sensor Industry Private Equity Fund Partnership (Limited Partnership)* (深圳市金石重投智能傳感器產業私募股權基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Latest Practicable Date”	22 September 2026, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning given to it in the Listing Rules
“Performance Undertaking and Profit Compensation Agreement”	the performance undertaking and profit compensation agreement dated 29 June 2026 between the Company and each Compensating Obligor, the principal terms of which are summarised in the section headed “IV. Summary of principal terms of the Performance Undertaking and Profit Compensation Agreement” in the Letter from the Board contained in this circular
“Performance Undertaking Period”	the years 2026 and 2027

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“Pledgor(s)”	has the meaning given to it in the section headed “X. Information of the Parties – Compensating Obligors, Pledgors and Concert Parties” in the Letter from the Board contained in this circular
“PRC”	the People’s Republic of China excluding, for the purposes of this circular, Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan of the PRC
“Registration Date of the Share Transfer”	under each share transfer agreement, the date when Hangsheng Electronics changes its shareholder register and completes the registration change procedures for the share transfer with the share custody institution based on share transfer
“Reporting Accountant”	Grant Thornton Zhitong Certified Public Accountants LLP
“RMB”	Renminbi, the lawful currency of the PRC
“Runwu Holding”	Runwu Holding Co., Ltd.* (潤物控股有限公司), a company established in the PRC with limited liability
“Sellers”	the companies or individuals set out in the section headed “X. Information of the Parties – The Sellers” in the Letter from the Board contained in this circular
“Share Acquisition”	the sale and purchase of the Target Equity Interests in accordance with the provisions of the SPAs
“Shareholder(s)”	holder(s) of the shares of the Company
“Share Pledge Agreement”	the share pledge agreement in connection with the maximum debt limit dated 29 June 2026 between the Company and each Pledgor, the principal terms of which are summarised in the section headed “V. Summary of principal terms of the Share Pledge Agreement” in the letter from the Board in this circular

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“Shengdao Investment”	Changzhou Shengdao Equity Investment Partnership Enterprise (Limited Partnership)* (常州晟道投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Shengrun Investment”	Shenzhen Shengrun Investment Partnership (Limited Partnership)* (深圳市生潤投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Shengtai Investment”	Gongqingcheng Shengtai Investment Partnership (Limited Partnership)* (共青城盛泰投資合夥企業(有限合夥)), a limited partnership established in the PRC
“Shenzhen Capital”	Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司), a company established in the PRC with limited liability
“Shouheng Zhiming”	Shouheng Zhiming (Jinjiang) Equity Investment Partnership (Limited Partnership)* (守恆致明(晉江)股權投資合夥企業(有限合夥)), a limited partnership established in the PRC
“SPAs”	certain share purchase agreements dated 29 June 2026 between the Company and the respective Sellers (as well as the Third Parties, where applicable), relating to the sale by the respective Sellers and the acquisition by the Company of Target Equity Interests, the principal terms of which are summarized in the section headed “III. Summary of principal terms of the SPAs” in the Letter from the Board contained in this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Acting in Concert Agreement”	the supplemental agreement to the Acting in Concert Agreement dated 23 September 2026 entered into among the Company, each Concert Party and Hangsheng Electronics, the principal terms of which are summarised in the section headed “VI-A. Summary of Principal Terms of the Supplemental Acting in Concert Agreement” in the Letter from the Board contained in this circular

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“Supplemental Performance Undertaking and Profit Compensation Agreement”	the supplemental agreement to the Performance Undertaking and Profit Compensation Agreement dated 23 September 2026 entered into among the Company and each Compensating Obligor, the principal terms of which are summarised in the section headed “IV-A. Summary of Principal Terms of the Supplemental Performance Undertaking and Profit Compensation Agreement” in the Letter from the Board contained in this circular
“Supplemental Share Pledge Agreement”	the supplemental agreement to the Share Pledge Agreement dated 23 September 2026 entered into between the Company and each Pledgor, the principal terms of which are summarised in the section headed “V-A. Summary of Principal Terms of the Supplemental Share Pledge Agreement” in the Letter from the Board contained in this circular
“Target Equity Interests”	37.16% of the equity interests of Hangsheng Electronics, representing the aggregate of the equity interests acquired under each SPA
“Third Parties”	the companies or individuals set out in the section headed “X. Information of the Parties – The Third Parties” in the Letter from the Board contained in this circular
“Transaction”	the SPAs, the Performance Undertaking and Profit Compensation Agreement, the Share Pledge Agreement, the Acting in Concert Agreement, the Supplemental Acting in Concert Agreement, the Supplemental Performance Undertaking and Profit Compensation Agreement, the Supplemental Share Pledge Agreement and the transactions contemplated thereunder (including the Share Acquisition)
“Transportation Holding Jinshi”	Anhui Transportation Holding Jinshi Emerging Industries Equity Investment Fund Partnership (Limited Partnership)* (安徽交控金石新興產業股權投資基金合夥企業(有限合夥)), a limited partnership established in the PRC
“Valuation Reference Date”	31 December 2025

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“Working Day”	any day(s) other than a Saturday, Sunday or statutory holiday in the PRC
“Xiaohe Venture Capital”	Shenzhen Xiaohe Venture Capital Partnership (Limited Partnership)* (深圳市小禾創業投資合夥企業(有限合夥)), a limited partnership established in the PRC
“SOP”	Start of Production, refers to the commencement of mass production, i.e. the formal mass production of a vehicle model or component. Entering into the SOP stage marks the formal commencement of the mass production and delivery stage
“%”	per cent.

* For identification purposes only

In this circular, unless stated otherwise, translations of quoted currency values are made on an approximate basis and at the rate of HK\$1.00 = RMB0.86919. Percentages and figures expressed in millions have been rounded.

LETTER FROM THE BOARD



Fibocom Wireless Inc.

深圳市廣和通無線股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 00638)

Executive Directors:

Mr. Zhang Tianyu (*Chairman of the Board*)

Mr. Ying Lingpeng

Mr. Xu Ning

Ms. Chen Qihua

Independent Non-executive Directors:

Mr. Wang Ning

Ms. Zhao Jing

Mr. Wu Chenggang

Registered Office:

Room 1101, Tower A, Building 6
Shenzhen International Innovation Valley,
Dashi 1st Road
Xili Community, Xili Subdistrict,
Nanshan District
Shenzhen, Guangdong Province, the PRC

Principal Place of Business in Hong Kong:

40/F, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

23 September 2026

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET EQUITY INTERESTS

I. INTRODUCTION

Reference is made to the announcement of the Company dated 29 June 2026 in relation to the acquisition of the Target Equity Interests (the "Previous Announcement"). As disclosed in the Previous Announcement, on 29 June 2026, the Company entered into the SPAs with each of the Sellers (as well as the Third Parties, where applicable) for the purchase of 37.16% of the equity interests in Hangsheng Electronics, pursuant to which the Company, as the buyer, has conditionally agreed to acquire the Target Equity Interests from each of the Sellers for a total consideration of RMB1,427.99 million (equivalent to approximately HK\$1,642.90 million). As of the Latest Practicable Date, the Company does not have any equity interests in Hangsheng Electronics. Assuming there are no other changes in the share capital of Hangsheng Electronics, the Company will be interested in approximately 37.16% of the share capital of Hangsheng Electronics upon Acquisition Completion.

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Meanwhile, on 29 June 2026, the Company has entered into the Acting in Concert Agreement with each of the Concert Parties (details below), stipulating that following the Transaction, such Concert Parties, as shareholders of Hangsheng Electronics, will act in concert with the Company. The Company and such Concert Parties will collectively hold 51.40% of the share capital of Hangsheng Electronics. Upon Acquisition Completion, Hangsheng Electronics (together with its subsidiaries) will become a controlled subsidiary of the Company and the financial results of the Hangsheng Electronics Group will be consolidated into the Group's consolidated financial statements.

On 23 September 2026, the Company has further entered into the Supplemental Acting in Concert Agreement, the Supplemental Performance Undertaking and Profit Compensation Agreement and the Supplemental Share Pledge Agreement (the **"Supplemental Agreements"**). Pursuant to the Guidance on the Application of Articles 29 and 45 of the Administrative Measures for the Material Asset Reorganisations of Listed Companies (Securities and Futures Legal Application Opinion No. 15), the Directors consider that the Supplemental Agreements do not constitute a material change to the Transaction.

In respect of the Company's acquisition of a 37.16% equity interest in Hangsheng Electronics, pursuant to the SPAs, the Acting in Concert Agreement and other relevant contractual arrangements, Hangsheng Electronics will amend its articles of association and reorganise its board of directors, among other matters. Upon Acquisition Completion, the Company will obtain 51.40% of the voting rights of Hangsheng Electronics, is expected to hold more than half of the seats on its board of directors and be entitled to appoint senior management of Hangsheng Electronics. Grant Thornton Zhongtong Certified Public Accountants LLP, as the auditor of the Company, is of the opinion that, based on the foregoing and in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements, the Company will be able to exercise effective control over Hangsheng Electronics, that Hangsheng Electronics will become a controlled subsidiary of the Company, and that the inclusion of Hangsheng Electronics in the scope of consolidation is in compliance with the aforesaid accounting standard.

The purpose of this circular is to provide you with, among other things, (i) further details of the Transaction; (ii) financial information of the Group; (iii) the accountants' report on the Hangsheng Electronics Group; (iv) the management discussion and analysis of the Hangsheng Electronics Group; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) a summary of the asset valuation report of the Hangsheng Electronics Group; (vii) a letter from the Reporting Accountant regarding profit forecast; (viii) a letter from the Board on the profit forecast; (ix) other information as required to be disclosed under the Listing Rules; (x) details of the amendments to the Articles of Association of Fibocom Wireless Inc. (irrelevant to the Transaction) and (xi) the notice of the EGM.

II. AFFAIRS TO BE DEALT WITH AT THE EGM

The resolutions to be submitted at the EGM and proposed to be passed as special resolutions include: (1) the resolution in relation to the Company satisfying conditions for a material asset

LETTER FROM THE BOARD

reorganisation; (2) the resolution in relation to the plan of material asset acquisition of the Company (each sub-resolution will be voted on separately); (3) the resolution in relation to the material asset acquisition of the Company not constituting a connected transaction; (4) the resolution on the Report of Material Asset Acquisition (Draft) (Revised Edition) of Fibocom Wireless Inc. and its summary; (5) the resolution in relation to the execution of the Share Transfer Contracts, the Acting in Concert Agreement, the Performance Undertaking and Profit Compensation Agreement and the Share Pledge Agreements in connection with the maximum debt limit, each subject to conditions precedent; (6) the resolution in relation to the execution of the Supplemental Performance Undertaking and Profit Compensation Agreement, the Supplemental Acting in Concert Agreement and the Supplemental Share Pledge Agreements in connection with the maximum debt limit, each subject to conditions precedent; (7) the resolution in relation to the reorganisation of the Company not constituting a reorganization and listing under Article 13 of the Administrative Measures for the Material Asset Reorganizations of Listed Companies; (8) the resolution in relation to the fluctuations in the share price of the Company before announcement of the reorganisation; (9) the resolution in relation to the Company's material asset reorganization-related entities not falling within the circumstances as stipulated in Article 12 of the Regulatory Guidelines for Listed Companies No. 7 – Supervision on Abnormal Trading of Shares Related to Material Asset Reorganizations of Listed Companies; (10) the resolution in relation to the compliance of the Reorganization with Article 4 of Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganization; (11) the resolution in relation to the compliance of the Transaction with Article 18 of the Measures for the Ongoing Regulation of Companies Listed on ChiNext and Article 8 of the Review Rules for Major Asset Reorganizations of Listed Companies on the Shenzhen Stock Exchange; (12) the resolution in relation to the dilutive effect on the current return of the Company and remedial measures in relation to material asset acquisition, as well as undertakings of the relevant entities; (13) the resolution in relation to the approval of relevant audit reports, asset valuation report, pro forma review report and the accountant's report on profit forecast and estimation relating to the reorganisation; (14) the resolution in relation to the approval of the audit report and pro forma review report for stub-period related to the Transaction; (15) the resolution on the independence of the valuation institution, the reasonableness of the valuation assumptions, the relevance of the valuation methodologies to the valuation purposes, and the fairness of the valuation pricing; (16) the resolution in relation to the application by the Company to banks for the acquisition loans for the Transaction; (17) the resolution in relation to the full authorization to the Board to deal with matters relating to the reorganisation to be proposed at the general meeting; and (18) the resolution in relation to the change in registered capital, the amendments to the Articles of Association and the change of business registration.

According to the Company's Articles of Association, the above resolutions are special resolutions that require the affirmative votes of shareholders and their proxies holding at least two-thirds of the voting rights present at the EGM. A summary of the resolutions is set out in section "IX. Summary of Resolutions to be Proposed for Approval at the EGM" below. The Board has approved resolutions regarding the Transaction.

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III. SUMMARY OF PRINCIPAL TERMS OF THE SPAS

The principal terms of the SPAs are summarized below. For each of the Sellers (other than Bohuasheng, Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiji), apart from the considerations and the percentages of equity interests sold, other terms of their respective SPAs with the Company are substantially the same.

With respect to the SPA entered into by each of Bohuasheng, Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiji as the Sellers, the Company as the buyer, and Mr. Yang Hong and Hangsheng Investment as the Third Parties, except for certain terms of SPA (in comparison to the other SPAs) (including additional representations and warranties provided by the Sellers and the Third Parties, corporate governance and post-completion arrangements of Hangsheng Electronics and the Sellers and the Third Parties' agreement to grant the Company a right of first refusal with respect to the shares of Hangsheng Electronics held by them, as detailed below in this subsection), and the other terms (except for the considerations and the percentages of equity interests sold) are substantially the same as those in the SPAs with the other Sellers.

Bohuasheng is the employee stock ownership platform of Hangsheng Electronics, Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiji are shareholders representing the current management of Hangsheng Electronics. Accordingly, the relevant share transfer agreements differ from those signed with such third-party external shareholders as the Sellers with respect to terms such as undertakings for the Interim Period, seller representations and warranties, corporate governance and post-completion arrangements.

Date

29 June 2026

Parties, Subject Matters and Considerations

Each of the Sellers has agreed to sell, and the Company (as the buyer) has agreed to acquire, the Target Equity Interests in Hangsheng Electronics as described below, at a price of RMB10.5 to RMB12.5 per share. The total consideration of RMB1,427.99 million (equivalent to approximately HK\$1,642.90 million) shall be paid in cash, subject to the terms of each SPA. Details are as follows:

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No.	Name of the Seller	Price per share	Percentage of equity interests held in Hangsheng Electronics as of the Latest Practicable Date	The number of shares corresponding to Target Equity Interests in Hangsheng Electronics sold by the Seller	Percentage of Target Equity Interests in Hangsheng Electronics sold by the Seller	Cash consideration (Unit: RMB '000)
1	Huajian Jiachuang	12.50	9.37%	30,000,000	9.37%	375,000
2	Huadeng II	12.50	3.54%	11,335,153	3.54%	141,689
3	Jinshi Zhongtou	12.50	7.04%	11,267,303	3.52%	140,841
4	Huaxin Yunkai	11.00	2.44%	7,799,715	2.44%	85,797
5	Bohuasheng	12.50	1.62%	5,180,000	1.62%	64,750
6	Shouheng Zhiming	11.00	1.56%	5,000,000	1.56%	55,000
7	Huiyou Haojia	10.50	1.56%	5,000,000	1.56%	52,500
8	Shengrun Investment	11.00	1.25%	4,000,000	1.25%	44,000
9	Hi-Tech Investment and Capital	12.50	1.06%	3,400,000	1.06%	42,500
10	Transportation Holding Jinshi	12.50	2.12%	3,391,222	1.06%	42,390
11	Ms. Huang Sisi (黃思思)	12.50	0.94%	3,000,000	0.94%	37,500
12	Shengdao Investment	12.50	0.94%	3,000,000	0.94%	37,500
13	Runwu Holding	10.50	0.94%	3,000,000	0.94%	31,500
14	Jinshi Transportation	12.50	1.32%	2,119,428	0.66%	26,493
15	Mr. Xiao Jinhong (肖錦鴻)	11.00	1.51%	2,000,000	0.62%	22,000
16	Mr. Xia Guoxin (夏國新)	12.50	0.62%	2,000,000	0.62%	25,000
17	CITICS Investment	12.50	0.62%	2,000,000	0.62%	25,000
18	Baoteng Lianxiang	10.50	0.94%	1,500,000	0.47%	15,750
19	Mr. Zhang Zhiqing (張志清)	12.50	0.47%	1,500,000	0.47%	18,750
20	Hongtao Chengxuan	12.50	0.46%	1,460,000	0.46%	18,250
21	Shengtai Investment	12.50	0.37%	1,200,000	0.37%	15,000
22	Guangshen United	10.50	0.62%	1,000,000	0.31%	10,500
23	Shenzhen Capital	10.50	0.31%	1,000,000	0.31%	10,500
24	Capital Investment	10.50	0.31%	1,000,000	0.31%	10,500
25	HAXC	11.00	0.31%	1,000,000	0.31%	11,000

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No.	Name of the Seller	Price per share	Percentage of equity interests held in Hangsheng Electronics as of the Latest Practicable Date	The number of shares corresponding to Target Equity Interests in Hangsheng Electronics sold by the Seller	Percentage of Target Equity Interests in Hangsheng Electronics sold by the Seller	Cash consideration (Unit: RMB '000)
26	Avary Investment	10.50	0.31%	1,000,000	0.31%	10,500
27	Ganshang United Investment	10.50	0.31%	1,000,000	0.31%	10,500
28	Hi-Tech Investment Yun	12.50	0.29%	943,240	0.29%	11,791
29	Mr. Wang Gang (王剛)	12.50	0.33%	850,000	0.27%	10,625
30	Hi-Tech Investment Zhiyuan Phase I	12.50	0.17%	549,760	0.17%	6,872
31	Mr. Cheng Qingfu (程慶富)	10.50	0.16%	500,000	0.16%	5,250
32	Mr. Yang Lu (楊廬)	12.50	0.09%	300,000	0.09%	3,750
33	Mr. Dong Li (董利)	12.50	0.36%	287,500	0.09%	3,594
34	Mr. Xu Shutian (徐樹田)	12.50	0.19%	150,000	0.05%	1,875
35	Xiaohu Venture Capital	12.50	0.03%	107,000	0.03%	1,338
36	Mr. Li Guobing (李國兵)	12.50	0.03%	100,000	0.03%	1,250
37	Mr. Lyu Zhiji (呂智戟)	12.50	0.05%	37,500	0.01%	469
38	Mr. Zou Zhengping (鄒正平)	12.50	0.05%	37,500	0.01%	469
Total			44.61%	119,015,321	37.16%	1,427,992

Notes:

- The parties to each SPA are set out in detail below:
 - Bohuasheng, Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiji, each as a Seller, entered into an SPA with the Company as the buyer and Mr. Yang Hong and Hangsheng Investment as the Third Parties;
 - The other Sellers, each as a Seller, entered into an SPA with the Company as the buyer.
- The discrepancies between the total amounts of the percentage of Target Equity Interests in Hangsheng Electronics sold by the Seller and cash consideration in the table above and the sums of the individual figures are due to rounding of decimal places.

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Basis of Consideration

As of the Valuation Reference Date, the appraised value of 100% of the equity interests in Hangsheng Electronics was RMB3,850.40 million. Following negotiations among the parties to the Transaction, the transaction price for 37.16% of the equity interests in Hangsheng Electronics was RMB1,427.99 million, corresponding to a price of RMB3,843.08 million for 100% of the equity interests in Hangsheng Electronics.

Based on the results of the aforementioned valuation as the basis for the consideration, the differentiated pricing for the Transaction takes into account factors such as Hangsheng Electronics' historical performance, future development plans, performance undertaking arrangements, initial investment costs and investment cycle and is determined through independent negotiations among the parties to the Transaction. The differentiated pricing is the result of commercial negotiations between the counterparties conducted in accordance with market principles.

The Company has engaged Shanghai Zhonghua Assets Appraisal Co., Ltd. (an independent and qualified valuation institution in the PRC) to conduct an asset appraisal and prepare a valuation report for Hangsheng Electronics as of the Valuation Reference Date. Further details of the valuation, including the key assumptions and methods used in the valuation report, are set out in Appendix V to this circular.

Payment Terms

The Company shall make the following payments to each of the Sellers:

- (1) First installment payment: Within five Working Days from the effective date of the relevant SPA, 20% of the transfer price shall be paid to the Seller of the relevant agreement;
- (2) Second installment payment: Within five Working Days from the date of Completion of the transfer of the Target Equity Interests, the remaining 80% of the transfer price shall be paid to the Seller of the relevant agreement that has completed the transfer.

Conditions Precedent of the Agreements

Each SPA will become effective only upon the satisfaction of each of the following conditions:

- (1) the SPA has been legally signed by the relevant Seller(s) and the Company (as well as the Third Parties, where applicable);
- (2) the Share Acquisition has been approved by the Board and the general meeting of the Company;

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- (3) the Seller(s) of the SPA has (or have) completed the necessary approval or filing procedures in accordance with relevant laws and regulations (if required), including but not limited to obtaining a reply of “no-further-review” or “not prohibited” in connection with the Share Acquisition from the PRC anti-monopoly law enforcement agency, or no reply received upon the expiry of the statutory review period; and
- (4) other necessary approvals, registrations, filings or licenses as may be required by applicable laws and regulations (if required).

On 29 June 2026, the relevant share purchase agreements were entered into between the respective Sellers and the Company (as well as the Third Parties, where applicable). As such, the above condition precedent (1) has been satisfied. On 29 June 2026, the Board reviewed and approved the resolution in relation to the Transaction (including Share Acquisition). The above condition precedent (2) remains subject to approval by the shareholders’ meeting. On 18 August 2026, the Transaction obtained from the State Administration for Market Regulation a decision not to conduct further review in respect of the concentration of undertakings involved in the Transaction, thus the above condition precedent (3) has been satisfied. Currently, the Transaction does not involve any other approvals as described in condition precedent (4).

Completion

The Completion will take place when Hangsheng Electronics has changed its shareholder register and completed the registration change procedures with the share custody institution. Where the Seller is an individual, proof of personal income tax payment for the Share Transfer is also required for the Completion of the Transaction.

Based on the current timetable for the Transaction, the shareholders’ meeting is scheduled to be convened on 14 October 2026, and the Completion is expected to take place in October 2026.

Liability for Default

After each of share purchase agreements takes effect separately, any failure by any party to perform in part or in full or any delay in performing any obligation assumed by such party under such share transfer agreement, or any unilateral termination of the share transfer agreement, or any violation of the representations, statements, warranties and undertakings made by any party under such share transfer agreement or the untruthfulness of, or material omission or misrepresentation in, such representations, statements, warranties and undertakings shall constitute a breach of contract. The defaulting party shall compensate the non-defaulting party for all direct losses, and the non-defaulting party shall be entitled to require specific performance of the share transfer agreement.

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Profit Compensation for the Interim Period

For the SPAs with each of the Sellers, the Interim Period commences from 1 January 2026 and expires on the date when Hangsheng Electronics changes its shareholder register and completes the registration change procedures for the share transfer with the share custody institution (inclusive).

Should any losses be incurred in Hangsheng Electronics during the Interim Period, each of the Sellers shall make up the shortfall in cash in full in proportion to the shares under the share transfer. These arrangements will be treated as transaction price adjustments or settlement mechanism among the parties only after approval has been obtained from the PRC anti-monopoly authority on the Share Acquisition and the transfer registration of the shares has been completed. An illustrative example of the calculation is as follows:

The loss compensation payable by Seller A = the proportion of equity interest transferred by Seller A in the Transaction $\times$ the total loss of Hangsheng Electronics during the Interim Period. Assuming that Hangsheng Electronics incurs a loss of RMB1 million during the Interim Period, and that Seller A transfers 5% of the equity interest in Hangsheng Electronics in the Transaction, the loss compensation payable by Seller A would be $5\% \times \text{RMB1 million} = \text{RMB50,000}$.

The profit or loss during the Interim Period shall be based on the specified audit report prepared by an accounting firm with securities industry qualifications, which is approved by the Company and engaged by Hangsheng Electronics. The loss compensation payment shall be made within ten Working Days from the date of issuance of such audit report.

Differences in the Terms of SPAs

Apart from the considerations and the percentages of equity interests sold, the differences between the SPA entered into by each of Bohuasheng, Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiji as the Sellers, the Company as the buyer, and Mr. Yang Hong and Hangsheng Investment as the Third Parties and other SPAs are as follows:

	Terms of the SPA entered into by each of Bohuasheng, Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiji as the Sellers, the Company as the buyer, and Mr. Yang Hong and Hangsheng Investment as the Third Parties	Terms of other SPAs
Agreement for the Interim Period	To avoid material adverse changes occurring within Hangsheng Electronics, during the Interim Period, the Company has established a series of restricted terms against Hangsheng Electronics regarding its normal operations, debts, loans, guarantee, intellectual property rights, dividend, and shareholding. During the Interim Period, except for matters undertaken in the ordinary course of business or with the Company's written consent, the Sellers and the Third Parties shall ensure that Hangsheng Electronics will not be involved in any item below set forth in restricted terms:	Items set forth in restricted terms are the same as those on the left. During the Interim Period, except for matters undertaken in the ordinary course of business or with the Company's written consent, in the event that any of the items set forth in the restricted terms occurred at the Target Company, the Sellers shall vote against it in the course of internal decision-making procedures, such as shareholders' meetings or board meetings, of Hangsheng Electronics

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Terms of the SPA entered into by each of Bohuasheng, Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiyi as the Sellers, the Company as the buyer, and Mr. Yang Hong and Hangsheng Investment as the Third Parties **Terms of other SPAs**

- (1) other than payments made in the ordinary course of business and payments that have already become due and payable by Hangsheng Electronics, making any payment to a creditor in respect of indebtedness owed to such creditor that is not yet due and payable where the aggregate amount of such payment(s) reaches or exceeds RMB10 million;
- (2) terminating, suspending or closing any material business operation, handling any non-routine material business operation, or dismissing more than ten (10) employees (excluding employees serving their probation period) within any calendar month;
- (3) due to the fault of the respective Sellers, the Third Parties or Hangsheng Electronics, any confidential information relating to any material intellectual property rights owned by Hangsheng Electronics (other than through publication of a patent) being disclosed, or any intellectual property rights (or any related registration, authorisation or application therefor) being abandoned or not renewed, except where such rights are not eligible for renewal upon expiry;
- (4) any licence, permit, approval or environmental permit already issued and necessary for the normal operation of Hangsheng Electronics being prematurely terminated, or any renewal procedures therefor not being completed in a timely manner;
- (5) Hangsheng Electronics suffering any accidental loss of or damage to any asset with an aggregate replacement cost exceeding RMB4 million, excluding any portion of such loss or damage that has been compensated by insurance proceeds or damages;
- (6) providing any loan, making any advance payment, or providing any guarantee in any form to the respective Sellers, the Third Parties, their respective affiliates or any third party;
- (7) Hangsheng Electronics entering into any connected or related party transaction with any related party, or using related party transactions to effect a withdrawal of capital contributions or confer improper benefits upon the respective Sellers, the Third Parties or their respective affiliates;

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Terms of the SPA entered into by each of Bohuasheng, Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiji as the Sellers, the Company as the buyer, and Mr. Yang Hong and Hangsheng Investment as the Third Parties **Terms of other SPAs**

- (8) except as otherwise agreed by the parties or previously disclosed by the respective Sellers, the Third Parties or Hangsheng Electronics to the Company, carrying out any material disposal of assets (including tangible and intangible assets) or any other matter that may have a material adverse effect on the production and operations of Hangsheng Electronics or its net assets;
- (9) incurring any new indebtedness outside the ordinary course of business, entering into any new material contract outside the ordinary course of business, or entering into any new contract relating to real property, including but not limited to property acquisition agreements and material property lease agreements;
- (10) declaring or distributing any dividend, bonus or other profit distribution in any form;
- (11) except as previously disclosed by the respective Sellers, the Third Parties or Hangsheng Electronics to the Company, due to the fault of the respective Sellers, the Third Parties or Hangsheng Electronics, Hangsheng Electronics incurring aggregate compensation, indemnification or damages liabilities reaching or exceeding RMB4 million;
- (12) making any material adjustment to the remuneration system or performance evaluation system applicable to the employees of Hangsheng Electronics, or changing its accounting policies (other than a change to accounting policies approved by the Company);
- (13) other than in the ordinary course of business, conducting any other unnecessary business activities, including but not limited to selling or transferring the principal business, sales network or sales agreements of Hangsheng Electronics outside the ordinary course of business;
- (14) carrying out any merger, demerger, change in share capital (other than any change in share capital contemplated under this Agreement), capital increase, capital reduction, joint venture with any third party, change in organisational form, external equity investment or transfer of shares.

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Terms of the SPA entered into by each of Bohuasheng, Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiji as the Sellers, the Company as the buyer, and Mr. Yang Hong and Hangsheng Investment as the Third Parties

Terms of other SPAs

Obligations of the Sellers (and the Third Parties, if applicable)	The Sellers and the Third Parties shall ensure that Hangsheng Electronics conducts its operations in a normal manner and does not engage in any business activity or action that damages its interests, and shall cooperate with Hangsheng Electronics in completing the registration change procedures for business and tax of share transfer	The Sellers shall assume the obligations set out on the left
Confidentiality obligations for all parties	The Sellers and the Third Parties owe confidentiality obligations to all confidential information provided by the Company in respect of the Transaction, and vice versa. The Sellers, the Third Parties and their related parties assume confidentiality obligations to the business secrets of Hangsheng Electronics	The Sellers owe confidentiality obligations to all confidential information provided by the Company in respect of the Transaction, and vice versa. The Sellers and their related parties assume confidentiality obligations to the business secrets of Hangsheng Electronics
Representations and warranties of the Sellers (and the Third Parties)	The Sellers make independent representations and warranties regarding its own corporate status and shareholding in Hangsheng Electronics. Both Sellers and the Third Parties make a series of representations and warranties regarding Hangsheng Electronics, including the legality of share transfer, corporate status of Hangsheng Electronics, business and qualification, assets, intellectual property rights, liabilities, external guarantee, credits and debts with related parties, litigation, arbitration and dispute, labour and personnel affairs, administrative punishment, the authenticity and accuracy regarding information disclosed by the Sellers and the Third Parties to the Company and third-party institutions engaged by the Company relating to the Transaction, and the termination of the Sellers and the Third Parties' special rights (if any) in respect of Hangsheng Electronics, etc.	The Sellers shall also make representations and warranties regarding its own entity qualifications and shareholding in Hangsheng Electronics. For Hangsheng Electronics, the Sellers' representations and warranties are narrower than those on the left, excluding representations and warranties to the business and qualification, assets, intellectual property rights, liabilities, external guarantee, credits and debts with related parties, litigation, arbitration and dispute, labour and personnel affairs, as well as administrative punishment of Hangsheng Electronics

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Terms of the SPA entered into by each of Bohuasheng, Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiyi as the Sellers, the Company as the buyer, and Mr. Yang Hong and Hangsheng Investment as the Third Parties

Terms of other SPAs

Corporate governance and post-completion arrangements of Hangsheng Electronics	Amendments to the articles of association prior to the Completion: the Sellers and the Third Parties shall ensure that a shareholders' meeting is convened prior to the Registration Date of the Share Transfer and make amendments to the articles of association and its appendices of Hangsheng Electronics in accordance with the contents stipulated in the agreements, including composition adjustments of the board of directors (where the board of Hangsheng Electronics shall comprise five directors with no independent directors), consequential amendments to the rules of procedure for meetings of the board of directors to reflect the change in the composition of the board (taking into account the existing articles of association of Hangsheng Electronics, following the corresponding amendments, all matters previously requiring approval by a two-thirds majority of the board of Hangsheng Electronics will be subject to approval by more than half of the directors), and the adjustments to the decision-making authority of the general manager. The actual execution, effectiveness and implementation of these amendments shall be subject to the business concentration clearance and the completion of the transfer registration of the shares Post-completion arrangements: all parties agree that after the Registration Date of the Share Transfer, (1) the board of Hangsheng Electronics shall comprise five directors, of whom the Company shall have the right to nominate three directors and the Third Parties shall have the right to nominate two directors, and all parties shall procure the appointment of such nominees as directors; (2) subject to the approval of the board of Hangsheng Electronics, the Company shall have the right to appoint the general manager and head of finance of Hangsheng Electronics, while the other members of the senior management of Hangsheng Electronics shall be nominated by the general manager; and (3) all parties shall procure the directors appointed by them to vote in favour of the relevant resolutions. All parties also agree for Hangsheng Electronics to immediately convene a shareholders' meeting following the completion of the Share Acquisition, to make the corresponding amendments to the articles of association	N/A
Right of first refusal	The Sellers and the Third Parties must notify the Company at least 30 days before transferring the shares in Hangsheng Electronics, and the Company is entitled to the right of first refusal	N/A
Assignment of responsibilities	Each of the Sellers and the Third Parties shall bear independent responsibilities, and none of them shall have any joint and several liability	Each of the Sellers shall bear independent responsibilities
Others	Definitions in the SPAs related to the Sellers and the Third Parties, together with anti-commercial bribery, dispute resolution, signing and terms of the effectiveness shall be applicable to the Third Parties	Relevant terms are only applicable to the Sellers, and shall not apply to the Third Parties

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IV. SUMMARY OF PRINCIPAL TERMS OF THE PERFORMANCE UNDERTAKING AND PROFIT COMPENSATION AGREEMENT

Date

29 June 2026

Performance Undertaking and Profit Compensation

Each of the Compensating Obligors has agreed to provide a performance undertaking to the Company regarding the net profit of Hangsheng Electronics for the years 2026 and 2027 (the “Performance Undertaking Period”) in accordance with the liability ratio set forth in the table below. Details of the undertaking are that the total audited net profit of Hangsheng Electronics during the Performance Undertaking Period shall be no less than RMB598 million. Net profit is measured as the net profit attributable to owners of the parent company on a consolidated basis, after deducting non-recurring gains and losses (but without deducting government grants included in non-recurring gains and losses).

Compensating Obligors		Liability ratio for profit compensation undertaken
1	Mr. Yang Hong (楊洪)	95.4357%
2	Mr. Yu Jie (喻傑)	1.4483%
3	Mr. Xu Shutian	0.7022%
4	Mr. Dong Li	1.0533%
5	Mr. Zou Zhengping	0.3072%
6	Mr. Qi Jie (齊捷)	0.7022%
7	Mr. Lyu Zhiji	0.3511%
Total:		100%

If the total audited net profit of Hangsheng Electronics during the Performance Undertaking Period is no less than RMB538.2 million (i.e., 90% of RMB598 million), it shall be deemed to have fulfilled the performance undertaking and will not trigger profit compensation.

If the total audited net profit of Hangsheng Electronics during the Performance Undertaking Period is less than RMB538.2 million, the Compensating Obligors shall make up the shortfall in cash according to the following calculation formula. The cash compensation shall be allocated among the Compensating Obligors based on their respective liability ratio.

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$$\begin{array}{l} \text{Total cash compensation amount} \\ \text{payable by the Compensating} \\ \text{Obligors} \end{array} = \begin{array}{l} \text{Total guaranteed net profit for the two years ending} \\ \text{at the end of the Performance Undertaking Period} \\ \text{(i.e., RMB598 million) – Total realised net profit for} \\ \text{the two years ending at the end of the Performance} \\ \text{Undertaking Period} \end{array}$$

The profit compensation shall be calculated, settled and paid according to the above formula upon the expiry of the Performance Undertaking Period, and the settlement and payment shall be completed within 6 months from the date on which the audit reports for the years 2026 and 2027 are issued. If, during the Interim Period under the SPAs, the Compensating Obligors have triggered the loss compensation and the compensation amount has actually been paid, compensation amount payable by each Compensating Obligor shall be the aforesaid amount shared in proportion to the respective liability assumed by each Compensating Obligor, minus the actual amount already paid by such Compensating Obligor in respect of the loss compensation for the Interim Period.

Over-performance Rewards

Upon the expiry of the Performance Undertaking Period, where the total audited realised net profit of Hangsheng Electronics during the Performance Undertaking Period is in excess of the total guaranteed net profit (i.e., RMB598 million), 25% of the portion of the total realised net profit of Hangsheng Electronics in excess of 125% of the total guaranteed net profit shall be awarded to the Compensating Obligors as rewards. The formula for calculating the over-performance rewards is as follows:

$$\begin{array}{l} \text{Total cash amount to be awarded} \\ \text{to the Compensating Obligors} \end{array} = \begin{array}{l} \text{(Total realised net profit at the end of the Performance} \\ \text{Undertaking Period – Total guaranteed net profit at the} \\ \text{end of the Performance Undertaking Period} \times 125\%) \\ \times 25\% \end{array}$$

The total amount of performance rewards shall not exceed 20% of the consideration of the Share Acquisition (i.e., RMB285.60 million). If the amount of the over-performance rewards based on the above formula is greater than 20% of the consideration of the Share Acquisition, the amount of the over-performance rewards = Consideration of the Share Acquisition $\times$ 20%.

The over-performance rewards shall be allocated among the Compensating Obligors based on their respective liability ratio. Such allocation shall be proposed by Mr. Yang Hong upon the expiry of the Performance Undertaking Period, and implemented upon the review and approval by the general meeting of Hangsheng Electronics. The over-performance rewards shall be paid by Hangsheng Electronics to the corresponding Compensating Obligors. The Company agrees to procure the review and approval of the resolution in relation to the over-performance reward arrangement proposal by the general meeting of Hangsheng Electronics at the meeting. Any over-performance rewards (if any) shall be charged to the current period expenses of Hangsheng Electronics during the Performance Undertaking Period.

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The over-performance rewards shall be calculated, settled and paid upon the expiry of the Performance Undertaking Period. The settlement and payment shall be completed within 6 months from the date on which the audit reports for the years 2026 and 2027 are issued and the conditions for over-performance rewards as described in the previous paragraph have been fulfilled (that is, the relevant resolution has been reviewed and approved by the general meeting of Hangsheng Electronics).

The over-performance rewards were negotiated and agreed among the parties to the Transaction on the basis of commercial principles that balance rights and obligations. The arrangement reflects the performance compensation obligations assumed by the Compensating Obligors, and the over-performance rewards represent consideration corresponding to the assumption of such obligations. As such, entitlement to the over-performance rewards is determined by reference to the relevant performance arrangements rather than the Compensating Obligors' continuing employment with, or provision of management services to, Hangsheng Electronics. Consistent with this arrangement, neither the Performance Undertaking and Profit Compensation Agreement nor the Supplemental Performance Undertaking and Profit Compensation Agreement makes any term of employment, employment period or employment status a prerequisite for, or restriction on, entitlement to the over-performance rewards.

Basis and Rationale for the Over-performance Rewards

The ratio of 25% of the portion by which the net profit actually achieved by Hangsheng Electronics exceeds 125% of the total committed net profit, to be set aside as the reward amount, was mutually agreed between the Company and the core management of Hangsheng Electronics through arm's-length market-based negotiations. According to the "Guidelines for the Application of Regulatory Rules – No. 1 of the Listing Category (《監管規則適用指引——上市類第 1 號》)", when establishing performance incentive arrangements for the counterparty, management or core technical personnel of the target assets in a major asset reorganization plan of a listed company, such incentives shall be based on the excess portion of the actual profit of the target assets over the forecasted profit. The total incentive amount shall not exceed 100% of the excess performance and shall not exceed 20% of the transaction price. The total excess performance incentive for the Transaction shall not exceed the cap of 20% of the consideration for the Transaction, which is set in accordance with the regulatory requirements on excess performance incentives under the relevant regulatory guidelines for major asset reorganizations in the A share market.

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The mechanism of adopting the lower of the two aforementioned amounts as the benchmark for the over-performance rewards serves to, on the one hand, link the amount of the over-performance rewards to the actual excess profits generated by Hangsheng Electronics, and on the other hand, impose an absolute cap on the total over-performance rewards amount, thereby controlling the overall incentive cost.

The over-performance rewards constitute a post-closing market-oriented incentive arrangement that is independent of the consideration for the Transaction. The Compensating Obligors are the core management members of Hangsheng Electronics, who will continue to be responsible for the ordinary business operations, R&D investment, customer development and supply chain management of Hangsheng Electronics following completion of the Transaction. The primary purposes of establishing the over-performance rewards are as follows:

- (1) To deeply align the personal economic interests of the core management with the long-term value growth of Hangsheng Electronics and the Company;
- (2) To incentivize the Compensating Obligors to achieve business performance that significantly surpasses the committed levels, further expand market share and operational efficiency for Hangsheng Electronics, and realise business synergies with the Company;
and

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- (3) To facilitate the retention of key personnel, and mitigate the risk of attrition of the core management team of Hangsheng Electronics following completion of the Transaction.

The over-performance rewards will be paid only when the actual cumulative net profit of the Target Company exceeds 125% of the committed net profit, and no rewards will be offered in the event of failing to reach the threshold. The Company believes that the incentive arrangement for the over-performance rewards is in line with prevailing market practices for mergers and acquisitions transactions in the PRC.

Fairness and Reasonableness of the Over-performance Rewards

Based on the calculation methodology for the over-performance rewards as set forth above, and the basis and rationale for establishing such rewards, we believe that the over-performance rewards mechanism is fair, reasonable, and in line with market practices, with analysis detailed below:

- (1) The over-performance rewards are subject to a relatively high trigger threshold (i.e., 125% of the committed net profit). The Compensating Obligors are not entitled to any rewards merely when the net profit of Hangsheng Electronics slightly exceeds the committed level during the Performance Undertaking Period. Rather, they only become eligible for the rewards when Hangsheng Electronics substantially outperforms its profit undertakings, reflecting a high performance hurdle;
- (2) The over-performance rewards are subject to a cap, which is calculated at 25% of the excess profits above 125% of the committed net profit, also being capped at 20% of the consideration for equity acquisition, with the lower of the two figures prevailing. This dual cap effectively limits the total size of the rewards and precludes the provision of unduly high over-performance rewards; and
- (3) The over-performance rewards are aligned with the performance compensation obligations of the Compensating Obligors. The beneficiaries of the over-performance rewards are limited to the core management members of Hangsheng Electronics who assume the performance compensation obligations during the Performance Undertaking Period, and do not extend to all Sellers. In the event that Hangsheng Electronics fails to meet its performance targets during the Performance Undertaking Period (i.e., if its cumulative net profit falls below 90% of the committed RMB598 million), the Compensating Obligors are required to satisfy cash compensation obligations. Conversely, if Hangsheng Electronics substantially exceeds its performance undertakings, the Compensating Obligors are entitled to receive the performance rewards. Such an arrangement materialises a two-way incentive and penalty mechanism that appropriately aligns the risks and rewards of the Compensating Obligors.

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The performance rewards are based on the over-performance results achieved by Hangsheng Electronics, and the amounts of rewards are agreed in accordance with the allocation of the excess net profit based on the fulfillment of the performance targets. While rewarding the core management of Hangsheng Electronics, the Company also gains excess returns brought by Hangsheng Electronics. Establishing excess reward is conducive to enhancing motivation for operation and management of the core management of Hangsheng Electronics, building a solid foundation for Hangsheng Electronics to reach expected or higher profitability level, and safeguarding the interests of the Company and investors.

Basis of the Performance Undertaking

According to the valuation report issued by the Independent Valuer on 24 June 2026, the forecasted net profits of Hangsheng Electronics for the years 2026 and 2027 are RMB232.09 million and RMB304.68 million, respectively, totaling RMB536.76 million. The difference between the guaranteed net profit and the forecasted net profit under the valuation is RMB61.24 million, which is primarily attributable to government grants included in non-recurring gains and losses, as detailed below:

In the forecasts of this valuation report, the forecast for other income only includes value-added tax refund upon demand and does not include a forecast for government grants. For the years 2024 and 2025, the government grants (after excluding value-added tax refund upon demand) included in other income of Hangsheng Electronics are RMB47.60 million and RMB29.17 million, respectively, totaling RMB76.78 million. These mainly comprise subsidies for the agglomeration of new energy vehicle (NEV) industry, rewards for capacity expansion and efficiency enhancement of industrial enterprises, and subsidies for R&D investment. Hangsheng Electronics' historical receipt of government grants supports the expectation that Hangsheng Electronics will continue to receive government grant income in the future, which is expected to cover the difference between the guaranteed net profit and the forecasted net profit under the valuation.

In light of the above, and based on the forecasted net profit under the valuation and the government grants included in non-recurring gains and losses for the years 2026 and 2027, the Company has set a net profit of RMB598 million as the performance target.

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Feasibility of Fulfilling the Performance Undertaking

The Directors believe that, based on the currently available information and management's assessment, the performance targets have an achievable basis. The Company's specific analysis is as follows:

1. Favourable future development trend for the industry in which Hangsheng Electronics operates

The automotive electronics industry in which Hangsheng Electronics operates is a critical segment of the automotive industry chain. Driven by the transformation toward automotive intelligence and connectivity, the industry is evolving from hardware-centric industrial products to intelligent terminals integrating software and hardware. At present, automotive electronic systems are gradually embracing the transformation of intelligence and connectivity. The application of technologies such as smart cockpits, advanced driver assistance systems and the Internet of Vehicles (IoV) are emerging as key directions for automotive electronics. In the field of intelligent driving, penetration rates of functions such as assisted driving and automatic parking are constantly increasing, while higher-level autonomous driving features are continuously being upgraded. These functions require higher-precision and higher-performance electronic components related to intelligent driving systems. At the same time, the increasingly widespread adoption of IoV and human-machine interaction technologies has led to higher demands from vehicle owners for comfort, entertainment and connectivity, driving the development of automotive electronics in the cockpit field. Smart cockpit components are gradually becoming standard configurations across various vehicle models, accelerating the functional enhancement of in-vehicle electronic systems.

The aforementioned technological transformations directly drive the continuous expansion of the automotive electronics market, and we believe that the industry in which Hangsheng Electronics operates has a favourable future development trend.

2. Sustainable customer structure and partnerships of Hangsheng Electronics, which help ensure the achievability of the Performance Undertaking

(1) Deep integration with existing Sino-foreign joint venture customers, with intelligent upgrades driving an increase in value per vehicle

Hangsheng Electronics' customers mainly include Sino-foreign joint venture automakers and NEV customers. Sino-foreign joint venture automakers typically have long supplier certification cycles, resulting in high switching costs once a supplier is admitted. Hangsheng Electronics has been deeply integrated into their supplier systems, maintains long-standing cooperation with major Sino-foreign joint venture automakers and exhibits strong business stickiness. Its supplied products cover their mainstream vehicle model platforms. Such partnerships have significant sustainability and resilience against replacement.

LETTER FROM THE BOARD

Sino-Japanese joint venture brands can serve as an example. Against the backdrop of rapidly rising NEV penetration rate and intensifying competition in automotive intelligence, Sino-Japanese joint venture brands are accelerating the implementation of their “intelligent upgrades for both fuel-powered and new energy vehicles” strategy – simultaneously upgrading intelligent configurations on both fuel-powered and new energy models to maintain market competitiveness. This strategic transformation has effectively driven the structural upgrade of Hangsheng Electronics’ supporting products: transitioning from traditional in-vehicle infotainment systems to high-computing-power cockpit domain controllers, large-size high-definition displays and intelligent driving systems, resulting in a significant increase in the value per vehicle.

(2) Continuous rise in NEV penetration rates, with NEV customers becoming a crucial incremental source of revenue growth for Hangsheng Electronics

While consolidating its traditional customer base of Sino-foreign joint venture brands, Hangsheng Electronics has actively expanded its NEV customer portfolio and has achieved significant progress. For the three years ended 31 December 2023, 2024 and 2025, as well as for the four months ended 30 April 2026 and the forecast period of the valuation report, the rapid increase in demand from NEV customers has constituted Hangsheng Electronics’ second growth curve. The continuous rise in penetration rate of NEV manufacturers has substantially driven demand for configurations such as smart cockpit solutions and intelligent driving solutions. Hangsheng Electronics’ NEV customers in China are characterized by high adoption rates and rapid technology iteration in smart cockpits, among other fields. The products supplied by Hangsheng Electronics to these customers have high value per vehicle and high technological added value. These customers represent a crucial source of revenue growth for Hangsheng Electronics during the Performance Undertaking Period.

In light of the above, for setting the performance undertaking standards, the revenue forecast is primarily based on the customer-nominated projects already secured by Hangsheng Electronics. The major customers during the Performance Undertaking Period are leading manufacturers in the automotive industry, which show no significant changes for the three years ended 31 December 2023, 2024 and 2025 and for the four months ended 30 April 2026. The stable customer structure provides a foundation for Hangsheng Electronics to achieve the forecasted revenue continuously during the Performance Undertaking Period.

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3. Satisfactory post-period operating performance

According to the financial data of Hangsheng Electronics for the period from January to April 2026, it recorded operating revenue of RMB1,330.72 million and net profit after deducting non-recurring gains and losses of RMB81.79 million. Accordingly, it achieved 35.24% of the net profit as forecasted under the valuation for the full-year 2026, indicating a generally satisfactory post-period operating performance.

In light of the above, we believe that the performance targets are set on an achievable basis.

IV.A. SUMMARY OF PRINCIPAL TERMS OF THE SUPPLEMENTAL PERFORMANCE UNDERTAKING AND PROFIT COMPENSATION AGREEMENT

On 23 September 2026, the Company entered into the Supplemental Performance Undertaking and Profit Compensation Agreement with each Compensating Obligor. The agreement sets out assessment measures relating to the collection rate of accounts receivable arising from revenue recognised by Hangsheng Electronics during the Performance Undertaking Period. It amends and supplements only the matters set out below. All other provisions of the Performance Undertaking and Profit Compensation Agreement remain in full force and effect.

The principal terms of the Supplemental Performance Undertaking and Profit Compensation Agreement are summarised below.

Date

23 September 2026

Accounts Receivable Collection Undertaking

The parties agreed that the Compensating Obligors shall give the following undertaking in respect of the collection of accounts receivable of Hangsheng Electronics during the Performance Undertaking Period. For the purposes of the Supplemental Performance Undertaking and Profit Compensation Agreement, “accounts receivable collection” includes collection by bank transfer, bills, set-off or any other form of collection.

By the end of the first financial year following the Performance Undertaking Period, being 31 December 2028, the cumulative collection ratio in respect of revenue recognised during the Performance Undertaking Period (i.e. the years 2026 and 2027) shall be no less than 90% (the “**Accounts Receivable Collection Undertaking**”).

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Cumulative collection ratio = cumulative amount collected as at the end of the first financial year following the Performance Undertaking Period in respect of revenue recognised during the Performance Undertaking Period $\div$ revenue recognised by Hangsheng Electronics during the Performance Undertaking Period $\times$ 100%

The cumulative amount collected and the revenue recognised by Hangsheng Electronics during the Performance Undertaking Period shall be determined by reference to the amounts confirmed by a review or audit conducted by an accounting firm with securities and futures industry qualifications engaged by the Company. For the avoidance of doubt, the following shall be excluded when calculating the cumulative revenue of Hangsheng Electronics during the Performance Undertaking Period: (i) long-term receivables under instalment collection projects that have not yet fallen due; and (ii) amounts that are irrecoverable owing to the lawful bankruptcy, dissolution or cancellation of the relevant debtor.

The Company shall assess whether Hangsheng Electronics has fulfilled the Accounts Receivable Collection Undertaking during the Performance Undertaking Period in accordance with the mechanism set out above.

If, by the end of the first financial year following the Performance Undertaking Period, the cumulative collection ratio in respect of revenue recognised by Hangsheng Electronics during the Performance Undertaking Period is less than 90%, the Compensating Obligors shall pay the shortfall to Hangsheng Electronics in cash. The compensation obligation for uncollected accounts receivable under the Supplemental Performance Undertaking and Profit Compensation Agreement is separate from, and may be triggered independently of, the Compensating Obligors' obligations under the Performance Undertaking and Profit Compensation Agreement. Even if the performance undertakings under the Performance Undertaking and Profit Compensation Agreement have been fulfilled or the compensation obligations thereunder have not been triggered, each Compensating Obligor shall still independently perform its compensation obligations under this section if the circumstances described above have arisen. The compensation amount shall be calculated as follows:

Accounts receivable collection compensation amount payable by the Compensating Obligors = revenue recognised by Hangsheng Electronics during the Performance Undertaking Period $\times$ 90% – cumulative amount actually collected as at the end of the first financial year following the Performance Undertaking Period in respect of revenue recognised by Hangsheng Electronics during the Performance Undertaking Period

If the Accounts Receivable Collection Undertaking is not fulfilled, the Company shall calculate the compensation amount payable by the Compensating Obligors in accordance with the formula above and notify them of the amount payable within 30 days. Each Compensating Obligor shall pay its share of the compensation amount into the account designated by Hangsheng Electronics within 30 days after receiving the Company's notice. The Compensating Obligors shall be severally, but not jointly, liable for the compensation obligations under this section in proportion to their respective profit compensation ratios under the Performance Undertaking and Profit Compensation Agreement.

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After the Compensating Obligors have paid the accounts receivable collection compensation amount in full in accordance with the mechanism above, if any of the relevant receivables are recovered within one year after the end of the first financial year following the Performance Undertaking Period (i.e. before 31 December 2029), the cumulative collection ratio and the compensation amount shall be recalculated at the end of that one-year period. After an accounting firm has conducted a special review and issued a review report, any excess of the amount already paid over the recalculated compensation amount shall be refunded to the Compensating Obligors.

The Supplemental Performance Undertaking and Profit Compensation Agreement forms an integral part of, and has the same legal effect as, the Performance Undertaking and Profit Compensation Agreement. If there is any inconsistency between the two agreements, the Supplemental Performance Undertaking and Profit Compensation Agreement shall prevail. The Performance Undertaking and Profit Compensation Agreement shall continue to apply to matters not addressed in the Supplemental Performance Undertaking and Profit Compensation Agreement.

The Supplemental Performance Undertaking and Profit Compensation Agreement shall be established upon execution by all parties and shall take effect on the date on which the Performance Undertaking and Profit Compensation Agreement takes effect. If the Performance Undertaking and Profit Compensation Agreement is terminated or rescinded, the Supplemental Performance Undertaking and Profit Compensation Agreement shall be terminated or rescinded at the same time.

V. SUMMARY OF PRINCIPAL TERMS OF THE SHARE PLEDGE AGREEMENT

Date

29 June 2026

The Pledged Shares and the Guaranteed Debts

Each Pledgor (as shown in the table below, the composition of personnel is the same as that of Compensating Obligors) has agreed to pledge its respective shares held in Hangsheng Electronics to the Company (as the pledgee) based on the number of shares as stated in the table below for the amount of cash compensation (and penalties for late payment of compensation and expenses incurred by the Company to realize creditor's rights) that each Pledgor is obligated to pay to the Company under the Performance Undertaking and Profit Compensation Agreement.

The Maximum Amount of Pledge Guarantee

The aggregate maximum guaranteed debt amount under the share pledge is RMB598 million. The Company shall be entitled to be paid in priority out of the pledged shares of the Pledgors up to such maximum guaranteed debt amount.

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The number of shares pledged and the liability ratio for the maximum amount of secured claims undertaken for each Pledgor are shown in the table below:

No.	Pledgors	Number of pledged shares	Liability ratio for the maximum amount of secured claims undertaken (i.e., RMB598 million)
1	Mr. Yang Hong	16,150,000	95.4357%
2	Mr. Yu Jie	245,087	1.4483%
3	Mr. Xu Shutian	118,829	0.7022%
4	Mr. Dong Li	178,244	1.0533%
5	Mr. Zou Zhengping	51,986	0.3072%
6	Mr. Qi Jie	118,829	0.7022%
7	Mr. Lyu Zhiji	59,415	0.3511%
Total		16,922,390	100%

V-A. SUMMARY OF PRINCIPAL TERMS OF THE SUPPLEMENTAL SHARE PLEDGE AGREEMENT

On 23 September 2026, the Company (as Pledgee) entered into the Supplemental Share Pledge Agreement with each Pledgor. The parties to the Supplemental Share Pledge Agreement are the same as those to the Share Pledge Agreement (i.e., the Company as Pledgee and the same seven Pledgors, all of whom are also the Compensating Obligors). The Supplemental Share Pledge Agreement was entered into to ensure that each Pledgor duly performs the performance undertaking and profit compensation obligations and to safeguard the performance of the principal contract, by (i) increasing the number of pledged shares and (ii) introducing a direct share set-off mechanism as an additional enforcement path. The principal terms of the Supplemental Share Pledge Agreement are summarised below.

Date

23 September 2026

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Adjustment to Pledged Shares

The number of pledged shares for each Pledgor under the Share Pledge Agreement has been increased as below, whereas the liability ratio for the maximum amount of secured claims undertaken remains unchanged:

No.	Pledgors	Number of pledged shares	Liability ratio for the maximum amount of secured claims undertaken (i.e., RMB598 million)
1	Mr. Yang Hong	23,737,401	95.4357%
2	Mr. Yu Jie	360,230	1.4483%
3	Mr. Xu Shutian	174,655	0.7022%
4	Mr. Dong Li	261,984	1.0533%
5	Mr. Zou Zhengping	76,409	0.3072%
6	Mr. Qi Jie	174,655	0.7022%
7	Mr. Lyu Zhiji	87,328	0.3511%
Total		24,872,662	100%

Direct Share Set-off Mechanism

The parties acknowledge that the Share Pledge Agreement provides that, where the principal debtor fails to perform its obligations under the principal contract, the prescribed period for determination of the secured obligations expires, or any circumstance arises under applicable laws and regulations entitling the Pledgee to enforce the pledge, the Pledgee may realise the pledged shares through auction or sale and enjoy priority in the application of the proceeds. The parties further agree that, in addition to the existing enforcement methods of auction or sale of the pledged shares, the Pledgee may elect to satisfy the secured obligations through a direct transfer of shares as an alternative enforcement mechanism. Such mechanism will constitute an additional method by which the Pledgee may realise the principal claims under the principal contract, including claims arising from the performance compensation obligations.

For the purposes of the Supplemental Share Pledge Agreement, the shares available for such direct transfer comprise all shares in the Hangsheng Electronics held directly and/or indirectly by the relevant pledgor, including both the shares already pledged under the Supplemental Share Pledge Agreement and any shares not subject to the pledge.

LETTER FROM THE BOARD

If a compensating obligor fails to fully satisfy its cash compensation obligations under the Performance Undertaking and Profit Compensation Agreement within the timeframe prescribed under the Performance Undertaking and Profit Compensation Agreement after such obligations are triggered, the Pledgee may, in respect of the outstanding amount of the unpaid obligations, elect to enforce its claims through either or both of the following means: (i) auction or sale of the pledged shares pursuant to the Share Pledge Agreement and the Supplemental Share Pledge Agreement, with priority recourse to the proceeds; and/or (ii) direct transfer to the Pledgee of all shares in the Hangsheng Electronics held directly and/or indirectly by the relevant pledgor in satisfaction of the outstanding obligations (the “**Transfer Option**”).

The Supplemental Share Pledge Agreement includes the Transfer Option of shares of Hangsheng Electronics, the exercise of which is at the discretion of the Company (as Pledgee). Pursuant to Rule 14.75(1) of the Listing Rules, only the premium (which is zero) will be considered in calculating the applicable percentage ratios in respect of the grant of the Transfer Option of Hangsheng Electronics. The Transfer Option may involve the acquisition of shares of Hangsheng Electronics. The Company will comply with Chapter 14 and Chapter 14A of the Listing Rules upon the exercise of such rights by the Company.

Where the Pledgee elects to adopt the direct share transfer mechanism, it shall deliver a written notice to the relevant pledgor within fifteen (15) Business Days after the relevant default, specifying, among other things, the amount of the outstanding obligations and the basis of calculation, the number of shares proposed to be transferred in satisfaction of such obligations and the basis of calculation, and the timeframe for completing the relevant transfer or registration procedures.

The relevant pledgor shall, within fifteen (15) Business Days after receipt of such notice, cooperate with the Pledgee in completing all necessary transfer and registration procedures in respect of the relevant shares, including the execution of any transfer documentation required for the transfer.

For the purposes of determining the number of shares to be transferred, the value of each share shall be calculated by dividing the appraised value of 100% of the equity interests in the Hangsheng Electronics for the Transaction by the total issued share capital of the Hangsheng Electronics. Based on an appraised equity value of RMB3,850.4 million and a total share capital of 320,300,000 shares, the per-share transfer price is RMB12.02.

If the per-share price appraised by a valuation institution which is recognized by all parties exceeds the aforesaid per-share transfer price (i.e. RMB12.02), the appraised per-share price shall prevail as the per-share transfer price.

If Hangsheng Electronics implements any capitalisation issue, bonus issue, rights issue, share split, share consolidation or other capital reorganisation after the valuation reference date, the per-share transfer price shall be adjusted accordingly in accordance with the applicable dilution adjustment mechanism (the adjusted per-share transfer price shall be calculated as follows: adjusted per-share transfer price = original per-share transfer price ÷ (1 + capitalisation issue or bonus issue ratio)) or such other adjustment method under relevant laws, regulations and securities regulatory requirements.

The number of shares to be transferred shall be determined by dividing the amount of the outstanding obligations by the applicable per-share transfer price.

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Any taxes, duties, transfer fees or other charges arising in connection with the transfer of shares (including, without limitation, stamp duty, transfer fees and income tax) shall be borne by the relevant parties in accordance with applicable laws and regulations.

If the transfer of all shares held by the relevant pledgor is insufficient to satisfy the outstanding obligations in full, the Pledgee shall remain entitled to seek satisfaction of the remaining outstanding amount from any other assets of the relevant pledgor until all obligations have been discharged in full.

The Supplemental Share Pledge Agreement forms an integral part of the Share Pledge Agreement and has the same legal effect as the Share Pledge Agreement. In the event of any inconsistency, the Supplemental Share Pledge Agreement shall prevail. Matters not expressly provided for in the Supplemental Share Pledge Agreement shall continue to be governed by the Share Pledge Agreement.

The Supplemental Share Pledge Agreement shall be established upon execution by all parties and shall take effect on the date on which the Share Pledge Agreement becomes effective. If the Share Pledge Agreement is terminated or rescinded, the Supplemental Share Pledge Agreement shall automatically terminate or be rescinded accordingly.

Illustration of Direct Share Set-off Mechanism

For illustration purposes only, an example is set out below:

Pursuant to the Performance Undertaking and Profit Compensation Agreement, the aggregate committed net profit for the performance commitment period amounts to RMB598.00 million. Assuming the actual aggregate realized net profit is RMB498.00 million, which is less than RMB538.20 million (i.e. 90% of RMB598.00 million), thereby triggering the performance compensation obligation of the Compensating Obligor, with an aggregate compensation payable of RMB100.00 million.

If any Compensating Obligor fails to fully discharge his cash compensation obligation when due and the Company elects to accept transfer of Hangsheng Electronics shares as compensation, each Compensating Obligor shall settle his respective allocated compensation obligation, with the number of shares required for compensation calculated separately for each Compensating Obligor.

In that event, the Company or any Compensating Obligor may request a valuation of the shares of Hangsheng Electronics, which shall be conducted by a valuation institution jointly recognized by the Company and the Compensating Obligor.

If the appraised per-share price at the relevant time does not exceed RMB12.02 per share (e.g. RMB11), the per-share transfer price for calculating the amount of Hangsheng Electronics shares to be transferred shall be RMB12.02 per share. If the appraised per-share price at the relevant time exceeds RMB12.02 per share, the per-share transfer price for calculating the amount of Hangsheng Electronics shares to be transferred shall be the appraised per share price (e.g. RMB13).

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Assuming the total amount of compensation is RMB100.00 million, and assuming the per share price for Hangsheng Electronics shares is RMB12.02 or RMB13 for the purpose of calculating the number of Hangsheng Electronics shares for satisfying the compensation obligation, the corresponding obligation for each Compensating Obligor is as below:

No.	Compensation Obligor	Profit-sharing Compensation Liability Ratio	Compensation Amount for each Compensating Obligor (RMB'000)	Number of Hangsheng Electronics Shares for Compensation Assuming No Cash Compensation (assuming the price per share is RMB12.02)	Number of Hangsheng Electronics Shares for Compensation Assuming No Cash Compensation (assuming the price per share is RMB13.00)
1	Mr. Yang Hong	95.4357%	95,435.70	7,939,742	7,341,207
2	Mr. Yu Jie	1.4483%	1,448.30	120,490	111,407
3	Mr. Xu Shutian	0.7022%	702.20	58,419	54,015
4	Mr. Dong Li	1.0533%	1,053.30	87,628	81,023
5	Mr. Zou Zhengping	0.3072%	307.20	25,557	23,630
6	Mr. Qi Jie	0.7022%	702.20	58,419	54,015
7	Mr. Lyu Zhiji	0.3511%	351.10	29,209	27,007
Total		100%	100,000.00	8,319,464	7,692,304

VI. SUMMARY OF PRINCIPAL TERMS OF THE ACTING IN CONCERT AGREEMENT

Date

29 June 2026

Acting in Concert Arrangement

Each Concert Party (namely: Mr. Yang Hong, Shenzhen Bohuahang Investment Partners Enterprise (Limited Partnership)* (深圳市博華航投資合夥企業(有限合夥)), Shenzhen Bohua Hangzhi Investment Partners Enterprise (Limited Partnership)* (深圳市博華航致投資合夥企業(有限合夥)), Shenzhen Bohua Shengjing Investment Partners Enterprise (Limited Partnership)* (深圳市博華盛敬投資合夥企業(有限合夥)), Mr. Yu Jie, Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping, Mr. Qi Jie and Mr. Lyu Zhiji) agrees that, as shareholders of Hangsheng Electronics, they shall unconditionally act in concert with the Company when making decisions on, voting on or implementing matters that may impact on the production and operation of Hangsheng Electronics, and shall exercise their shareholder rights and votes in accordance with the Company's decisions.

Without the Company's written consent, no Concert Party may transfer, sell, donate or entrust the shares held by it, nor may it take concerted action or enter into a similar contract with any other third party in respect of the matters agreed in the Acting in Concert Agreement, or authorize any third party to exercise its shareholder rights and interests in any manner.

LETTER FROM THE BOARD

Term

The Acting in Concert Agreement shall take effect from the date on which the SPAs become effective and shall terminate when the Company acquires 51% or more of the equity interests in Hangsheng Electronics, or accepts the transfer of all the shares held by each Concert Party, whichever is earlier.

If any Concert Party ceases to be a shareholder of Hangsheng Electronics, the Acting in Concert Agreement will no longer be binding on such Concert Party, but shall remain valid for the remaining Concert Parties. There is no default expiry date or long stop date arrangement under the Acting in Concert Agreement.

VI.A. SUMMARY OF PRINCIPAL TERMS OF THE SUPPLEMENTAL ACTING IN CONCERT AGREEMENT

On 23 September 2026, the Company entered into the Supplemental Acting in Concert Agreement with each Concert Party and Hangsheng Electronics. The parties to the Supplemental Acting in Concert Agreement are the same as those to the Acting in Concert Agreement, except that Hangsheng Electronics has acceded as an additional contracting party. The Supplemental Acting in Concert Agreement was entered into to further strengthen the acting in concert arrangements among the parties, facilitate the efficient decision-making and governance of Hangsheng Electronics and safeguard the stability of the Company's control over Hangsheng Electronics following Completion.

Date

23 September 2026

Supplemental acting in concert arrangements

Under the Supplemental Acting in Concert Agreement, each Concert Party further undertakes that, when exercising its shareholder rights in Hangsheng Electronics, it shall strictly act in accordance with the Company's voting opinions. Where a Concert Party attends a shareholders' meeting of Hangsheng Electronics in person, it shall exercise its voting rights in accordance with the Company's voting instructions. Where a Concert Party does not attend a shareholders' meeting in person, it shall irrevocably authorise the Company to attend the meeting and exercise all corresponding voting rights on its behalf in accordance with the Company's voting opinions.

LETTER FROM THE BOARD

The parties further agreed that no Concert Party may circumvent its obligations under the Acting in Concert Agreement or the Supplemental Acting in Concert Agreement by waiving its right to vote, casting an abstention vote or deliberately absenting itself from a shareholders' meeting of Hangsheng Electronics. If a Concert Party is absent from a shareholders' meeting without justifiable reason and has failed to authorise the Company to exercise voting rights on its behalf, such Concert Party shall be deemed to have materially breached its obligations and to have consented to the Company exercising all corresponding voting rights attached to its shares in accordance with the Company's voting opinions. In such circumstances, the Company shall be entitled to execute the relevant meeting documents on behalf of the absent Concert Party, and Hangsheng Electronics shall record and count the votes of such Concert Party in accordance with the Company's voting opinions. Similarly, where a Concert Party attends a shareholders' meeting but fails to vote in accordance with the Company's voting opinions in breach of the Acting in Concert Agreement or the Supplemental Acting in Concert Agreement, such Concert Party shall be deemed to have materially breached its obligations and Hangsheng Electronics shall unconditionally record and count the votes of such Concert Party in accordance with the Company's voting opinions.

The parties also acknowledged and agreed that the Acting in Concert Agreement and the Supplemental Acting in Concert Agreement constitute bilateral commercial contracts entered into in connection with the Transaction and do not constitute gratuitous or unilateral voting proxy arrangements or principal-agent relationships, and Article 933 of the Civil Code of the PRC concerning the right to terminate an entrustment contract at will is not applicable. Accordingly, at no time may any Concert Party unilaterally terminate or repudiate the Acting in Concert Agreement or the Supplemental Acting in Concert Agreement or exercise any right to terminate at will.

Hangsheng Electronics has acceded to the Acting in Concert Agreement as a contracting party and agrees to be bound by its terms. The Supplemental Acting in Concert Agreement forms an integral part of the Acting in Concert Agreement and has the same legal effect. It shall take effect simultaneously with, and shall terminate together with, the Acting in Concert Agreement. In the event of any inconsistency between the two agreements, the Supplemental Acting in Concert Agreement shall prevail. Matters not addressed in the Supplemental Acting in Concert Agreement shall continue to be governed by the Acting in Concert Agreement.

The Company confirms that aside from the Acting in Concert Agreement and the Supplemental Acting in Concert Agreement, there is no other acting in concert arrangement between the Company and the senior management of Hangsheng Electronics.

LETTER FROM THE BOARD

Protection of the Company's Interests under the Acting in Concert Agreement

At the contractual level, the Acting in Concert Agreement has no fixed expiry date, is irrevocable and may not be unilaterally terminated by any Concert Party. Without the prior written consent of the Company, no Concert Party may transfer, sell, donate or entrust any other person with the management of its shares in Hangsheng Electronics, nor pledge such shares or create any other encumbrance over them. Any party in breach shall be liable for damages for breach of contract.

At the internal control level, the Company intends to safeguard its interests under the Acting in Concert Agreement through the following measures, including but not limited to continuously monitoring changes in the shareholdings of the Concert Parties by way of periodic reviews of the register of members of Hangsheng Electronics, regular reporting by Hangsheng Electronics on shareholding changes and information on pledges, share freezes or other restrictions of rights, cross-checking against business registration and publicly available information, and appointing a majority of the directors of Hangsheng Electronics (subject to the approval of the shareholders' meeting of Hangsheng Electronics), so as to ensure the due performance of the Acting in Concert Agreement and to prevent the aggregate percentage of the Company's direct shareholding and voting rights controlled through the Acting in Concert Agreement from falling below 50%.

In the event that a Concert Party sells its shares in breach of the Acting in Concert Agreement, the Company will: (i) send written notices to the defaulting Concert Party and the transferee, asserting that the relevant transfer breaches the Acting in Concert Agreement and requiring the suspension of the transaction and the share transfer procedures; (ii) take necessary legal measures, and/or require Hangsheng Electronics to take necessary legal measures in accordance with the Acting in Concert Agreement, such as claiming damages and requiring continued performance; (iii) consider increasing its shareholding in the Hangsheng Electronics to maintain its direct shareholding percentage, or the aggregate percentage of its direct shareholding and voting rights controlled through the acting in concert arrangements, at 50% or above; and (iv) seek to enter into new acting in concert arrangements with other shareholders to fill any voting rights gap (if necessary).

Under the articles of association of Hangsheng Electronics, shareholders' resolutions are passed by way of ordinary or special resolutions. Ordinary resolutions require approval by shareholders present at the meeting representing more than 50% of the voting rights, while special resolutions require approval by shareholders present at the meeting representing more than two-thirds of the voting rights. Upon completion of the Transaction, the Company is expected to hold 37.16% of the shares of Hangsheng Electronics and will therefore have a veto right over any amendment to the articles of association of Hangsheng Electronics and other matters requiring a special resolution.

For Hangsheng Electronics, matters requiring an ordinary resolution include:

- (1) reports of the board of directors and the board of supervisors;
- (2) profit distribution and loss recovery plans proposed by the board of directors;

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- (3) appointment and removal of directors and supervisors and their remuneration;
- (4) annual reports;
- (5) appointment and removal of accounting firms; and
- (6) other matters not required by applicable laws and regulations or the articles of association of Hangsheng Electronics to be approved by special resolution.

Matters requiring a special resolution for Hangsheng Electronics principally include matters prescribed under the Company Law of the PRC, such as any increase or decrease of registered capital, division, spin-off, merger, dissolution or change of corporate form, and amendments to the articles of association, as well as other matters having a material impact on Hangsheng Electronics, including major asset acquisitions or disposals and guarantees, issuance of shares, spin-off and listing of subsidiaries, equity incentive schemes, capital reduction and share repurchases, and material asset restructurings.

In particular, any amendment to the articles of association of Hangsheng Electronics requires approval by shareholders present at the meeting representing more than two-thirds of the voting rights. Upon completion of the Transaction, the Company will hold a 37.16% equity interest in Hangsheng Electronics and will therefore have a veto right over any amendment to its articles of association and other matters requiring a special resolution.

LETTER FROM THE BOARD

VII. THE TRANSACTION WILL NOT BE FUNDED BY THE PROCEEDS RAISED FROM THE COMPANY'S H SHARE LISTING

The Transaction will not be funded by the proceeds raised from the Company's H Share listing. Taking into account the Company's current asset scale, its own fund position and business development needs, it is intended that the funds required for this acquisition will be raised through a combination of "own funds excluding proceeds raised from the H Share listing + acquisition loans", with 30% of the funds for the Acquisition (i.e., RMB428.4 million) to be derived from the Company's own funds, and the remaining 70% (i.e., RMB999.6 million) to be financed by the acquisition loans secured by the Company from banks. Meanwhile, the Company is approaching banks to obtain acquisition loans. Currently, the Company has obtained the Letter of Intent for Loan issued by China Merchants Bank Co., Ltd., China CITIC Bank Corporation Limited, and Industrial and Commercial Bank of China Limited, respectively, for the acquisition loan of the Transaction. The final loan amount, term, interest rate, and other specific details shall be subject to the contract subsequently signed with banks. Combining its own funds and external financing arrangements, the Company is able to effectively cover the consideration for the Transaction, and the financing plan has fully taken into account the working capital requirements for daily operations as well as the minimum cash balance.

VIII. REASONS FOR AND BENEFITS OF THE TRANSACTION

Hangsheng Electronics became a customer of the Company in 2024 and remains a customer of the Company. Hangsheng Electronics primarily purchases module products from the Company. The acquisition by the Company of an aggregate of 37.16% of the equity interests in Hangsheng Electronics from each of the Sellers will expand the Company's product portfolio in the automotive electronics sector and broaden its business positioning, enable vertical software-hardware integration under the model of "communication modules + automotive electronic systems," facilitate the Company's transformation from an in-vehicle communication module supplier into a full-stack automotive electronics solutions provider, allow it to capture the development trends of electrification, intelligentization and connectivity in the automotive industry, and enhance the Company's overall competitiveness.

LETTER FROM THE BOARD

Industry Background of the Transaction and the Company's Transformation

1. The industry development trends of automotive electrification, intelligence and connectivity are accelerating the Company's layout in the automotive electronics sector

The global automotive industry is undergoing profound transformation from traditional internal combustion engine vehicles to electrification, intelligence and connectivity. The continuous advancement of vehicle electrification provides a solid foundation and underlying support for the implementation and large-scale application of automotive connectivity and intelligence technologies, offering a basis for the deployment and coordinated operation of intelligent functions such as intelligent driving, smart cockpit and vehicle connectivity. Intelligence and connectivity have become the core carriers for vehicle manufacturers to build differentiated competitiveness. The proportion of automotive electronics in overall vehicle manufacturing costs continues to rise. The Company has been deeply involved in in-vehicle wireless communication modules for many years and has established a core product matrix and technical services covering in-vehicle wireless communication modules, smart cockpit modules, and cockpit-network integration platforms in the intelligent vehicle field, providing key core components to downstream automotive electronic system integrators. There is an upstream-downstream relationship between the Company and Hangsheng Electronics. For example, the Company's smart cockpit modules as upstream products serve as key components of smart cockpit solutions as downstream products. We believe that by integrating downstream companies in the industry chain, the Company can achieve a strategic transformation from an in-vehicle communication module supplier to a full-stack automotive electronic solution provider, capturing the development trends of automotive industry electrification, intelligence, and connectivity, and continuously enhancing the Company's comprehensive competitiveness.

2. The automotive industry is a pillar industry of China, underpinning the nation's broader strategic positioning

The automotive industry has gradually developed into a pillar industry with significant influence on China's national economy, shouldering the important mission of building a manufacturing powerhouse. It is not only related to industrial upgrading, but also to the comprehensive enhancement of national competitiveness. According to data from the China Association of Automobile Manufacturers, China has been the world's largest automobile exporter for three consecutive years from 2023 to 2025, marking its important role in leading the transformation and upgrading of the global automotive industry. With the rapid development and profound changes in China's automotive industry, Chinese domestic automotive electronic enterprises have gradually achieved breakthroughs in core technologies and upgrades in product performance. In recent years, in multiple automotive electronics fields such as smart cockpit, intelligent driving and body control, domestic enterprises have gradually entered the supply chain systems of international and domestic mainstream vehicle manufacturers by leveraging fast customer response capabilities, localized R&D adaptation abilities, stable large-scale delivery capabilities and cost advantages. Meanwhile, against the backdrop of increasingly urgent demand for self-reliance and control over supply chains among domestic vehicle manufacturers, the pace of domestic substitution continues to accelerate, bringing significant market development opportunities for local automotive electronics enterprises.

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Reasons for Conducting the Transaction at This Stage

The Company is a leading provider of wireless communication modules. Based on its module products and deep understanding of downstream application scenarios, the Company provides customers with edge AI solutions, robotics solutions, and other solutions, with main application scenarios covering automotive electronics, smart homes, consumer electronics, smart retail, low-altitude economy, and robotics, among others. With the intelligent development of automobiles, automotive electronics is becoming one of the key application fields of edge AI technology and solutions, and the Company's AI modules and edge AI solutions have also covered automotive electronics applications. The Transaction will help the Company promote the product integration, optimization, and commercial application of its module products and edge AI solutions in the automotive electronics sector, which is highly consistent with its established development strategy of upgrading existing products and technologies, expanding edge AI applications, and expanding its business landscape through investments and acquisitions.

As the automotive industry continues to develop towards electrification, intelligence, and connectivity, the degree of integration of automotive electronic systems such as smart cockpits and smart driving continues to increase, and automotive OEMs place higher requirements on suppliers' comprehensive capabilities in terms of coordinated software and hardware development, system integration, rapid iteration, and large-scale delivery. In order to timely and effectively capture the window of opportunity presented by the aforementioned industry development trends, the Company plans to improve its system-level automotive electronic products and comprehensive delivery capabilities through the Transaction, thereby accelerating the consolidation and enhancement of its market competitiveness.

The Company started to conduct the Transaction after the listing of its H shares. High-quality acquisition targets and suitable transaction windows are scarce, and acquisition targets that possess aligned business directions, complementary capabilities, sound operating foundations, and mature transaction windows are relatively limited. Hangsheng Electronics has established comprehensive product, technology, and mass-production capabilities in fields such as smart cockpits, smart driving, and automotive acoustics, which generate synergies with the Company's existing automotive electronics business. Following continuous communication and negotiation, the parties to the transaction believe that the commercial foundation and implementation conditions for advancing the Transaction at this stage are already in place.

Based on the above factors, the Company believes that the current juncture is a suitable time to seize the opportunity of this strategic acquisition and accelerate the improvement of its business layout in automotive electronics.

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Detailed Information on the Company's Existing Automotive-Related Business

The Company has built a core product matrix and technical services covering in-vehicle wireless communication modules, smart cockpit modules, and cockpit-network integration platforms in the smart vehicle field, and continues to advance the layout of products and solutions around the automotive electronics sector. In terms of specific application scenarios, the Company's automotive electronics-related products and solutions are mainly applied in fields such as in-vehicle infotainment (IVI) systems, in-vehicle telematics control unit (T-box), cellular vehicle-to-everything (C-V2X), and advanced driver assistance systems (ADAS). In recent years, the Company's automotive-related business has continuously advanced product iterations focusing on 5G Internet of Vehicles (IoV) and smart cockpits, and has deployed IoV products and solutions spanning from inside to outside vehicles and from cellular to satellite communications, while continuously promoting the application of large AI models in 5G and smart cockpit-related solutions.

In terms of revenue contribution, for 2023, 2024, 2025, the four months ended 30 April 2026 and the six months ended 30 June 2026, the Company's automotive electronics revenue accounted for 44.7%, 35.9%, 18.0%, 23.6%, and 25.3% of the Group's total revenue, respectively. Excluding the revenue from the overseas in-vehicle front-fit wireless communication business operated under LINK FUTURE WIRELESS (H.K.) LIMITED (formerly known as Rolling Wireless (H.K.) Limited) and Rolling Wireless S.à r.l., which were disposed of by the Company in July 2024, the Company's automotive electronics revenue as a percentage of the Group's total revenue during the corresponding periods was 24.5%, 24.7%, 18.0%, 23.6%, and 25.3%, respectively.

Specifically, it is expected that the Transaction will benefit the Company through the following:

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(1) Product value chain extension and transition from Tier 2 to Tier 1 system-level supplier of the Company

The Company has established a core product portfolio and technical services in the intelligent automotive sector that encompass in-vehicle wireless communication modules, smart cockpit modules and cockpit-network integration platforms; these automotive-grade module products are standardised functional modules that feature automotive-grade main control chips as their core, integrating hardware units (such as high-speed memory, peripheral interfaces and power management) with underlying driver software, and have been validated for automotive-grade reliability, providing critical core components for Hangsheng Electronics' automotive electronic products, including its smart cockpit solutions. Hangsheng Electronics is principally engaged in the R&D and design, production and sales of automotive electronic products. It is a leading domestic provider of automotive electronic system solutions and possesses comprehensive hardware and software development capabilities and mass production experience in areas such as smart cockpits. Through the Transaction, the Company can effectively expand the automotive electronic product portfolio, advance in its automotive business from a single communication module to complete system integration products, enable vertical software and hardware integration under the model of "communication modules + automotive electronic systems", and gain the capability to deliver self-developed system-level products directly to OEMs. These will enable the Company to upgrade from a Tier 2 supplier to a Tier 1 supplier, significantly enhancing its contribution to product value and its comprehensive service capabilities.

(2) Leveraging business synergies between the Company and Hangsheng Electronics to achieve complementary advantages and mutual benefits

The Transaction represents a crucial step in implementing the Company's development strategy and business positioning. By integrating the resources of Hangsheng Electronics, the Company will transform itself from an in-vehicle communication module supplier into a full-stack automotive electronics solutions provider, achieving deep synergy with the Target Company in areas such as main products, industry resources, globalization strategy, R&D technology, as well as production and operation management, thereby effectively leveraging complementary resource strengths. This initiative will enable the Company to accurately capture the development trends of electrification, intelligentization and connectivity in the automotive industry, continuously enhance its overall competitiveness, and further consolidate its leading position in the automotive electronics industry.

(3) Enhancing the Company's sustainability and profitability and safeguarding the interests of all shareholders

Upon Acquisition Completion, the Company will become the controlling shareholder of Hangsheng Electronics, whose financial results will be consolidated into the Company's financial statements. This will help further enhance the Company's sustainable earning capability, improve its profitability, increase shareholder returns, help maximize shareholder value, and safeguard the interests of the Company and its minority shareholders.

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In terms of the business synergies resulting from the Transaction, Hangsheng Electronics will become a controlled subsidiary of the Company upon the Transaction, which we believe will enable the Company to transform from a supplier of in-vehicle communication module to a provider of full-stack automotive electronic solutions, and generate significant synergies between the Company and Hangsheng Electronics in terms of products, technologies, and the procurement, production, and sales processes, thereby effectively leveraging complementary resource strengths. The specific synergies are as follows:

Product synergy

The Company and Hangsheng Electronics are positioned upstream and downstream in the automotive electronics industry chain. The Company has established a core product matrix and technical services covering in-vehicle wireless communication modules, smart cockpit modules, and cockpit-network integration platforms in the intelligent vehicle field. These automotive-grade module products are standardised functional modules that feature automotive-grade main control chips as their core, integrating hardware units (such as high-speed memory, peripheral interfaces and power management) with underlying driver software, and have been validated for automotive-grade reliability, providing critical core components for Hangsheng Electronics' automotive electronic products, including its smart cockpit solutions. The products of both parties exhibit a high degree of synergy.

In terms of collaborative development of new products, both parties rely on their respective technological accumulations and practical experience in industrial application. Through deep integration of product development and technological advantages, it is believed that iterative optimization of existing products and joint exploration of new products can be achieved.

Technical synergy

The Company possesses leading core technologies in the fields of automotive-grade smart cockpit modules, 5G/V2X IoV communication and IoT solutions. It has innovatively launched multiple connectivity + cockpit products and solutions. Hangsheng Electronics has profound technical expertise and vehicle-level verification capabilities in the fields of smart cockpit and intelligent driving domain controller architecture, software and hardware engineering.

The technical capabilities of both parties share a common foundation and exhibit a high degree of complementary synergy. On the one hand, both parties have products developed based on mainstream chip platforms such as Qualcomm. At the board-level underlying software (BSP/system software) level, the technical stacks of both parties overlap and are similar, presenting opportunities for joint research and development integration and avoiding redundant development. It is believed that both parties can achieve coordination and sharing in chip platform licensing fees, underlying software, and toolchain investment, avoiding repeated expenses and reducing development costs. On the other hand, the Company's technical expertise at the chip board level and Hangsheng Electronics' technical strengths at the automotive electronic system platform level are highly complementary and can be deeply integrated. Against the backdrop of the industry trend towards

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the centralisation of automotive electronic and electrical architectures, such integration is expected to significantly enhance product integration, reduce system costs and shorten development cycles, while enabling the enlarged group to respond swiftly to OEM customers' full-scenario demands for intelligent and connected vehicle solutions, thereby building a full-stack core competitive advantage.

Production synergy

The core manufacturing process of the Company's module products is the SMT process (SMT stands for surface mount technology, which refers to the process of precisely mounting packaged chips and other electronic components onto printed circuit boards), which is identical to one of the manufacturing processes of Hangsheng Electronics' existing automotive parts products. The Company can further enhance production synergy efficiency, full-process quality control capability, and market response speed through the centralization of production processes, thereby systematically strengthening the overall competitiveness of its automotive electronic products in terms of cost and efficiency. Both parties can draw on each other's intelligent manufacturing experience and quality management systems, and engage in exchanges and cooperation in production processes, production line layout, quality control, lean production, and other aspects to improve production capacity utilization efficiency and product quality consistency.

Procurement synergy

Both the Company and Hangsheng Electronics are involved in the electronic manufacturing industry chain, with core raw materials (such as processors, computing chips, storage, power management ICs, and other electronic components) overlapping. After the completion of the Transaction, both parties can coordinate the procurement plans for related key raw materials. We believe that joint procurement can expand the procurement scale, enhance bargaining power with upstream suppliers, and reduce procurement costs per unit. Relying on the Company's mature supply chain management system and domestic and international supplier resources, both parties can optimize the supplier structure, ensure supply chain security and stability, and enhance delivery capabilities.

Sales process synergy

Hangsheng Electronics has been deeply involved in the automotive electronics field for over three decades, with its major customers being leading OEMs in the automotive industry both domestically and internationally, boasting a high-quality and diversified customer base. The Company's automotive electronics customers are primarily domestic independent brands, while Hangsheng Electronics' customers are mainly international joint venture brands. Through the integration, the Company believes that it can leverage Hangsheng Electronics' global customer network to introduce our products into the supply chains of mainstream global automakers. At the same time, both parties can share sales channels and customer resources, helping each other to comprehensively explore customer value. Starting from the overall application scenarios of OEM customers, both parties can fully explore potential demand, provide customers with a richer product portfolio and supporting solutions, and achieve horizontal expansion in overall business scale and customer service capabilities.

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Impact of the Transaction on the Group's Business

In terms of the principal business of the Company, upon completion of the Transaction, the Company's existing business will continue to be conducted normally. Through the Transaction, the Company believes it can effectively expand its automotive electronics product matrix by adding system-level products and solutions such as smart cockpits, smart driving, and automotive acoustics, thereby extending its product range from module products to complete system-integrated products.

In terms of business model, building on its existing R&D and delivery capabilities for module products and solutions, the Company will further add development, manufacturing, and direct delivery capabilities targeting vehicle manufacturer customers for system-level products and solutions, significantly enhancing the Company's comprehensive service capability.

In terms of industry layout, upon completion of the Transaction, the importance of the automotive electronics business in the Group's overall business will be further enhanced. Meanwhile, the Company's business in existing application fields such as smart home, consumer electronics, and smart retail will continue to advance, with the overall downstream application layout moving towards diversified development.

In terms of revenue composition, with the consolidation of Hangsheng Electronics into the consolidated financial statements of the Group, the overall revenue scale of the Group will be further expanded, and the proportion of revenue from automotive electronics-related business in the Group's overall revenue is expected to be significantly increased.

Assessment of the Transaction by the Board

In terms of the principal business of the Company, prior to the Transaction, automotive electronics was already an important business area of the Company. Upon completion of the Transaction, the Company will add relevant R&D, production, and delivery capabilities for system-level products and solutions such as smart cockpits, smart driving, and automotive acoustics on top of its original automotive electronics business, representing an expansion of product scope and deepening of business capabilities on the basis of the original business. Therefore, the Board believes that the Transaction will not result in a fundamental change in the Group's business.

In terms of the Company's business objectives, the Company's development strategy includes continuing to cultivate the field of wireless communication modules, increasing investment in edge AI solutions and robotics solutions, and further expanding its business landscape through investments and acquisitions. The Transaction will promote the integration and application of the Company's existing module products and edge AI solutions with system-level automotive electronic products and capabilities, further supporting the Company's business development in module products and edge AI solutions, which is also in line with the Company's strategy to expand technologies, assets, and businesses that have complementary or synergistic effects with its existing business through investments and acquisitions. Therefore, the Board believes that the Transaction is in line with the business objectives and development strategies set out in the prospectus of the Company for its H-share listing.

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The Board is of the opinion that the Transaction is on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IX. SUMMARY OF RESOLUTIONS TO BE PROPOSED FOR APPROVAL AT THE EGM

A. Resolution in relation to the Company satisfying conditions for a material asset reorganisation

According to the “Administrative Measures for Major Asset Reorganizations of Listed Companies”, the Transaction constitutes a major asset reorganisation.

Based on the provisions and requirements of laws, regulations and regulatory documents such as the “Company Law of the People’s Republic of China”, the “Securities Law of the People’s Republic of China”, the “Administrative Measures for Major Asset Reorganizations of Listed Companies”, the “Measures for Supervising State-owned Shares in Listed Companies” and the “Regulatory Guidelines for Listed Companies No. 9 – Regulatory Requirements for Listed Companies Planning and Implementing Major Asset Reorganizations”, and after careful self-inspection and verification of the Company’s actual situation and related matters, the Transaction complies with all requirements and conditions stipulated in the aforementioned relevant laws, regulations, departmental rules and regulatory documents, and the Transaction meets the conditions for a major asset reorganisation.

B. Resolution in relation to the plan of material asset acquisition of the Company (each sub-resolution will be voted on separately)

According to laws and regulations of the PRC, the Company has prepared the “resolution in relation to the plan of material asset acquisition of the Company”, which sets out the main terms of the Transaction, the Independent Valuer’s valuation of Hangsheng Electronics, the sources of funds for the Transaction, etc.

A summary of the main terms of the Transaction is set out in sections headed “III. Summary of Principal Terms of SPAs”, “IV. Summary of Principal Terms of the Performance Undertaking and Profit Compensation Agreement”, “V. Summary of Principal Terms of the Share Pledge Agreement”, “VI. Summary of Principal Terms of the Acting in Concert Agreement”, “IV-A. Summary of Principal Terms of the Supplemental Performance Undertaking and Profit Compensation Agreement”, “V-A. Summary of Principal Terms of the Supplemental Share Pledge Agreement” and “VI-A. Summary of Principal Terms of the Supplemental Acting in Concert Agreement” above in this circular. The Independent Valuer’s valuation of Hangsheng Electronics is set out in “Appendix V – Summary and Further Explanations of the Asset Valuation Report of the Hangsheng Electronics Group” in this circular. The sources of funds for the Transaction are set out in “VII. The Transaction Will Not Be Funded by the Proceeds Raised from the Company’s Listing on the Hong Kong Stock Exchange”.

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The validity period of the resolution for the Transaction shall be 12 months from the date of approval by the Company's EGM. If the Transaction has not been completed within such validity period, the validity period of the resolution shall be automatically extended until the completion date of the Transaction.

C. Resolution in relation to the material asset acquisition of the Company not constituting a connected transaction

According to the relevant provisions of laws, regulations and regulatory documents such as the "Company Law of the People's Republic of China", the "Securities Law of the People's Republic of China", the "Administrative Measures for Major Asset Reorganizations of Listed Companies", the "Regulatory Guidelines for Listed Companies No. 9 – Regulatory Requirements for Listed Companies Planning and Implementing Major Asset Reorganizations" and the "Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange", the counterparties to the Transaction have no connected relationship with the Company, and the Transaction does not constitute a connected transaction of the Company, under laws and regulations of the PRC.

For the avoidance of doubt, the Transaction also does not constitute a connected transaction of the Company under the Hong Kong Listing Rules.

D. Resolution on the Report of Material Asset Acquisition (Draft) (Revised Edition) of Fibocom Wireless Inc. and its summary

According to the relevant provisions of laws, regulations and regulatory documents such as the "Securities Law of the People's Republic of China", the "Administrative Measures for Major Asset Reorganizations of Listed Companies," and the "Guidelines No. 26 on the Content and Format of Information Disclosure by Companies Offering Securities to the Public – Major Assets Reorganization of Listed Companies (2025 Revision)," and in combination with the specific circumstances of the Company, the updates of relevant financial data involved in the Transaction and the relevant requirements set out in the enquiry letter from Shenzhen Stock Exchange, the Company has prepared the "Report of Material Asset Acquisition (Draft) (Revised Edition) of Fibocom Wireless Inc". and its summary.

The Chinese version of the "Report of Material Asset Acquisition (Draft) (Revised Edition) of Fibocom Wireless Inc". and its summary is published on the website of the Shenzhen Stock Exchange and will be included in the overseas regulatory announcement to be published by the Company on the Stock Exchange website on the date of issuance of this circular.

E. Resolution in relation to the execution of the Share Transfer Contracts, the Acting in Concert Agreement, the Performance Undertaking and Profit Compensation Agreement and the Share Pledge Agreements in connection with the maximum debt limit, each subject to conditions precedent

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A summary of the principal terms of each agreement under this resolution is respectively set out in sections headed “III. Summary of Principal Terms of the SPAs”, “IV. Summary of Principal Terms of the Performance Undertaking and Profit Compensation Agreement”, “V. Summary of Principal Terms of the Share Pledge Agreement” and “VI. Summary of Principal Terms of the Acting in Concert Agreement” above in this circular.

F. Resolution in relation to the execution of the Supplemental Performance Undertaking and Profit Compensation Agreement, the Supplemental Acting in Concert Agreement and the Supplemental Share Pledge Agreements in connection with the maximum debt limit, each subject to conditions precedent

A summary of the principal terms of each agreement under this resolution is respectively set out in sections headed “IV-A. Summary of Principal Terms of the Supplemental Performance Undertaking and Profit Compensation Agreement”, “V-A. Summary of Principal Terms of the Supplemental Share Pledge Agreement” and “VI-A. Summary of Principal Terms of the Supplemental Acting in Concert Agreement” above in this circular.

G. Resolution in relation to the reorganisation of the Company not constituting a reorganization and listing under Article 13 of the Administrative Measures for the Material Asset Reorganizations of Listed Companies

The Transaction is a cash acquisition, and the Company’s controlling shareholder(s) and actual controller(s) remain unchanged before and after the completion of the transaction. Therefore, the Transaction will not result in any change of control of the Company and does not constitute a transaction stipulated in Article 13 of the Administrative Measures for the Material Asset Reorganizations of Listed Companies (i.e., does not constitute a reorganization and listing under this article).

H. Resolution in relation to the fluctuations in the share price of the Company before announcement of the reorganisation

During the 20 trading days on the Shenzhen Stock Exchange prior to the announcement of the Transaction information, after eliminating the impact of the overall A share market and the A share industry sector, the cumulative fluctuation of the Company’s A share price during the 20 trading days on the Shenzhen Stock Exchange prior to the announcement of the Transaction’s information did not reach the 20% threshold, and there was no abnormal fluctuation.

I. Resolution in relation to the Company’s material asset reorganization-related entities not falling within the circumstances as stipulated in Article 12 of the Regulatory Guidelines for Listed Companies No. 7 – Supervision on Abnormal Trading of Shares Related to Material Asset Reorganizations of Listed Companies

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According to the statements issued by the relevant parties to the Transaction, the relevant parties involved in the Transaction referred to in Article 6 of the Regulatory Guidelines for Listed Companies No. 7 – Supervision on Abnormal Trading of Shares Related to Material Asset Reorganizations of Listed Companies and Article 28 of the Shenzhen Stock Exchange Self-regulatory Guidelines for Listed Companies No. 8 – Material Asset Reorganizations have not been subject to investigation or prosecution for insider trading related to this major assets reorganisation, and within the last 36 months, have not been subject to administrative penalties imposed by the CSRC or criminal liability imposed by judicial authorities for insider trading related to major asset reorganizations. Therefore, the relevant parties to the Transaction do not fall under the circumstances stipulated in Article 12 of the Regulatory Guidelines for Listed Companies No. 7 – Regulation of Abnormal Stock Transactions Related to Major Asset Restructurings of Listed Companies whereby they should not participate in any major asset reorganisation of a listed company.

J. Resolution in relation to the compliance of the Reorganisation with Article 4 of Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganisation

In accordance with the requirements of Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganisation, the Board has conducted a prudent analysis of whether the Transaction complies with the provisions of Article 4 of the Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganisation and believes that the Transaction complies with the relevant provisions of Article 4 of the Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganisation.

K. Resolution in relation to the compliance of the Transaction with Article 18 of the Measures for the Ongoing Regulation of Companies Listed on ChiNext and Article 8 of the Review Rules for Major Asset Reorganizations of Listed Companies on the Shenzhen Stock Exchange

Article 18 of the Measures for the Ongoing Regulation of Companies Listed on ChiNext stipulates, “When a listed company implements a major asset reorganisation or issues shares to purchase assets, the industry to which the subject assets belong shall comply with the positioning of the ChiNext Board, or be in the same industry or in the upstream or downstream as the listed company”. Article 8 of the “Review Rules for Major Asset Reorganizations of Listed Companies on the Shenzhen Stock Exchange” stipulates, “When a ChiNext Board listed company implements a major asset reorganisation, the industry to which the proposed acquisition assets belong shall comply with the positioning of the ChiNext Board, or be in the same industry or in the upstream or downstream as the listed company”. After prudent analysis, the Company’s Board believes that the Transaction complies with Article 18 of the Measures for the Ongoing Regulation of Companies Listed on ChiNext and Article 8 of the Review Rules for Major Asset Reorganizations of Listed Companies on the Shenzhen Stock Exchange.

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L. Resolution in relation to the dilutive effect on the current return of the Company and remedial measures in relation to material asset acquisition, as well as undertakings of the relevant entities

According to the “Review Report on the Pro Forma Consolidated Financial Statements of Fibocom Wireless Inc. for the Year 2025 and the Period from January to April 2026” issued by Grant Thornton Zhitong Certified Public Accountants LLP, after the completion of the Transaction, the basic earnings per share of the listed company will not be diluted. In accordance with the provisions of laws, regulations and regulatory documents such as the “Certain Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market” (Guo Fa [2014] No. 17), the “Opinions of the General Office of the State Council on Further Strengthening the Protection of Lawful Rights and Interests of Medium and Small Investors in the Capital Markets” (Guo Ban Fa [2013] No. 110) and the “Guiding Opinions on Matters concerning the Dilution of Immediate Return in Initial Public Offering, Refinancing and Material Asset Restructuring of the CSRC (Announcement of the CSRC [2015] No. 31), and to protect the right to information of small and medium investors and safeguard their interests, the Company’s Board has conducted a careful analysis of the dilution of immediate return related to the Transaction and formulated risk prevention and mitigation measures. The Company’s controlling shareholder(s), actual controller(s), directors, and senior management have made relevant undertakings regarding the measures to mitigate the dilution of immediate return in relation to the Transaction. The Chinese version of the “Explanation of the Board of Directors of Fibocom Wireless Inc. on the Dilution of Immediate Return, Mitigating Measures and Relevant Parties’ Undertakings in Relation to the Reorganization” is published on the website of the Shenzhen Stock Exchange and was included in the overseas regulatory announcement published on the website of the Stock Exchange on 7 August 2026.

M. Resolution in relation to the approval of relevant audit reports, asset valuation report, pro forma review report and the accountants’ report on profit forecast and estimation relating to the reorganisation

For the Transaction, in accordance with the provisions of the Administrative Measures for Major Asset Reorganizations of Listed Companies and related regulatory documents, the reporting accountant has issued the Audit Report of Shenzhen Hangsheng Electronics Co., Ltd. for 2024 and 2025, the Chinese version of which is set out in the overseas regulatory announcement by the Company published on the HKEX website on 29 June 2026, and the substantive content of which is generally set out in Appendix II to this circular; the reporting accountant has issued the Review Report on the Pro Forma Consolidated Financial Statements of Fibocom Wireless Inc. for the Year 2025, the Chinese version of which is set out in the overseas regulatory announcement by the Company published on the HKEX website on 29 June 2026; the Independent Valuer has issued the Asset Valuation Report on the Total Equity Value of Shareholders of Shenzhen Hangsheng Electronics Co., Ltd. Involved in the Proposed Acquisition of Shares of Shenzhen Hangsheng Electronics Co., Ltd. by Fibocom Wireless Inc., the summary and further explanations of which are set out in Appendix V to this circular; in accordance with the provisions of the Hong Kong Standard on Investment Circular Reporting Engagements 500 – Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness and with reference to the provisions

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of the Standards on Other Assurance Engagements for Certified Public Accountants of China No. 3111 – Review of Forecasted Financial Information, the reporting accountant has issued the Accountants’ Report on Profit Forecast Estimation of Fibocom Wireless Inc., the content of which is set out in Appendix VI to this circular.

The above documents will be used for information disclosure of the Transaction and serve as submission materials to relevant regulatory authorities.

N. Resolution in relation to the approval of the audit report and pro forma review report for stub-period related to the Transaction

For the purpose of the Transaction, Grant Thornton Zhitong Certified Public Accountants LLP, the audit firm engaged by the Company, conducted a stub-period audit of Hangsheng Electronics with 30 April 2026 as the base date, and issued the “Audit Report of Shenzhen Hangsheng Electronics Co., Ltd. for the Years 2024 and 2025 and the Period from January to April 2026” and “Review Report on the Pro Forma Consolidated Financial Statements of Fibocom Wireless Inc. for the Year 2025 and the Period from January to April 2026”. The relevant content of the aforementioned documents is set out in the overseas regulatory announcement published by the Company on the HKEX website on 7 August 2026, respectively. The aforementioned documents will be used for information disclosure of the Transaction and serve as submission materials to regulatory authorities.

O. Resolution on the independence of the valuation institution, the reasonableness of the valuation assumptions, the relevance of the valuation methodologies to the valuation purposes, and the fairness of the valuation pricing

Shanghai Zhonghua Assets Appraisal Co., Ltd., engaged for the Transaction, is independent. The valuation assumptions are reasonable, the appraisal method is relevant to the appraisal purpose, and the appraised pricing is fair.

P. Resolution in relation to the application by the Company to banks for the acquisition loans for the Transaction

Based on the requirements of the Transaction, the Company intends to apply to banks for the acquisition loans of not exceeding RMB1 billion, which is used to pay and fund the transaction consideration in respect of the acquisition of Hangsheng Electronics and other related expenses, with the loan term no more than 120 months. The Company plans to pledge the acquired equity interest in cash of no more than 37.16% of the total share capital of Hangsheng Electronics to the lending banks. The specific loan amount, loan interest rate, loan term, pledge and guarantee shall be subject to the final contracts entered into between the Company and banks. In order to handle the loan business in a timely manner, the legal representative of the Company is hereby authorized to sign all relevant contracts, agreements, certificates, mortgage contracts and other types of legal documents within the above credit line.

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Q. Resolution in relation to the full authorization to the Board to deal with matters relating to the reorganisation to be proposed at the general meeting

According to the arrangement of the Transaction, to ensure orderly and efficient progress of related work, the Board agrees to request the Company's general meeting to authorize the Board, and in turn the Board authorizes the management to handle all matters related to the Transaction within the scope of relevant laws and regulations, including but not limited to:

- (I) to adjust the plan of the Transaction accordingly based on specific circumstances or the requirements or feedback from relevant regulatory authorities (including but not limited to securities regulatory authorities, etc.), including but not limited to adjusting the scope of subject assets, transaction price, and payment methods, etc. If there are new provisions and requirements on major asset reorganizations of listed companies stipulated by national laws, regulations or relevant regulatory authorities, it will adjust the plan of the Transaction in accordance with the new provisions and requirements.
- (II) to prepare, amend, supplement, sign, submit, announce and execute all agreements, contracts, statements, undertakings, and other documents occurring during the Transaction process as required by regulatory authorities, and handle relevant application matters.
- (III) Based on the provisions of laws, regulations and policies or the requirements of regulatory authorities, market conditions, and the Company's actual operating conditions, to adjust, supplement or improve all agreements and documents related to the Transaction, including but not limited to the relevant agreements, audit reports, appraisal reports, etc., related to the Transaction, except for matters that must be re-voted by the general meeting according to relevant laws, regulations, and the Company's Articles of Association, or to postpone or terminate the Transaction if necessary.
- (IV) to, with full authorization, handle and decide on specific implementation matters related to the Transaction in accordance with the plan approved by the Company's general meeting, including but not limited to handling matters related to relevant government approvals, handling asset transfer related to the subject assets, industrial and commercial registration changes, etc.
- (V) to engage and replace independent financial advisors, legal advisors, accounting firms, appraisal institutions, and other intermediary service institutions involved in the Transaction.
- (VI) to take all necessary actions, decide and handle all other matters related to the Transaction.

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(VII) The above authorization shall be effective for 12 months from the date of approval by the general meeting. If the Company has obtained approval documents for the Transaction within such validity period, the validity period shall be automatically extended until the completion date of the Transaction.

R. Resolution in relation to the change in registered capital, the amendments to the Articles of Association and the change of business registration

In accordance with relevant regulations such as the Company Law and the Articles of Association, the Company proposes to change the registered capital, amend the Articles of Association and change the business registration.

On 14 September 2026, the Company completed the cancellation of certain restricted A Shares (the “Cancellation”) granted to certain participants under the rules of the 2023 Restricted Share Incentive Plan (as defined in the Company’s prospectus dated 14 October 2025). Following the Cancellation, the total share capital of the Company changed from 899,265,844 Shares to 898,583,044 Shares, and the registered capital changed from RMB899,265,844 to RMB898,583,044.

In light of the change in registered capital and other actual circumstances of the Company, and in accordance with the relevant provisions of laws, regulations and regulatory documents, the Company proposes to amend certain provisions of the Articles of Association. Details of the amendments to the Articles of Association are set out in Appendix XI to this circular.

On 23 September 2026, the Board of the Company considered and approved, among others, the resolution in relation to the change in registered capital, the amendments to the Articles of Association and the change of business registration. The aforesaid Articles of Association shall take effect from the date of adoption by the general meeting. Pending such adoption, the existing Articles of Association shall remain in full force and effect.

The resolution in relation to the change in registered capital and the amendments to the Articles of Association shall take effect only after being approved by the shareholders by way of a special resolution at the EGM. Upon the approval of the aforesaid resolution at the EGM, the Company will apply to the relevant registration authority for the completion of the relevant registration change procedures. The Chairman of the Company and his authorized representative(s) shall be authorized to undertake the relevant business registration change matters.

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The Company's legal advisers in respect of Hong Kong law and PRC law have respectively confirmed that the proposed amendments to the Articles of Association are in compliance with the Hong Kong Listing Rules and the applicable laws of the PRC. The Company confirms that the proposed amendments to the Articles of Association are not unusual for a company incorporated in the PRC and listed on the Stock Exchange.

X. INFORMATION OF THE PARTIES

The Company

The Company is a joint stock company incorporated in the People's Republic of China with limited liability and is a leading wireless communication module provider. The Company's module products include data transmission modules, smart modules and AI modules. Building on its module products and drawing on its deep understanding of downstream application scenarios, the Company provides customers with edge AI solutions, robotics solutions and other solutions. The Company's module products and solutions are widely applied in sectors including automotive electronics, smart homes, consumer electronics, smart retail, the low-altitude economy and robotics.

The Sellers

The Share Acquisition involves a total of 38 Sellers, including 26 companies and limited partnerships and 12 individuals. To the best of the Company's knowledge, information and belief having made all reasonable enquiries, the details of such persons are as follows.

No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
1	Huajian Jiachuang	Huajian Jiachuang has a total of 3 partners. Its general partner is Shenzhen Tianji Jiasheng Industrial Development Co., Ltd.* (深圳天驥佳盛實業發展有限公司), and its limited partners are Huajian Industrial Investment Co., Ltd.* (華建實業投資有限公司) and China Wall King Holding Co., Ltd.* (中國華建投資控股有限公司). The actual controller of Huajian Jiachuang is Mr. He Zhiping (何志平)	Management consulting, project investment

LETTER FROM THE BOARD

No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
2	Huadeng II	Huadeng II has a total of 10 partners. Its general partner is Qingdao Huaying Huachuang Investment Management Center (L.P.)* (青島華盈華創投資管理中心(有限合夥)). Huadeng II has a total of 9 limited partners. Among them, Hefei Huadeng Huaxin Integrated Circuit Industry Investment Partnership (Limited Partnership)* (合肥華登華芯集成電路產業投資合夥企業(有限合夥)) holds 36.09% of the partnership interests. Hefei Huadeng Huaxin Integrated Circuit Industry Investment Partnership (Limited Partnership) is held as to 59.97% of the partnership interests by Nantong Jiangnan Enterprise Management Partnership (Limited Partnership)* (南通江楠企業管理合夥企業(有限合夥)) as its largest limited partner and as to 0.05% of the partnership interest by Huaxin Yuanchuang (Qingdao) Investment Management Co., Ltd.* (華芯原創(青島)投資管理有限公司) as its general partner. The other 3 limited partners of Hefei Huadeng Huaxin Integrated Circuit Industry Investment Partnership (Limited Partnership) each hold less than one-third of the partnership interests. Huaxin Yuanchuang (Qingdao) Investment Management Co., Ltd. is a wholly-owned subsidiary of Sakarya Limited. The sole shareholder of Sakarya Limited is Mr. Lip-Bu Tan (陳立武). The partnership interests in Nantong Jiangnan Enterprise Management Partnership (Limited Partnership) are ultimately held by Mr. Yang Zhongcheng (楊忠誠), Ms. Wu Meng (吳夢), Mr. Zhang Yu (張聿), and Ms. Peng Guie (彭桂娥) as to 49.50%, 0.50%, 30.00% and 20.00%, respectively. The other 8 limited partners of Huadeng II, namely Qingdao Semiconductor Industry Development Fund Partnership (Limited Partnership)* (青島半導體產業發展基金合夥企業(有限合夥)), Tibet Xinkangrui Enterprise Management Partnership (Limited Partnership)* (西藏芯康瑞企業管理合夥企業(有限合夥)), Silergy Semiconductor Technology (Hangzhou) Co., Ltd.* (矽力傑半導體技術(杭州)有限公司), Zhuhai Hengqin Renjun Xingtai Venture Capital Partnership (Limited Partnership)* (珠海橫琴任君興泰創業投資合夥企業(有限合夥)), Yingtan Rongtang Daxin Enterprise Service Center (Limited Partnership)* (鷹潭榕棠達鑫企業服務中心(有限合夥)), Zhuhai Hengqin Renjun Xing'an Venture Capital Partnership (Limited Partnership)* (珠海橫琴任君興安創業投資合夥企業(有限合夥)), Gongqingcheng Xiaoye Zitan No. 5 Investment Partnership (Limited Partnership)* (共青城小葉紫檀五號投資合夥企業(有限合夥)) and Gongqingcheng Zhixin Zhuoyuan Investment Partnership (Limited Partnership)* (共青城智信卓遠投資合夥企業(有限合夥)), each hold less than one-third of partnership interests. Qingdao Huaying Huachuang Investment Management Center (L.P.) is held as to 52.94% of the partnership interests by Ms. Wu Meng as its largest limited partner and as to 11.76% of the partnership interest by Qingdao Huaji Investment Management Co., Ltd.* (青島華集投資管理有限公司) as its general partner. The other 3 limited partners of Qingdao Huaying Huachuang Investment Management Center (L.P.) each hold less than one-third of the partnership interests. Qingdao Huaji Investment Management Co., Ltd. is a wholly-owned subsidiary of Ohara Capital Hong Kong Limited. The sole shareholder of Ohara Capital Hong Kong Limited is Mr. WONG Hing (黃慶)	Equity investment

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No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
3	Jinshi Zhongtou	Jinshi Zhongtou has a total of 13 partners. Its general partners are CITIC Goldstone Investment Co., Ltd.* (中信金石投資有限公司), Shenzhen Zhongtou Capital Management Co., Ltd.* (深圳市重投資本管理有限公司) and CITIC Buyout Fund Management Company Limited* (中信併購基金管理有限公司). Among them, CITIC Goldstone Investment Co., Ltd. holds 34.63% of the partnership interests, with its sole shareholder being CITIC Securities (listed on the Shanghai Stock Exchange, 600030.SH). Jinshi Zhongtou has a total of 10 limited partners. Shenzhen Guidance Fund Investment Co., Ltd.* (深圳市引導基金投資有限公司) holds 35.00% of the partnership interests, with its sole shareholder being the Shenzhen Finance Bureau. The other 9 limited partners each hold less than one-third of the partnership interests	Equity investment
4	Huaxin Yunkai	Huaxin Yunkai has a total of 16 partners. Its general partner is Qingdao Huaying Huachuang Investment Management Center (L.P.). Huaxin Yunkai has a total of 15 limited partners, each holding less than one-third of the partnership interests. Qingdao Huaying Huachuang Investment Management Center (L.P.) is held as to 52.94% of the partnership interests by Ms. Wu Meng as its largest limited partner and as to 11.76% of the partnership interest by Qingdao Huaji Investment Management Co., Ltd.* (青島華集投資管理有限公司) as its general partner. The other 3 limited partners of Qingdao Huaying Huachuang Investment Management Center (L.P.) each hold less than one-third of the partnership interests. Qingdao Huaji Investment Management Co., Ltd. is a wholly-owned subsidiary of Ohara Capital Hong Kong Limited. The sole shareholder of Ohara Capital Hong Kong Limited is Mr. WONG Hing	Equity investment
5	Bohuasheng	Bohuasheng has a total of 48 partners. Its general partner is Mr. Yang Hong (楊洪). Bohuasheng has a total of 47 limited partners, each holding less than one-third of the partnership interests	Employee stock ownership platform

LETTER FROM THE BOARD

No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
6	Shouheng Zhiming	Shouheng Zhiming has a total of 12 partners. Its general partner is Shenzhen Nengliang Shouheng Private Equity Investment Fund Management Co., Ltd.* (深圳能量守恒私募股權投資基金管理有限公司). Shouheng Zhiming has a total of 11 limited partners, each holding less than one-third of the partnership interests. The sole shareholder of Shenzhen Nengliang Shouheng Private Equity Investment Fund Management Co., Ltd. is Mr. Wang Pengyang (王鵬洋)	Equity investment
7	Huiyou Haojia	Huiyou Haojia has a total of 33 partners. Its general partner is Xiamen Huiyou Lanying Management Consulting Partnership Enterprise (Limited Partnership)* (廈門惠友藍楹管理諮詢合夥企業(有限合夥)). Huiyou Haojia has a total of 32 limited partners, each holding less than one-third of the partnership interests. The general partner and limited partner of Xiamen Huiyou Lanying Management Consulting Partnership Enterprise (Limited Partnership) are Shenzhen Huiyou Private Equity Fund Management Co., Ltd.* (深圳市惠友私募股權基金管理有限公司) and Mr. Yang Qing (楊慶), holding 90.00% and 10.00% of the partnership interests, respectively. Shenzhen Huiyou Private Equity Fund Management Co., Ltd. is held as to 67.00% by Mr. Yang Longzhong (楊龍忠) and as to 33.00% by Shenzhen Huiyou Kunyuan Enterprise Management Partnership (Limited Partnership)* (深圳市惠友坤遠企業管理合夥企業(有限合夥)) (which is held by Deng Jun (鄧軍), Xiao Haiwei (肖海偉), and Yang Yang (楊揚) as to 80.00%, 10.00%, and 10.00%, respectively)	Equity investment
8	Shengrun Investment	Shengrun Investment has a total of 17 partners. Its general partner is Mr. Xiao Jinhong (肖錦鴻). Shengrun Investment has a total of 16 limited partners, each holding less than one-third of the partnership interests	Equity investment

LETTER FROM THE BOARD

No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
9	Hi-Tech Investment and Capital	It is wholly owned by Shenzhen High-Tech Investment Group Company Limited* (深圳市高新投集團有限公司), and its ultimate actual controller is the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government	Equity investment
10	Transportation Holding Jinshi	Transportation Holding Jinshi has a total of 5 partners. Its general partners are CITIC Goldstone Investment Co., Ltd. and Anhui Transportation Holding Capital Fund Management Co., Ltd.* (安徽交控資本基金管理有限公司). Transportation Holding Jinshi has a total of 3 limited partners. Among them, Anhui Transportation Holding Capital Investment Management Company Limited* (安徽交控資本投資管理有限公司) holds 79.90% of the partnership interests, with its actual controller being the State-owned Assets Supervision and Administration Commission of Anhui Province. Anhui Transportation Holding Capital Fund Management Co., Ltd. is also controlled by Anhui Transportation Holding Capital Investment Management Company Limited. The other 2 limited partners, namely Anhui Expressway Company Limited and Jinshi Runze (Zibo) Investment Consulting Partnership (Limited Partnership)* (金石潤澤(淄博)投資諮詢合夥企業(有限合夥)), each hold less than one-third of the partnership interests. The sole shareholder of CITIC Goldstone Investment Co., Ltd. is CITIC Securities (listed on the Shanghai Stock Exchange, 600030.SH)	Equity investment
11	Mr. Xiao Jinhong	Not applicable	Not applicable
12	Ms. Huang Sisi (黃思思)	Not applicable	Not applicable

LETTER FROM THE BOARD

No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
13	Shengdao Investment	Shengdao Investment has a total of 16 partners. Its general partner is Beijing Lingyue Private Fund Management Co., Ltd.* (北京凌越私募基金管理有限公司). Shengdao Investment has a total of 15 limited partners, each holding less than one-third of the partnership interests. The actual controller of Beijing Lingyue Private Fund Management Co., Ltd. is Mr. Hao Qun (郝群)	Equity investment
14	Runwu Holding	Its sole shareholder is Mr. Chen Yuan (陳遠)	Equity investment
15	Jinshi Transportation	Jinshi Transportation has a total of 14 partners. Its general partners are CITIC Goldstone Investment Co., Ltd. and Nanjing Transportation Holding Private Equity Fund Management Co., Ltd.* (南京交控私募基金管理有限公司). Jinshi Transportation has a total of 12 limited partners. Among them, Nanjing Transportation Industry Fund Partnership (Limited Partnership)* (南京交通產業基金合夥企業(有限合夥)) holds 49.00% of the partnership interests, with its actual controller being the State-owned Assets Supervision and Administration Commission of Nanjing. Nanjing Transportation Holding Private Equity Fund Management Co., Ltd. is also controlled by the State-owned Assets Supervision and Administration Commission of Nanjing. The other 11 limited partners each hold less than one-third of the partnership interests. The sole shareholder of CITIC Goldstone Investment Co., Ltd. is CITIC Securities (listed on the Shanghai Stock Exchange, 600030. SH)	Equity investment
16	Mr. Xia Guoxin (夏國新)	Not applicable	Not applicable
17	CITICS Investment	Its sole shareholder is CITIC Securities Company Limited (listed on the Shanghai Stock Exchange, 600030.SH)	Securities investment, equity investment

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No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
18	Baoteng Lianxiang	Baoteng Lianxiang has a total of 6 partners. Its general partner is Shenzhen Baoteng Capital Management Co., Ltd. *(深圳市保騰資本管理有限公司), and its limited partners are Ningbo Sanxing Medical Electric Co., Ltd, Ningbo Orient Group Co., Ltd., Shenzhen Baoteng Lianda Investment Enterprise (Limited Partnership) *(深圳市保騰聯達投資企業(有限合夥)), Mr. Xu Jinchao (徐金超), and Mr. Bian Zhoubin (卞周彬). Among them, Ningbo Sanxing Medical Electric Co., Ltd (listed on the Shanghai Stock Exchange, 601567.SH) holds 40.00% of the partnership interests, with its actual controllers being Mr. Zheng Jianjiang (鄭堅江) and Ms. He Yiju (何意菊). The other 4 limited partners each hold less than one-third of the partnership interests. Shenzhen Baoteng Capital Management Co., Ltd. is owned as to 41.52% by Shenzhen Xianxing Industrial Co., Ltd.* (深圳市先行實業有限公司), with the other 9 shareholders each holding less than one-third of the equity interests. Shenzhen Xianxing Industrial Co., Ltd. is owned as to 95.00% and 5.00%, respectively by Ms. Jiang Xiujuan (蔣秀娟) and Ms. Jiang Xiuhua (蔣秀華)	Equity investment
19	Mr. Zhang Zhiqing (張志清)	Not applicable	Not applicable
20	Hongtao Chengxuan	Hongtao Chengxuan has a total of 6 partners. Its general partner is Shenzhen Hongtao Fund Management Co., Ltd.* (深圳市弘陶基金管理有限公司), and its limited partners are Ms. Xiao Miaoyu (肖妙玉), Ms. Zheng Miaoling (鄭妙玲), Mr. Zhou Chuxiong (周楚雄), Ms. Chen Wenli (陳文黎), and Shenzhen Jiamao Emerging Industry Development Co., Ltd.* (深圳市嘉茂新興產業發展有限公司, its sole shareholder is Mr. Liu Tao (劉濤)). Among them, Ms. Xiao Miaoyu holds 78.72% of the partnership interests, while the other 4 limited partners each hold less than one-third of the partnership interests. The actual controller of Shenzhen Hongtao Fund Management Co., Ltd. is Mr. Qiu Jun (邱俊)	Equity investment
21	Shengtai Investment	Shengtai Investment has a total of 2 partners. Its general partner is Mr. Xiong Jianming (熊建明) and its limited partner is Mr. Xiong Xi (熊希). Mr. Xiong Jianming holds 10.00% of the partnership interests, and Mr. Xiong Xi holds 90.00% of the partnership interests	Equity investment

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No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
22	Guangshen United	Its sole shareholder is Guangshen United Holdings Limited, and its ultimate actual controller is Mr. Liu Zhixiong (劉志雄)	Equity investment
23	Shenzhen Capital	The single largest shareholder of Shenzhen Capital, the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government, holds 28.20% of the shares of Shenzhen Capital. Shenzhen Galaxy Real Estate Development Co., Ltd.* (深圳市星河房地產開發有限公司, its actual controller is Mr. Huang Chulong (黃楚龍)) holds 20.00% of the shares of Shenzhen Capital. Shenzhen Capital Holdings Co., Ltd.* (深圳市資本運營集團有限公司, its sole shareholder is the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government) holds 12.79% of the shares of Shenzhen Capital. Shanghai Dazhong Public Utilities (Group) Co., Ltd.* (上海大眾公用事業(集團)股份有限公司) (listed on the Shanghai Stock Exchange, 600635.SH) holds 10.80% of the shares of Shenzhen Capital. The remaining shareholders of Shenzhen Capital each hold less than 10% of its shares	Equity investment
24	Capital Investment	It is a wholly-owned subsidiary of Shenzhen Capital, and its ultimate actual controller is the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government	Equity investment
25	HAXC	HAXC (300928.SZ) is a company listed on the Shenzhen Stock Exchange. Its single largest shareholder, Mr. He Xinyi (何信義), directly holds 22.00% of the shares of HAXC. Mr. He Pan (何攀, the son of Mr. He Xinyi) directly holds 10.08% of the shares of HAXC. Mr. Xiao Yan (肖炎) directly holds 10.00% of the shares of HAXC	Customization of core display components for smart automotive cockpits, software system development and sales of supporting components
26	Avary Investment	Its sole shareholder is Avary Holding (Shenzhen) Co., Ltd. (listed on the Shenzhen Stock Exchange, 002938.SZ)	Equity investment

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No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
27	Ganshang United Investment	The single largest shareholder of Ganshang United Investment, Shenzhen Fangda Investment Holdings Co., Ltd.* (深圳市方大投控有限公司), holds 20.41% of its shares. Shenzhen Fangda Investment Holdings Co., Ltd. is owned as to 2.00% by Shenzhen Fangda Building Technology Group Co., Ltd (深圳市方大建科集團有限公司) and as to 98.00% by China Fangda Group Co., Ltd. (方大集團股份有限公司) (listed on the Shenzhen Stock Exchange, 000055.SZ). The actual controller of China Fangda Group Co., Ltd. is Mr. Xiong Jianming. The single largest individual shareholder of Ganshang United Investment, Mr. Huang Shaowu (黃紹武), holds 17.35% of the shares of Ganshang United Investment. In addition, Jiangxi Chengtou Development Co., Ltd.* (江西城投開發有限公司, its sole shareholder is Mr. Li Weiguo (李衛國)), Shenzhen Tianji Yingfu Investment Holding Group Co., Ltd.* (深圳市天驕盈富投資控股集團有限公司, which is owned as to 79.00% and 21.00% by Mr. He Zhiping (何志平) and Ms. Zhang Wenli (張文莉), respectively) and Ms. Chen Manni (陳嫚旎) each hold 10.20% of the shares of Ganshang United Investment. The remaining shareholders of Ganshang United Investment each hold less than 10% of its shares	Equity investment

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No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
28	Hi-Tech Investment Yun	Hi-Tech Investment Yun has a total of 4 partners. Its general partner is Shenzhen High-Tech Investment Venture Capital Equity Investment Fund Management Co., Ltd.* (深圳市高新投創投股權投資基金管理有限公司), and its limited partners are Guangdong Yun Capital Industrial Investment Co., Ltd.* (廣東雲資本實業投資有限公司), Shenzhen High-Tech Investment Group Company Limited and Mr. Chen Haoxin (陳浩鑫). Among them, Guangdong Yun Capital Industrial Investment Co., Ltd. holds 50.00% of the partnership interests and is owned as to 99.00% by Mr. Zheng Fusheng (鄭福生) and as to 1.00% by Mr. Ye Hancheng (葉漢城). Shenzhen High-Tech Investment Group Company Limited and Mr. Chen Haoxin each hold less than one-third of the partnership interests. The actual controller of Shenzhen High-Tech Investment Venture Capital Equity Investment Fund Management Co., Ltd. is the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government	Equity investment
29	Mr. Wang Gang (王剛)	Not applicable	Not applicable

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No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
30	Hi-Tech Investment Zhiyuan Phase I	Hi-Tech Investment Zhiyuan Phase I has a total of 7 partners. Its general partner is Shenzhen High-Tech Talent Equity Investment Fund Management Co., Ltd.* (深圳市高新投人才股權投資基金管理有限公司). Hi-Tech Investment Zhiyuan Phase I has a total of 6 limited partners. Among them, Shenzhen Qianhai Zhaohuan Capital Co., Ltd.* (深圳前海肇恒資本有限公司) holds 42.50% of the partnership interests, while the other 5 limited partners, namely Shenzhen High-Tech Investment Group Company Limited, Shenzhen Xiaosong Investment Partnership (Limited Partnership)* (深圳市小崧投資合夥企業(有限合夥)), Mr. Huang Chuangxin (黃創新), Mr. Wu Xianglian (吳香煉) and Mr. Wang Aibin (王艾彬), each hold less than one-third of the partnership interests. Shenzhen Qianhai Zhaohuan Capital Co., Ltd. is a wholly-owned subsidiary of Shenzhen Waratah Group Limited Company* (深圳華特爾集團有限公司), which is owned as to 10.00% by Mr. Chen Xingpeng (陳醒鵬) and as to 90.00% by Shenzhen Jianfu Investment Co., Ltd.* (深圳市健富投資有限公司) (the sole shareholder of which is Mr. Chen Xingpeng). The actual controller of Shenzhen High-Tech Talent Equity Investment Fund Management Co., Ltd. is the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government	Equity investment
31	Mr. Cheng Qingfu (程慶富)	Not applicable	Not applicable
32	Mr. Yang Lu (楊廬)	Not applicable	Not applicable
33	Mr. Dong Li (董利)	Not applicable	Not applicable
34	Mr. Xu Shutian (徐樹田)	Not applicable	Not applicable
35	Xiaohe Venture Capital	Xiaohe Venture Capital has a total of 2 partners. Its general partner is Ms. Liu Lili (劉麗麗). Ms. Liu Lili holds 70.00% of the partnership interests, and Mr. Ji Jiajun (紀佳君), the limited partner, holds 30.00% of the partnership interests	Equity investment

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No.	Name of Sellers	Ultimate Beneficial Owner (If Applicable)	Main Business
36	Mr. Li Guobing (李國兵)	Not applicable	Not applicable
37	Mr. Lyu Zhiji (呂智戟)	Not applicable	Not applicable
38	Mr. Zou Zhengping (鄒正平)	Not applicable	Not applicable

Among the Sellers, Mr. Xu Shutian acts as the vice general manager and the secretary to the board of directors of Hangsheng Electronics. Mr. Dong Li acts as the vice general manager and chief financial officer of Hangsheng Electronics. Mr. Zou Zhengping and Mr. Lyu Zhiji act as the vice general manager of Hangsheng Electronics and are also limited partners of Bohuasheng. All of them are Compensating Obligors under the Performance Undertaking and Profit Compensation Agreement, Pledgors under the Share Pledge Agreement and Concert Parties under the Acting in Concert Agreement.

Among the Sellers, Mr. Wang Gang acts as the adviser to chairman of Hangsheng Electronics (formerly served as, and resigned from, the positions of vice chairman and vice general manager of Shenzhen Hangsheng in January 2026), and he is neither a Compensating Obligor under the Performance Undertaking and Profit Compensation Agreement, nor a Pledgor under the Share Pledge Agreement nor a Concert Party under the Acting in Concert Agreement.

Upon Acquisition Completion, the Sellers will no longer hold 5% or more equity interests in Hangsheng Electronics.

To the best of the Board's knowledge, information and belief, having made all reasonable enquiries, the Sellers, the Third Parties, the Compensating Obligors, the Pledgors, the Concert Parties and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Third Parties

Mr. Yang Hong is the chairman and a shareholder of Hangsheng Electronics (who currently directly holds 9.8856% equity interests in Hangsheng Electronics), the controlling shareholder holding 100% equity interests in Hangsheng Investment, and the general partner of Shenzhen Bohuasheng Investment Partners Enterprise (Limited Partnership) (who currently directly holds 1.6172% equity interests in Hangsheng Electronics), Shenzhen Bohuahang Investment Partners Enterprise (Limited Partnership) (who currently directly holds 1.5048% equity interests in Hangsheng Electronics), Shenzhen Bohua Shengjing Investment Partners Enterprise (Limited Partnership) (who currently directly holds 0.9522% equity interests in Hangsheng Electronics) and Shenzhen Bohua Hangzhi Investment Partners Enterprise (Limited Partnership) (who currently directly holds 0.9210% equity interests in Hangsheng Electronics).

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Hangsheng Investment is a shareholder of Hangsheng Electronics (who currently directly holds 4.6833% equity interests in Hangsheng Electronics). Hangsheng Investment also holds 4.0816% equity interests in Ganshang United Investment, which currently holds 0.3122% equity interests in Hangsheng Electronics (the 0.3122% equity interests in Hangsheng Electronics currently held by Ganshang United Investment will be held entirely by the Company upon completion of the Transaction).

Compensating Obligors, Pledgors and Concert Parties

Compensating Obligors: Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiji among the Sellers are Compensating Obligors. In addition, there are three other Compensating Obligors who are not the Sellers under the Share Acquisition (i.e., Mr. Yang Hong, Mr. Yu Jie and Mr. Qi Jie). Specifically, Mr. Yu Jie is the director, vice general manager and shareholder of Hangsheng Electronics (who currently directly holds 0.4371% equity interests in Hangsheng Electronics); Mr. Qi Jie is the vice general manager and shareholder of Hangsheng Electronics (who currently directly holds 0.0624% equity interests in Hangsheng Electronics).

Pledgors: All Compensating Obligors are Pledgors.

Concert Parties: Mr. Xu Shutian, Mr. Dong Li, Mr. Zou Zhengping and Mr. Lyu Zhiji among the Sellers are Concert Parties, and all Compensating Obligors and all Pledgors are Concert Parties as well. In addition, other Concert Parties are three other existing shareholders of Hangsheng Electronics (but not the Sellers, Compensating Obligors or Pledgors under the Share Acquisition), including Shenzhen Bohuahan Investment Partners Enterprise (Limited Partnership) (which currently directly holds 1.5048% equity interests in Hangsheng Electronics), Shenzhen Bohua Hangzhi Investment Partners Enterprise (Limited Partnership) (which currently directly holds 0.9210% equity interests in Hangsheng Electronics), and Shenzhen Bohua Shengjing Investment Partners Enterprise (Limited Partnership) (which currently directly holds 0.9522% equity interests in Hangsheng Electronics).

Hangsheng Electronics

Hangsheng Electronics is a joint stock company incorporated under the laws of the PRC with limited liability and it (and its subsidiaries) are principally engaged in the research and development, design, production and sales of automotive electronic products. It is a leading domestic provider of automotive electronic system solutions. Leveraging its continuous technological innovation and product iteration capabilities, Hangsheng Electronics has established a comprehensive business presence covering smart cockpit solutions, intelligent driving solutions, automotive acoustic solutions and other automotive electronics fields. It also provides corresponding software engineering services for each business segment.

LETTER FROM THE BOARD

Assuming there are no other changes in the share capital of Hangsheng Electronics, the Company will be interested in approximately 37.16% of the issued share capital of Hangsheng Electronics upon Acquisition Completion. The remaining 62.84% of the issued share capital of Hangsheng Electronics will be held by 79 shareholders. Apart from Mr. Yang Hong (who holds approximately 9.8856% equity interests in Hangsheng Electronics upon Acquisition Completion) and AVIC Airborne Systems Co., Ltd.* (中航機載系統有限公司) (which is not involved in the Transaction, and holds approximately 6.2441% equity interests in Hangsheng Electronics upon Acquisition Completion), the remaining shareholders of Hangsheng Electronics do not directly hold more than 5% of shares in Hangsheng Electronics.

Financial information of the Hangsheng Electronics Group

According to the audited consolidated financial statements of the Hangsheng Electronics Group, the net asset value of the Hangsheng Electronics Group as at 30 April 2026 was approximately RMB1,985.53 million, and the financial information of the Hangsheng Electronics Group for the two years ended 31 December 2024 and 31 December 2025, respectively, is set out below:

	For the year ended 31 December 2024	For the year ended 31 December 2025
	(RMB'000)	(RMB'000)
	(audited)	(audited)
Net profit (before taxation)	53,262.24	246,862.47
Net profit (after taxation)	48,668.94	242,579.79

The consideration for the Transaction is based on the appraised value determined by the Independent Valuer and is determined by the parties to the Transaction after negotiations. The transaction consideration for 37.16% of Shares of the Target Company is approximately RMB1,427.99 million, and accordingly, the transaction consideration for the 100% of equity interests in the Target Company is RMB3,843.08 million, which represented a premium of approximately RMB1,857.55 million over the net asset value of the Target Company as at 30 April 2026 of RMB1,985.53 million and a discount of approximately RMB7.32 million to the appraised value of the entire equity interests of the shareholders of the Target Company as of 31 December 2025 of RMB3,850.40 million. Therefore, the consideration for the Transaction represents a premium over the net asset value but not the appraised value.

LETTER FROM THE BOARD

The premium of the consideration for the Transaction over the net asset value is mainly because the consideration for the Transaction is based on the appraised value determined by the Independent Valuer. The appraised value represents premium over the net asset value of the Target Company. According to the valuation report, with 31 December 2025 as the Valuation Reference Date, the Independent Valuer adopted the income approach and the asset-based approach for the assessment of the Target Company, and the appraised result under the income approach has been adopted by this valuation as the final valuation conclusion. The appraised value of the entire equity interests of the shareholders of the Target Company as of 31 December 2025 is approximately RMB3,850.40 million, representing a premium of RMB1,864.87 million over the net asset value. The reason for the valuation premium is that the net asset value of the Target Company only reflects the net book value of each asset and liability that conforms to the definition of assets and liabilities in accounting standards, while the Target Company possesses a comprehensive value in terms of customer resources, project reserves, technical capabilities and future profitability that is not reflected in the books. The income approach is based on the perspective of the Target Company's going concern and cash flow generation capabilities. The Independent Valuer is of the view that, by predicting the future operating results of the Target Company and discounting them to determine the value of the Target Company, it can better reflect the overall profitability and development potential of the Target Company. Thus, the approach adopted by the Independent Valuer leads to a premium of the appraised value over the net asset value of the Target Company as at 30 April 2026. As the consideration for the Transaction is determined on a basis of such appraised value, there is a premium of the consideration for the Transaction over the corresponding part of the net asset value of Hangsheng Electronics as at 30 April 2026.

As such, the Board is of the opinion that the consideration for the Transaction is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

XI. PROFIT FORECAST

Since the consideration in respect of the Share Acquisition took account of the valuation of all shareholders' equity interests in the Hangsheng Electronics Group as at the Valuation Reference Date adopting the income approach, the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules, and Rule 14.60A of the Listing Rules is applicable.

Grant Thornton Zhitong Certified Public Accountants LLP, the reporting accountants of the Company, has reported on the calculations for the forecasts used in the valuation report, which do not involve the adoption of accounting policies. So far as the calculations are concerned, the discounted cash flows approach has been properly compiled in all material respects in accordance with the assumptions adopted by the Board as set out in the valuation report. The full text of the letter from Grant Thornton Zhitong is set forth in Appendix VI to this circular.

The Board has confirmed that the profit forecast has been made after due and careful enquiry by the Board. The full text of the letter is set out in Appendix VII to this circular.

LETTER FROM THE BOARD

XII. QUALIFICATION, CONSENT AND OPINION OF EXPERT

The name and qualification of the expert who has given its opinion or advice contained in this circular are as follows:

Name	Qualification
Grant Thornton Zhitong Certified Public Accountants LLP	Certified public accountants
Shanghai Zhonghua Assets Appraisal Co., Ltd.	An independent and qualified valuation institution in the PRC

As at the Latest Practicable Date, the expert listed above does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

The above experts have all given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their letters and references to their names in the form and context in which they respectively appear.

XIII. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Transaction are 25% or more but all of the applicable percentage ratios are less than 100%, the Transaction is a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has any material interest in the SPAs, the Performance Undertaking and Profit Compensation Agreement, the Share Pledge Agreement, the Acting in Concert Agreement, the Supplemental Acting in Concert Agreement, the Supplemental Performance Undertaking and Profit Compensation Agreement, the Supplemental Share Pledge Agreement and the transactions contemplated thereunder and therefore, if the Company were to convene a shareholders' meeting to approve the SPAs, the Performance Undertaking and Profit Compensation Agreement, the Share Pledge Agreement, the Acting in Concert Agreement and the transactions contemplated thereunder, no Shareholder would be required to abstain from voting.

The Supplemental Share Pledge Agreement includes the Transfer Option of shares of Hangsheng Electronics, the exercise of which is at the discretion of the Company (as Pledgee). Pursuant to Rule 14.75(1) of the Listing Rules, only the premium (which is zero) will be considered in calculating the applicable percentage ratios in respect of the grant of the Transfer Option of Hangsheng Electronics. The Transfer Option may involve the acquisition of shares of Hangsheng Electronics. The Company will comply with Chapter 14 and Chapter 14A of the Listing Rules upon the exercise of such rights by the Company.

LETTER FROM THE BOARD

XIV. ARRANGEMENTS FOR THE EGM

The EGM will be held at 2:30 p.m., Beijing time, on Wednesday, 14 October 2026 at Conference Room, Floor 10, Tower A, Building 6, Shenzhen International Innovation Valley, Dashi 1st Road, Xili Community, Xili Subdistrict, Nanshan District, Shenzhen, Guangdong Province, the PRC. The notice of the EGM is set out on pages EGM-1 to EGM-5 of this circular. The Company's special securities account for repurchase holds 2,627,960 A Shares of the Company, and such shares carry no voting rights. Save as aforementioned, no other Shareholder is required to abstain from voting on the proposed resolution at the EGM.

The proxy form for H Shareholders for the EGM is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.fibocom.com. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her/its behalf. A proxy need not be a Shareholder. If you intend to appoint a proxy to attend the EGM and vote on your behalf, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it by hand, by post or by facsimile, to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders only) as soon as possible and in any event not later than 24 hours before the time appointed for the holding of the EGM (i.e. before 2:30 p.m., Beijing time, on Tuesday, 13 October 2026). Completion and return of the proxy form will not preclude you from attending and voting at the EGM should you so wish.

XV. CLOSURE OF REGISTER OF MEMBERS

In order to determine the H Shareholders who are entitled to attend the EGM, the register of members of the Company will be closed from Friday, 9 October 2026 to Wednesday, 14 October 2026 (both days inclusive), during which period no transfer of Shares will be registered. For holders of H Shares who have lodged the duly completed transfer documents accompanied by the relevant share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:30 p.m. on Thursday, 8 October 2026, the transferee but not the transferor shall be regarded as the holder of the relevant H Shares and will be entitled to attend and vote at the EGM. H Shareholders whose names are recorded in the register of members of the Company on Wednesday, 14 October 2026 will be entitled to attend the EGM.

LETTER FROM THE BOARD

XVI. GENERAL

The English translation of the appendices to this circular is for Shareholders' reference only. In case there is any inconsistency between the English and Chinese versions, the Chinese version shall prevail.

XVII. VOTING BY POLL

Pursuant to the Listing Rules, all the votes at general meetings must be taken by poll (except where the chairman of the meeting permits a resolution which relates solely to a procedural or administrative matter to be voted on by show of hands). The chairman of the EGM shall request each of the resolutions set out in the notice of the EGM to be voted on by poll. Results of the poll voting will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.fibocom.com after the EGM.

XVIII. RECOMMENDATIONS

The Board has unanimously approved the resolutions regarding the Transaction. The Board believes that all resolutions to be submitted at the EGM are in the overall interests of the Company and its shareholders. Therefore, the Board recommends that Shareholders vote in favour of all resolutions to be submitted at the EGM.

By order of the Board
Fibocom Wireless Inc.
Zhang Tianyu
Chairman

1. SUMMARY OF FINANCIAL INFORMATION

The Group's audited consolidated financial information for 2025 has been disclosed in the Company's annual report.

Details of the financial statements have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (www.fibocom.com) and can be accessed directly via the hyperlinks below:

- (i) The Company's Annual Report for the year ended 31 December 2025 (pages 193 to 384), which presents the Group's audited consolidated financial information for 2025 <https://www1.hkexnews.hk/listedco/listconews/sehk/2026/0423/2026042302300.pdf>

The Group's audited consolidated financial information for the year 2023 is set out in Appendix IX to this circular, and its audited consolidated financial information for the year 2024 is set out in Appendix X to this circular.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 July 2026, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had total issued debts of RMB2,394.8 million. Details are as follows:

	<i>RMB '000</i>
Short-term borrowings	1,405,610
Credit borrowings-unsecured and unguaranteed	416,115
Discounted bills-unsecured and unguaranteed	774,374
Discounted bills (secured by pledged deposit for bills)-secured and unguaranteed	215,121
Long-term borrowings due within one year	80,982
Credit borrowings-unsecured and unguaranteed	76,741
Mortgaged borrowings-secured and unguaranteed	4,241
Lease liabilities due within one year	50,339
Lease liabilities-unsecured and unguaranteed	50,339
Long-term borrowings	844,732
Credit borrowings-unsecured and unguaranteed	650,380
Mortgaged borrowings-secured and unguaranteed	194,352
Lease liabilities	13,093
Lease liabilities-unsecured and unguaranteed	13,093
Total	2,394,756

Except for the disclosures mentioned above or otherwise disclosed in the circular, and apart from intra-group liabilities, as at the close of business on 31 July 2026, the Enlarged Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors believe that, taking into account the available financial resources of the Enlarged Group (including cash and cash equivalents, available bank financing and cash flow generated from operating activities), and in the absence of any unforeseen circumstances, the Enlarged Group will have adequate working capital sufficient to meet its present requirements for at least 12 months from the date of this circular.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. FINANCIAL EFFECTS OF THE ACQUISITION

Upon the Completion, the Target Company will become a non-wholly owned subsidiary of the Company, and the financial results of the Target Group will be consolidated into the financial statements of the Enlarged Group.

Grant Thornton Zhitong Certified Public Accountants LLP, as the auditor of the Company, is of the opinion that the circumstances that may result in the Company losing control over Hangsheng Electronics and Hangsheng Electronics ceasing to be included in the consolidated financial statements of the Company include, but are not limited to, the following (which are hypothetical scenarios for illustrative purposes only and do not represent that such circumstances will actually occur):

- (1) The percentage of voting rights actually at the disposal of the Company decreases to below 50%, and, taking into account the board arrangements, other contractual arrangements and other relevant circumstances, the Company can no longer direct the significant operating and financial decisions of Hangsheng Electronics;
- (2) The articles of association of Hangsheng Electronics are amended to grant other shareholders substantive veto rights in respect of significant operating, investment and financial decisions of Hangsheng Electronics, and such rights are not merely protective rights, resulting in the Company being unable to continue to direct the relevant activities of Hangsheng Electronics.

Effects on the Earnings

According to the accountants' report of the Target Group as set out in Appendix II to this circular, the Target Group recorded net profit of RMB242.58 million and net profit attributable to shareholders of the parent of RMB242.35 million for the year ended 31 December 2025. In view of the potential prospects from the Transaction as set out in the section headed "REASONS FOR AND BENEFITS OF THE TRANSACTION" under the letter from the Board to this circular, it is expected that the Transaction will have a positive impact on the Enlarged Group's earnings.

Effect on Assets and Liabilities

The unaudited pro forma financial information of the Enlarged Group (set out in Appendix IV to this circular) explains the financial impact of the Acquisition, assuming that the Acquisition had taken place on 31 December 2025. Because of its hypothetical nature, the unaudited pro forma financial information does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2025 or at any future date.

Based on the unaudited pro forma financial information of the Enlarged Group, assuming that the Completion took place on 31 December 2025, (i) consolidated total assets of the Enlarged Group would increase by approximately RMB5,643.39 million to approximately RMB15,332.85 million; and (ii) consolidated total liabilities of the Enlarged Group would increase by approximately RMB3,915.04 million to approximately RMB7,337.02 million.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

After completion of the Transaction, the Company will achieve transformation from an in-vehicle communication module supplier to a full-stack automotive electronic solution provider, creating deep synergy with the Target Company in major products, industrial resources, globalization strategy, R&D technology, production and operation management, etc., effectively achieving complementary resource advantages. This move will assist the Company in accurately capturing the development trends of automotive industry electrification and intelligent connectivity, continuously enhancing comprehensive competitiveness, and further consolidating its leading position in the automotive electronics industry.

After the completion of the Transaction, the Company believes that its profitability will be significantly improved, comprehensive competitive strength and risk resistance capacity will be further enhanced, which will help improve the Company's asset quality and profitability, will strengthen sustainable operation capability, and is in the interests of the Company and all shareholders.

The following is the full text of the report issued by the Reporting Accountants, Grant Thornton Zhitong Certified Public Accountants LLP (Chinese Certified Public Accountants), which has been prepared for the purpose of incorporation into this circular.

Shenzhen Hangsheng Electronics Co., Ltd.

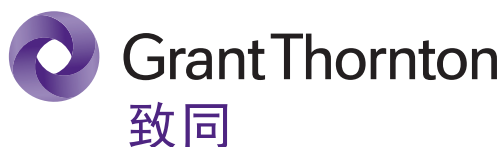
**For the years 2023, 2024 and 2025 and the period from
January to April 2026**

Auditor's Report

Grant Thornton Zhitong Certified Public Accountants LLP

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Auditor's Report

Zhi Tong Shen Zi (2026) No. 441A034715

To all shareholders of Shenzhen Hangsheng Electronics Co., Ltd.:

I. OPINION

We have audited the financial statements of Shenzhen Hangsheng Electronics Co., Ltd. (hereinafter referred to as “Hangsheng Electronics” or the “Company”), which comprise the consolidated and company balance sheets as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 April 2026, and the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders' equity for the years 2023, 2024 and 2025 and for the period from January to April 2026, and the notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises, and present fairly the consolidated and company financial position of Hangsheng Electronics as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 April 2026, and its consolidated and company financial performance and cash flows for the years 2023, 2024 and 2025 and for the period from January to April 2026.

II. BASIS FOR OPINION

We conducted our audit in accordance with the China Standards on Auditing. Our responsibilities under those standards are further described in the “Auditor's responsibilities for the audit of the financial statements” section of this auditor's report. We are independent of Hangsheng Electronics in accordance with the China Code of Ethics for Certified Public Accountants and the independence requirements for audits of public interest entities under the China Standards on Independence for Certified Public Accountants (where applicable), and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the years 2023, 2024 and 2025 and for the period from January to April 2026. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Revenue Recognition

For the related disclosures, please refer to Note III.25, Note V.40 and Note XVI.5 to the financial statements.

1. Description of the Matter

Hangsheng Electronics is principally engaged in the research and development, production and sale of automotive electronic products. For the years 2023, 2024 and 2025 and the period from January to April 2026, the revenue realised by Hangsheng Electronics amounted to RMB4,132.0278 million, RMB4,059.5973 million, RMB4,835.1157 million and RMB1,330.7241 million respectively. Given the significance of the amount of revenue to the financial statements as a whole and the fact that it is one of the key performance indicators of Hangsheng Electronics, the inherent risk of misstatement in revenue recognition is high. We have therefore identified revenue recognition as a key audit matter.

2. Audit Response

In our audit of the financial statements for the years 2023, 2024 and 2025 and for the period from January to April 2026, we performed principally the following audit procedures in respect of revenue recognition:

- (1) obtained an understanding of the design of the internal controls relating to revenue recognition, tested the key internal controls, and evaluated the design and operating effectiveness of the internal controls relating to revenue recognition;
- (2) inspected sales contracts on a sample basis and made enquiries of the management of Hangsheng Electronics (hereinafter referred to as the “management”), evaluated whether the specific methods of revenue recognition comply with the Accounting Standards for Business Enterprises, analysed whether the identification of performance obligations, the allocation of the transaction price and the determination of the point in time at which control of the relevant goods or services is transferred are consistent with industry practice and the business model of Hangsheng Electronics, and reviewed whether the relevant accounting policies have been applied consistently;
- (3) performed analytical procedures on revenue by product type and carried out comparative analysis of the gross profit margins of products of the same type to identify any abnormal circumstances;

- (4) inspected, on a sample basis, supporting documents relating to revenue recognition, including sales contracts, orders, sales invoices, delivery notes, transportation documents, collection records, settlement statements and acknowledgements of receipt, so as to verify the genuineness of revenue recognition;
- (5) selected major customers for on-site visits and, together with confirmation of sales amounts and closing balances of accounts receivable, verified whether the amounts of revenue recognised were genuine and accurate;
- (6) performed cut-off tests on revenue and reviewed whether revenue was recognised in the appropriate accounting period;
- (7) for revenue recognised based on usage under the consignment model, enquired into the data on the customers' supplier management platforms and reconciled the usage data and collection status obtained for the current period with the accounting records;
- (8) for export business, reconciled the electronic port information obtained with the accounting records, inspected supporting documents such as sales contracts, export customs declarations and bills of lading on a sample basis, obtained and inspected the summary returns for export tax refunds and the detailed ledgers of export tax refunds, and tested the consistency between the amounts of export revenue and the export tax refund data.

(II) Provision for Bad Debts of Accounts Receivable

For the related disclosures, please refer to Note III.11(5) and III.31, Note V.4 and Note XVI.2 to the financial statements.

1. Description of the Matter

As at 31 December 2023, 31 December 2024, 31 December 2025 and 30 April 2026, the balances of accounts receivable of Hangsheng Electronics amounted to RMB1,006.3414 million, RMB1,255.4632 million, RMB1,204.8649 million and RMB921.1074 million respectively, and the provisions for bad debts made amounted to RMB58.9298 million, RMB88.1830 million, RMB83.5586 million and RMB69.7013 million respectively. The closing balances of accounts receivable account for a relatively large proportion of total assets, and the provision for bad debts has a material effect on the financial statements and requires management to make significant judgements and assumptions. We have therefore identified the provision for bad debts of accounts receivable as a key audit matter.

2. Audit Response

In our audit of the financial statements for the years 2023, 2024 and 2025 and for the period from January to April 2026, we performed principally the following audit procedures in respect of the provision for bad debts of accounts receivable:

- (1) obtained an understanding of and evaluated the design of the credit policy and the internal controls relating to the management of accounts receivable, and tested the operating effectiveness of the key control processes;
- (2) evaluated whether the expected credit loss model adopted by Hangsheng Electronics complies with the requirements of the Accounting Standards for Business Enterprises;
- (3) for accounts receivable for which expected credit losses are measured on a portfolio basis, reviewed the key parameters and assumptions of the expected credit loss model, including the basis for classifying accounts receivable according to the risk characteristics of customers, the method used by management to estimate historical loss rates, and whether forward-looking adjustments have been taken into account;
- (4) inspected the reliability of the underlying data used by Hangsheng Electronics to calculate historical loss rates, including the ageing classification and the accounting records of historical bad debt losses, and compared them with historical loss information in order to evaluate the accuracy of the calculation of the historical loss rates;
- (5) for accounts receivable assessed individually, considered the identified default information of the debtors and judged whether management's analysis of the debtors' financial position and repayment ability was reasonable, so as to evaluate the reasonableness of the amounts expected to be recovered by management;
- (6) analysed the ageing structure of the accounts receivable of Hangsheng Electronics and the credit status of its customers, and performed recalculations to review the accuracy of the amount of expected credit losses provided for;
- (7) together with the confirmation procedures performed on the closing balances of accounts receivable, inspected subsequent settlements so as to verify the adequacy and accuracy of the provision for bad debts.

**IV. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH
GOVERNANCE FOR THE FINANCIAL STATEMENTS**

The management of Hangsheng Electronics is responsible for preparing the financial statements in accordance with the Accounting Standards for Business Enterprises to achieve fair presentation, and for designing, implementing and maintaining such internal control as is necessary to enable the financial statements to be free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of Hangsheng Electronics to continue as a going concern, disclosing matters relating to going concern (where applicable) and applying the going concern basis of accounting, unless management either intends to liquidate Hangsheng Electronics or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of Hangsheng Electronics.

**V. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL
STATEMENTS**

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

As part of an audit in accordance with the auditing standards, we exercise professional judgement and maintain professional scepticism. We also:

- (1) identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- (2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.
- (3) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- (4) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Hangsheng Electronics to continue as a going concern. If we conclude that a material uncertainty exists, the auditing standards require us to draw users' attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on the information available up to the date of our auditor's report. However, future events or conditions may cause Hangsheng Electronics to cease to continue as a going concern.
- (5) evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements fairly present the underlying transactions and events.
- (6) obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Hangsheng Electronics to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit, and remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the years 2023, 2024 and 2025 and for the period from January to April 2026 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Zhitong Certified Public
Accountants LLP

Certified Public Accountant of China
(Engagement Partner): Ping Haipeng

Beijing, China

Certified Public Accountant of China: Liu Yashi

22 September 2026

CONSOLIDATED BALANCE SHEET

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	Note	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Current assets:					
Cash at bank and on hand	V.1	431,358,210.08	771,739,108.74	534,313,863.30	878,292,190.72
Financial assets held for trading	V.2	787,417,492.03	332,927,405.46	65,247.00	81,354.00
Notes receivable	V.3	7,692,861.27	9,662,515.39	26,574,261.87	53,875,519.74
Accounts receivable	V.4	851,406,082.45	1,121,306,388.71	1,167,280,217.91	947,411,584.19
Receivables financing	V.5	69,474,488.92	108,672,021.01	128,990,816.80	80,175,290.35
Prepayments	V.6	10,075,776.80	21,924,139.22	65,269,004.84	9,935,542.00
Other receivables	V.7	9,934,008.56	10,039,376.57	10,974,813.65	59,898,078.27
Of which: Interest receivable	V.7	—	—	—	—
Dividends receivable	V.7	—	—	—	—
Inventories	V.8	611,334,172.57	566,345,678.42	409,355,174.20	456,297,206.99
Contract assets		—	—	—	—
Held-for-sale assets		—	—	—	—
Non-current assets due within one year		—	—	—	—
Other current assets	V.9	73,613,819.44	62,334,883.75	158,553,836.78	3,253,685.91
Total current assets		2,852,306,912.12	3,004,951,517.27	2,501,377,236.35	2,489,220,452.17
Non-current assets:					
Debt investments		—	—	—	—
Other debt investments		—	—	—	—
Long-term receivables		—	—	—	—
Long-term equity investments	V.10	25,495,333.26	25,344,330.59	21,415,768.68	19,956,423.31
Investments in other equity instruments	V.11	9,842,875.73	9,855,134.34	8,966,082.75	8,490,683.27
Other non-current financial assets		—	—	—	—
Investment properties		—	—	—	—
Fixed assets	V.12	1,000,746,985.38	1,014,121,024.13	829,832,590.41	791,277,451.97
Construction in progress	V.13	58,006,213.48	32,915,563.31	162,223,541.25	10,511,933.82
Productive biological assets		—	—	—	—
Oil and gas assets		—	—	—	—
Right-of-use assets	V.14	2,084,595.07	3,620,586.92	7,145,518.55	8,059,927.38
Intangible assets	V.15	114,949,733.55	113,113,334.14	114,049,672.43	61,903,258.52
Development expenditure		—	—	—	—
Goodwill	V.16	—	—	—	—
Long-term prepaid expenses	V.17	28,029,513.67	30,616,992.21	26,310,184.22	43,981,307.25
Deferred tax assets	V.18	12,225,292.12	12,677,622.78	11,819,475.33	6,555,030.90
Other non-current assets	V.19	13,306,426.96	14,242,815.11	15,042,811.46	13,557,129.46
Total non-current assets		1,264,686,969.22	1,256,507,403.53	1,196,805,645.08	964,293,145.88
Total assets		4,116,993,881.34	4,261,458,920.80	3,698,182,881.43	3,453,513,598.05

APPENDIX II

ACCOUNTANTS' REPORT ON THE HANGSHENG ELECTRONICS GROUP

Item	Note	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Current liabilities:					
Short-term borrowings	V.21	245,209,792.10	200,139,722.22	25,050,000.00	–
Financial liabilities held for trading		–	–	–	–
Notes payable	V.22	323,404,725.23	298,307,558.92	253,434,177.51	324,936,131.36
Accounts payable	V.23	1,196,693,815.53	1,473,758,665.40	1,460,309,501.94	1,317,257,799.40
Receipts in advance	V.24	589,157.69	366,655.25	325,425.64	186,789.75
Contract liabilities	V.25	22,483,065.74	31,563,274.39	37,380,526.77	28,878,714.81
Employee benefits payable	V.26	41,092,808.12	86,963,285.79	60,057,480.53	84,580,920.79
Taxes payable	V.27	14,957,382.03	14,636,152.55	12,796,595.32	36,894,019.90
Other payables	V.28	20,279,141.30	17,231,610.33	12,580,448.56	15,546,925.18
Including: Interest payable	V.28	–	–	–	–
Dividends payable		–	–	–	–
Liabilities held for sale		–	–	–	–
Non-current liabilities due within one year	V.29	16,510,158.98	5,929,652.83	3,651,514.58	4,374,927.22
Other current liabilities	V.30	9,107,523.00	5,101,366.51	54,035,030.03	8,123,886.34
Total current liabilities		1,890,327,569.72	2,133,997,944.19	1,919,620,700.88	1,820,780,114.75
Non-current liabilities:					
Long-term borrowings	V.31	181,173,302.42	177,281,606.08	93,775,060.18	–
Bonds payable		–	–	–	–
Lease liabilities	V.32	413,894.87	1,131,331.30	5,357,503.15	3,068,020.28
Long-term payables		–	–	–	–
Provisions	V.33	19,766,557.36	26,048,531.81	25,345,916.35	29,797,965.63
Deferred income	V.34	39,158,533.07	41,008,013.76	30,152,476.07	30,645,862.38
Deferred tax liabilities	V.18	621,431.36	623,270.15	489,912.42	418,602.49
Other non-current liabilities		–	–	–	–
Total non-current liabilities		241,133,719.08	246,092,753.10	155,120,868.17	63,930,450.78
Total liabilities		2,131,461,288.80	2,380,090,697.29	2,074,741,569.05	1,884,710,565.53
Shareholders' equity:					
Share capital	V.35	320,300,000.00	320,300,000.00	320,300,000.00	320,300,000.00
Capital reserve	V.36	1,279,761,670.21	1,271,785,607.97	1,542,268,430.35	1,536,022,615.91
Less: Treasury shares		–	–	–	–
Other comprehensive income	V.37	6,391,355.22	3,245,388.96	4,906,337.33	4,551,531.70
Special reserve		–	–	–	–
Surplus reserve	V.38	16,809,710.53	16,809,710.53	75,507,477.85	75,507,477.85
Retained earnings	V.39	363,410,874.43	270,766,098.25	-317,771,958.60	-367,370,397.95
Total equity attributable to shareholders of the parent		1,986,673,610.39	1,882,906,805.71	1,625,210,286.93	1,569,011,227.51
Non-controlling interests		-1,141,017.85	-1,538,582.20	-1,768,974.55	-208,195.00
Total shareholders' equity		1,985,532,592.54	1,881,368,223.51	1,623,441,312.38	1,568,803,032.51
Total liabilities and shareholders' equity		4,116,993,881.34	4,261,458,920.80	3,698,182,881.43	3,453,513,598.05

**Legal representative
of the Company:**

**Person in charge
of the Company's
accounting affairs:**

**Head of the Company's
accounting department:**

CONSOLIDATED INCOME STATEMENT

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	Note	January-April 2026	The year 2025	The year 2024	The year 2023
I. Revenue	V.40	1,330,724,119.11	4,835,115,695.22	4,059,597,343.29	4,132,027,765.93
Less: Operating costs	V.40	1,075,461,706.92	3,985,751,790.23	3,291,006,761.53	3,342,806,237.11
Taxes and surcharges	V.41	7,817,372.33	21,216,946.60	23,021,881.33	19,858,114.93
Selling expenses	V.42	20,776,621.31	75,620,596.03	71,089,992.51	69,408,000.10
General and administrative expenses	V.43	64,248,245.65	200,042,920.74	213,613,967.90	192,994,623.83
Research and development expenses	V.44	101,444,569.54	358,117,799.16	448,890,340.27	358,873,037.02
Finance costs	V.45	-4,575,921.62	5,100,866.82	3,408,858.64	5,562,015.14
Including: Interest expense	V.45	2,839,699.37	3,641,425.13	-1,022,355.50	11,607,544.92
Interest income	V.45	753,107.68	4,859,089.26	7,530,860.16	4,801,128.52
Add: Other income	V.46	27,944,627.52	74,271,191.38	100,881,824.84	100,430,377.39
Investment income (losses to be presented with a “-” sign)	V.47	3,956,243.74	9,050,854.67	3,539,406.48	1,756,502.39
Including: Investment income from associates and joint ventures		—	—	—	—
Gains on derecognition of financial assets measured at amortised cost (losses to be presented with a “-” sign)		—	—	—	—
Gains from net exposure hedges (losses to be presented with a “-” sign)		—	—	—	—
Gains from changes in fair value (losses to be presented with a “-” sign)	V.48	—	465,587.78	-16,107.00	-34,944.00
Credit impairment losses (losses to be presented with a “-” sign)	V.49	13,774,460.47	3,590,674.57	-30,175,483.23	-8,455,985.74
Asset impairment losses (losses to be presented with a “-” sign)	V.50	-17,360,860.83	-31,071,258.47	-30,624,967.82	-23,531,275.38
Gains on disposal of assets (losses to be presented with a “-” sign)	V.51	130,359.57	16,759.73	940,259.17	443,139.16
II. Operating profit (losses to be presented with a “-” sign)		93,996,355.45	245,588,585.30	53,110,473.55	213,133,551.62
Add: Non-operating income	V.52	154,676.68	4,384,915.08	2,320,369.78	1,097,259.40
Less: Non-operating expenses	V.53	137,335.91	3,111,029.51	2,168,600.22	5,645,449.55

APPENDIX II

ACCOUNTANTS' REPORT ON THE HANGSHENG ELECTRONICS GROUP

Item	Note	January-April 2026	The year 2025	The year 2024	The year 2023
III. Total profit (total losses to be presented with a “-” sign)					
Less: Income tax expense	V.54	94,013,696.22	246,862,470.87	53,262,243.11	208,585,361.47
		971,355.69	4,282,683.80	4,593,305.73	16,864,706.18
IV. Net profit (net losses to be presented with a “-” sign)					
(I) Classified by continuity of operations:					
Including: Net profit from continuing operations (net losses to be presented with a “-” sign)					
		93,042,340.53	242,579,787.07	48,668,937.38	191,720,655.30
Net profit from discontinued operations (net losses to be presented with a “-” sign)					
			-	-	-
(II) Classified by ownership:					
Including: Net profit attributable to shareholders of the parent (net losses to be presented with a “-” sign)					
		92,644,776.18	242,349,394.72	49,598,439.35	185,822,543.00
Profit or loss attributable to non-controlling interests (net losses to be presented with a “-” sign)					
		397,564.35	230,392.35	-929,501.97	5,898,112.29
V. Other comprehensive income, net of tax					
		3,145,966.26	-1,660,948.37	354,805.63	2,795,199.92
(I) Other comprehensive income attributable to shareholders of the parent, net of tax					
		3,145,966.26	-1,660,948.37	354,805.63	2,795,199.92
1. Other comprehensive income that will not be reclassified to profit or loss					
		-10,419.82	755,693.85	404,089.56	2,372,080.78
(1) Share of other comprehensive income of investees under the equity method that will not be reclassified to profit or loss					
		-10,419.82	755,693.85	404,089.56	2,372,080.78
(2) Changes in fair value of investments in other equity instruments					
(3) Changes in fair value attributable to the enterprise's own credit risk					
(4) Others					

APPENDIX II**ACCOUNTANTS' REPORT ON THE
HANGSHENG ELECTRONICS GROUP**

Item	Note	January-April 2026	The year 2025	The year 2024	The year 2023
2. Other comprehensive income that will be reclassified to profit or loss		3,156,386.08	-2,416,642.22	-49,283.93	423,119.14
(1) Changes in fair value of other debt investments					
(2) Amount of financial assets reclassified into other comprehensive income					
(3) Provision for credit impairment of other debt investments					
(4) Cash flow hedge reserve					
(5) Exchange differences on translation of foreign currency financial statements		3,156,386.08	-2,416,642.22	-49,283.93	423,119.14
(II) Other comprehensive income attributable to non-controlling interests, net of tax					
VI. Total comprehensive income		96,188,306.79	240,918,838.70	49,023,743.01	194,515,855.22
Total comprehensive income attributable to shareholders of the parent		95,790,742.44	240,688,446.35	49,953,244.98	188,617,742.92
Total comprehensive income attributable to non-controlling interests		397,564.35	230,392.35	-929,501.97	5,898,112.29
VII. Earnings per share					
(I) Basic earnings per share		0.29	0.76	0.15	0.62
(II) Diluted earnings per share		0.29	0.76	0.15	0.62

**Legal representative
of the Company:****Person in charge
of the Company's
accounting affairs:****Head of the Company's
accounting department:**

CONSOLIDATED CASH FLOW

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	Note	January-April 2026	The year 2025	The year 2024	The year 2023
I. Cash flows from operating activities:					
Cash received from sales of goods and rendering of services		1,870,273,617.98	5,571,516,151.50	4,345,326,878.91	4,452,347,225.49
Refunds of taxes and surcharges received		17,007,092.85	55,268,719.58	47,524,082.06	39,500,673.93
Other cash received relating to operating activities	V.55	10,256,848.48	56,911,660.59	114,340,741.60	100,359,743.26
Subtotal of cash inflows from operating activities		1,897,537,559.31	5,683,696,531.67	4,507,191,702.57	4,592,207,642.68
Cash paid for goods purchased and services received		1,422,575,509.73	4,413,997,387.50	3,364,734,433.77	3,016,680,642.58
Cash paid to and on behalf of employees		238,924,169.53	592,354,394.19	683,260,462.22	582,126,228.12
Payments of taxes and surcharges		25,260,926.29	103,678,510.52	124,007,400.76	88,749,916.89
Other cash paid relating to operating activities	V.55	81,008,036.52	289,480,549.76	316,454,340.66	310,784,956.61
Subtotal of cash outflows from operating activities		1,767,768,642.06	5,399,510,841.97	4,488,456,637.41	3,998,341,744.20
Net cash flows from operating activities		129,768,917.25	284,185,689.70	18,735,065.16	593,865,898.49
II. Cash flows from investing activities:					
Cash received from disposal of investments		1,188,979,759.78	1,986,306,598.32	136,000,000.00	52,000,000.00
Cash received from returns on investments		1,831,087.03	5,705,519.43	1,916,894.44	314,740.26
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		253,616.64	440,706.00	883,936.67	158,166.80
Net cash received from disposal of subsidiaries and other business units		—	—	—	3,000,000.00
Other cash received relating to investing activities		—	—	—	—
Subtotal of cash inflows from investing activities		1,191,064,463.45	1,992,452,823.75	138,800,831.11	55,472,907.06
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		61,849,075.31	211,775,651.21	304,505,056.58	145,205,682.76
Cash paid for investments		1,572,736,831.20	2,209,168,756.78	277,496,160.00	50,000,000.00
Net cash paid for acquisition of subsidiaries and other business units		—	—	—	—

APPENDIX II**ACCOUNTANTS' REPORT ON THE
HANGSHENG ELECTRONICS GROUP**

Item	Note	January-April 2026	The year 2025	The year 2024	The year 2023
Other cash paid relating to investing activities	V.55	20,000,000.00	78,750,000.00	–	–
Subtotal of cash outflows from investing activities		1,654,585,906.51	2,499,694,407.99	582,001,216.58	195,205,682.76
Net cash flows from investing activities		-463,521,443.05	-507,241,584.24	-443,200,385.47	-139,732,775.70
III. Cash flows from financing activities:					
Cash received from capital contributions		–	–	–	379,100,000.00
Including: Cash received by subsidiaries from capital contributions by non-controlling shareholders					
Cash received from borrowings		219,770,387.33	370,442,495.75	160,054,651.14	599,000,000.00
Other cash received relating to financing activities	V.55	61,912,932.84	86,842,582.21	–	–
Subtotal of cash inflows from financing activities		281,683,320.17	457,285,077.96	160,054,651.14	978,100,000.00
Cash repayments of borrowings		160,000,000.00	105,050,000.00	40,100,000.00	1,070,877,518.93
Cash paid for distribution of dividends or profits and for interest expenses		2,392,838.63	3,403,038.83	192,909.59	11,634,479.33
Including: Dividends and profits paid by subsidiaries to non-controlling shareholders					
Other cash paid relating to financing activities	V.55	63,289,243.86	22,098,918.57	30,778,346.13	10,410,816.29
Subtotal of cash outflows from financing activities		225,682,082.49	130,551,957.40	71,071,255.72	1,092,922,814.55
Net cash flows from financing activities		56,001,237.68	326,733,120.56	88,983,395.42	-114,822,814.55
IV. Effect of exchange rate changes on cash and cash equivalents					
		-3,721,880.46	2,387,845.92	1,715,835.43	3,407,244.40
V. Net increase in cash and cash equivalents					
	V.56	-281,473,168.59	106,065,071.94	-333,766,089.46	342,717,552.64
Add: Opening balance of cash and cash equivalents	V.56	569,213,879.68	463,148,807.74	796,914,897.20	454,197,344.56
VI. Closing balance of cash and cash equivalents					
	V.56	287,740,711.09	569,213,879.68	463,148,807.74	796,914,897.20
Legal representative of the Company:		Head of the accounting department:	Person in charge of accounting affairs:		

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	January-April 2026						
	Equity attributable to shareholders of the parent						
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings
							Non-controlling interests
							Total shareholders' equity
I. Balance at the end of the prior year	320,300,000.00	1,271,785,607.97	-	3,245,388.96	-	16,809,710.53	270,766,098.25
Add: Changes in accounting policies							-1,538,582.20
Corrections of prior period errors							
Business combinations under common control							
Others							
II. Balance at the beginning of the current year	320,300,000.00	1,271,785,607.97	-	3,245,388.96	-	16,809,710.53	270,766,098.25
III. Increase/decrease for the current year (decrease presented with “-”)							
(I) Total comprehensive income	-	7,976,062.24	-	3,145,966.26	-	-	92,644,776.18
(II) Capital contributed and reduced by shareholders	-	7,976,062.24	-	-	-	-	92,644,776.18
1. Capital contributed by shareholders							
2. Share-based payments credited to shareholders' equity							
3. Others							
(III) Profit distribution							
1. Appropriation to surplus reserve	-	-	-	-	-	-	-
2. Distribution to shareholders							
3. Others							

Item	January-April 2026						
	Equity attributable to shareholders of the parent						
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings
							Non-controlling interests
							Total shareholders' equity
(IV) Internal transfers within shareholders' equity							
1. Transfer of capital reserve to share capital	-	-	-	-	-	-	-
2. Transfer of surplus reserve to share capital							
3. Offsetting of losses							
4. Other comprehensive income transferred to retained earnings							
5. Others							
(V) Special reserve							
1. Appropriation in the current period	-	-	-	-	-	-	-
2. Utilisation in the current period (presented as a negative number)							
(VI) Others							
IV. Balance at the end of the current year	320,300,000.00	1,279,761,670.21	-	6,391,355.22	-	16,809,710.53	363,410,874.43
							-1,141,017.85
							1,985,532,592.54

Legal representative of the Company: Person in charge of accounting affairs: Head of the Company's accounting department:

CONSOL. CHANGES IN EQUITY

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	The year 2025								
	Equity attributable to shareholders of the parent								
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Non-controlling interests	Total shareholders' equity
I. Balance at the end of the prior year	320,300,000.00	1,542,268,430.35	-	4,906,337.33	-	75,507,477.85	-317,771,958.60	-1,768,974.55	1,623,441,312.38
Add: Changes in accounting policies									-
Corrections of prior period errors									-
Business combinations under common control									-
Others									-
II. Balance at the beginning of the current year	320,300,000.00	1,542,268,430.35	-	4,906,337.33	-	75,507,477.85	-317,771,958.60	-1,768,974.55	1,623,441,312.38
III. Increase/decrease for the current year (decrease presented with “-”)									
(I) Total comprehensive income	-	-270,482,822.38	-	-1,660,948.37	-	-58,697,767.32	588,538,056.85	230,392.35	257,926,911.13
(II) Capital contributed and reduced by shareholders	-	17,008,072.43	-	-	-	-	-	-	17,008,072.43
1. Capital contributed by shareholders									-
2. Share-based payments credited to shareholders' equity		17,008,072.43							17,008,072.43
3. Others									-
(III) Profit distribution									-
1. Appropriation to surplus reserve	-	-	-	-	-	16,990,043.18	-16,990,043.18	-	-
2. Distribution to shareholders						16,990,043.18	-16,990,043.18		-
3. Others									-

Item	The year 2025						
	Equity attributable to shareholders of the parent						
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings
							Non-controlling interests
							Total shareholders' equity
(IV) Internal transfers within shareholders' equity							
1. Transfer of capital reserve to share capital	-	-287,490,894.81	-	-	-	-75,687,810.50	363,178,705.31
2. Transfer of surplus reserve to share capital							-
3. Offsetting of losses		-287,490,894.81				-75,687,810.50	363,178,705.31
4. Other comprehensive income transferred to retained earnings							-
5. Others							-
(V) Special reserve							-
1. Appropriation in the current period	-	-	-	-	-	-	-
2. Utilisation in the current period (presented as a negative number)							-
(VI) Others							-
IV. Balance at the end of the current year	320,300,000.00	1,271,785,607.97	-	3,245,388.96	-	16,809,710.53	270,766,098.25
							-1,538,582.20
							1,881,368,223.51

Legal representative of the Company: Person in charge of accounting affairs: Head of the Company's accounting department:

ACCOUNTANTS' REPORT ON THE HANGSHENG ELECTRONICS GROUP

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

The year 2024

Item	Equity attributable to shareholders of the parent							Total shareholders' equity
	Share capital	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
I. Balance at the end of the prior year	320,300,000.00	1,536,022,615.91	-	4,551,531.70	-	75,507,477.85	-367,370,397.95	1,568,803,032.51
Add: Changes in accounting policies								-
Corrections of prior period errors								-
Business combinations under common control								-
Others								-
II. Balance at the beginning of the current year	320,300,000.00	1,536,022,615.91	-	4,551,531.70	-	75,507,477.85	-367,370,397.95	1,568,803,032.51
III. Increase/decrease for the current year (decrease presented with "-")								
(I) Total comprehensive income	-	6,245,814.44	-	354,805.63	-	-	49,598,439.35	54,638,279.87
(II) Capital contributed and reduced by shareholders	-	6,245,814.44	-	354,805.63	-	-	49,598,439.35	49,023,743.01
1. Capital contributed by shareholders		-10,864,882.42						5,614,536.86
2. Share-based payments credited to shareholders' equity		17,110,696.86						-10,864,882.42
3. Others								17,110,696.86
(III) Profit distribution	-	-	-	-	-	-	-631,277.58	-631,277.58
1. Appropriation to surplus reserve								-
2. Distribution to shareholders								-
3. Others								-

Item	The year 2024						
	Equity attributable to shareholders of the parent						
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings
							Non-controlling interests
							Total shareholders' equity
(IV) Internal transfers within shareholders' equity							
1. Transfer of capital reserve to share capital	-	-	-	-	-	-	-
2. Transfer of surplus reserve to share capital							
3. Offsetting of losses							
4. Other comprehensive income transferred to retained earnings							
5. Others							
(V) Special reserve							
1. Appropriation in the current period	-	-	-	-	-	-	-
2. Utilisation in the current period (presented as a negative number)							
(VI) Others							
IV. Balance at the end of the current year	320,300,000.00	1,542,268,430.35	-	4,906,337.33	-	75,507,477.85	-1,768,974.55
							1,623,441,312.38

Legal representative of the Company: Person in charge of accounting affairs: Head of the Company's accounting department:

ACCOUNTANTS' REPORT ON THE HANGSHENG ELECTRONICS GROUP

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

The year 2023

Item	Equity attributable to shareholders of the parent							Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings		
I. Balance at the end of the prior year	298,000,000.00	1,159,508,330.20		1,756,331.78		75,507,477.85	-553,192,940.95	-6,106,307.29	975,472,891.59
Add: Changes in accounting policies									-
Corrections of prior period errors									-
Business combinations under common control									-
Others									-
II. Balance at the beginning of the current year	298,000,000.00	1,159,508,330.20	-	1,756,331.78	-	75,507,477.85	-553,192,940.95	-6,106,307.29	975,472,891.59
III. Increase/decrease for the current year (decrease presented with "-")									
(I) Total comprehensive income	22,300,000.00	376,514,285.71	-	2,795,199.92	-	-	185,822,543.00	5,898,112.29	593,330,140.92
(II) Capital contributed and reduced by shareholders	22,300,000.00	376,514,285.71	-	2,795,199.92	-	-	185,822,543.00	5,898,112.29	194,515,855.21
1. Capital contributed by shareholders	22,300,000.00	356,800,000.00				-	-	-	398,814,285.71
2. Share-based payments credited to shareholders' equity		19,714,285.71							379,100,000.00
3. Others		-				-	-	-	19,714,285.71
(III) Profit distribution									
1. Appropriation to surplus reserve	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders									-
3. Others									-

Item	The year 2023						
	Equity attributable to shareholders of the parent						
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings
							Non-controlling interests
							Total shareholders' equity
(IV) Internal transfers within shareholders' equity							
1. Transfer of capital reserve to share capital	-	-	-	-	-	-	-
2. Transfer of surplus reserve to share capital							
3. Offsetting of losses							
4. Other comprehensive income transferred to retained earnings							
5. Others							
(V) Special reserve							
1. Appropriation in the current period	-	-	-	-	-	-	-
2. Utilisation in the current period (presented as a negative number)							
(VI) Others							
IV. Balance at the end of the current year	320,300,000.00	1,536,022,615.91	-	4,551,531.70	-	75,507,477.85	-208,195.00
							1,568,803,032.51

Legal representative of the Company: Person in charge of accounting affairs: Head of the Company's accounting department:

COMPANY BALANCE SHEET

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	Note	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Current assets:					
Cash at bank and on hand		261,074,511.21	607,390,254.34	369,057,617.96	716,410,189.34
Financial assets held for trading		787,417,492.03	332,927,405.46	—	—
Notes receivable	XVI.1	216,787.46	6,631,424.12	100,000.00	46,459,065.47
Accounts receivable	XVI.2	1,260,578,618.21	1,265,088,595.51	1,245,207,179.39	995,609,224.51
Receivables financing		62,109,705.66	96,182,144.29	115,064,378.70	54,312,690.69
Prepayments		84,982,862.41	36,724,153.41	111,563,226.28	25,467,423.75
Other receivables	XVI.3	197,130,454.93	193,793,836.67	259,742,005.77	171,534,131.51
Including: Interest receivable		—	—	—	—
Dividends receivable		—	—	—	—
Inventories		352,626,476.26	327,746,692.28	216,384,424.24	225,679,206.54
Contract assets		—	—	—	—
Held-for-sale assets		—	—	—	—
Non-current assets due within one year		—	—	—	—
Other current assets		24,601,756.17	20,618,696.86	131,404,438.19	—
Total current assets		3,030,738,664.34	2,887,103,202.94	2,448,523,270.53	2,235,471,931.81
Non-current assets:					
Debt investments		—	—	—	—
Other debt investments		—	—	—	—
Long-term receivables		—	—	—	—
Long-term equity investments	XVI.4	373,767,971.59	281,168,579.26	253,221,357.83	251,301,483.28
Investments in other equity instruments		9,842,875.73	9,855,134.34	8,966,082.75	8,490,683.27
Other non-current financial assets		—	—	—	—
Investment properties		—	—	—	—
Fixed assets		359,401,719.75	361,087,728.57	365,696,734.43	329,863,001.63
Construction in progress		12,923,787.67	11,500,064.06	1,681,443.11	8,911,803.31
Productive biological assets		—	—	—	—
Oil and gas assets		—	—	—	—
Right-of-use assets		—	—	238,858.32	578,677.45
Intangible assets		25,837,172.99	26,656,859.99	25,720,859.49	28,926,724.47
Development expenditure		—	—	—	—
Goodwill		—	—	—	—
Long-term prepaid expenses		7,541,580.76	8,615,423.62	11,699,867.83	29,298,087.40
Deferred tax assets		—	—	35,828.75	86,801.62
Other non-current assets		7,921,776.63	10,805,892.13	8,098,935.70	220,174.70
Total non-current assets		797,236,885.12	709,689,681.97	675,359,968.21	657,677,437.13
Total assets		3,827,975,549.46	3,596,792,884.91	3,123,883,238.74	2,893,149,368.94

APPENDIX II**ACCOUNTANTS' REPORT ON THE
HANGSHENG ELECTRONICS GROUP**

Item	Note	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Current liabilities:					
Short-term borrowings		60,038,333.33	50,039,722.22	–	–
Financial liabilities held for trading		–	–	–	–
Notes payable		489,854,193.42	420,995,577.93	269,871,422.63	286,672,757.22
Accounts payable		1,235,951,865.75	1,136,326,374.57	1,199,394,527.40	996,382,123.85
Receipts in advance		556,654.55	366,655.25	325,425.64	186,789.75
Contract liabilities		17,738,586.87	148,702,883.93	35,514,632.08	25,676,969.46
Employee benefits payable		21,446,343.00	50,398,760.84	27,820,071.57	41,456,566.24
Taxes payable		5,373,253.69	2,810,985.57	1,420,437.42	15,162,246.70
Other payables		105,084,626.63	9,108,141.47	10,245,390.74	11,676,451.99
Including: Interest payable		–	–	–	–
Dividends payable		–	–	–	–
Liabilities held for sale		–	–	–	–
Non-current liabilities due within one year		–	–	218,315.44	694,267.02
Other current liabilities		1,909,393.88	2,963,465.64	2,242,820.43	4,342,281.05
Total current liabilities		1,937,953,251.12	1,821,712,567.42	1,547,053,043.35	1,382,250,453.28
Non-current liabilities:					
Long-term borrowings		–	–	–	–
Bonds payable		–	–	–	–
Lease liabilities		–	–	–	–
Long-term payables		–	–	–	–
Provisions		16,810,792.21	22,386,686.44	21,803,303.17	26,916,363.40
Deferred income		16,468,758.44	17,756,779.85	7,851,768.11	9,624,058.10
Deferred tax liabilities		621,431.36	623,270.15	525,741.16	505,404.11
Other non-current liabilities		–	–	–	–
Total non-current liabilities		33,900,982.01	40,766,736.44	30,180,812.44	37,045,825.61
Total liabilities		1,971,854,233.13	1,862,479,303.86	1,577,233,855.79	1,419,296,278.89
Shareholders' equity:					
Share capital		320,300,000.00	320,300,000.00	320,300,000.00	320,300,000.00
Capital reserve		1,278,156,670.29	1,270,180,608.05	1,540,663,430.43	1,523,552,733.57
Less: Treasury shares		–	–	–	–
Other comprehensive income		3,521,444.37	3,531,864.19	2,776,170.34	2,372,080.78
Special reserve		–	–	–	–
Surplus reserve		16,990,043.18	16,990,043.18	75,687,810.50	75,687,810.50
Retained earnings		237,153,158.49	123,311,065.63	-392,778,028.32	-448,059,534.80
Total shareholders' equity		1,856,121,316.33	1,734,313,581.05	1,546,649,382.95	1,473,853,090.05
Total liabilities and shareholders' equity		3,827,975,549.46	3,596,792,884.91	3,123,883,238.74	2,893,149,368.94

**Legal representative
of the Company:****Person in charge of
accounting affairs:****Head of the Company's
accounting department:**

COMPANY INCOME STMT

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	Note	January-April 2026	The year 2025	The year 2024	The year 2023
I. Revenue	XVI.5	1,565,821,390.74	5,296,525,665.89	4,319,204,459.10	4,591,706,224.76
Less: Operating costs	XVI.5	1,335,158,341.57	4,647,234,087.38	3,783,435,866.75	4,034,528,810.43
Taxes and surcharges		4,381,784.29	10,642,991.83	11,595,460.85	11,350,648.69
Selling expenses		17,880,715.50	59,948,230.35	60,825,066.26	55,906,584.47
General and administrative expenses		38,053,667.72	122,185,053.04	127,998,760.90	123,668,262.26
Research and development expenses		90,836,822.74	325,373,209.61	292,203,590.07	257,860,075.39
Finance costs		-8,399,764.33	-560,575.47	8,015,538.79	1,861,073.35
Including: Interest expense		559,012.34	1,015,032.46	-1,439,028.56	7,207,216.10
Interest income		564,938.60	3,425,551.83	5,778,228.14	3,977,068.74
Add: Other income		20,732,117.01	42,522,112.56	55,046,760.09	37,367,129.16
Investment income (losses to be presented with a “-” sign)	XVI.6	3,167,542.91	19,994,324.78	2,069,964.55	1,491,986.35
Including: Investment income from associates and joint ventures		—	—	—	—
Gains on derecognition of financial assets measured at amortised cost (losses to be presented with a “-” sign)		—	—	—	—
Gains from net exposure hedges (losses to be presented with a “-” sign)		—	—	—	—
Gains from changes in fair value (losses to be presented with a “-” sign)		—	465,587.78	—	—
Credit impairment losses (losses to be presented with a “-” sign)		10,810,173.00	-257,958.26	-10,091,187.55	-4,714,895.51
Asset impairment losses (losses to be presented with a “-” sign)		-8,832,607.26	-24,069,709.41	-28,029,394.40	-15,787,332.15
Gains on disposal of assets (losses to be presented with a “-” sign)		130,359.57	936,994.68	962,083.63	353,058.57
II. Operating profit (losses to be presented with a “-” sign)		113,917,408.48	171,294,021.28	55,088,401.80	125,240,716.59
Add: Non-operating income		260.00	321,632.62	1,545,649.43	729,059.34
Less: Non-operating expenses		75,575.62	1,715,222.08	1,352,544.75	1,284,777.69
III. Total profit (total losses to be presented with a “-” sign)		113,842,092.86	169,900,431.82	55,281,506.48	124,684,998.24
Less: Income tax expense					

APPENDIX II**ACCOUNTANTS' REPORT ON THE
HANGSHENG ELECTRONICS GROUP**

Item	Note	January-April 2026	The year 2025	The year 2024	The year 2023
IV. Net profit (net losses to be presented with a “-” sign)		113,842,092.86	169,900,431.82	55,281,506.48	124,684,998.24
(I) Net profit from continuing operations (net loss presented with “-”)		113,842,092.86	169,900,431.82	55,281,506.48	124,684,998.24
(II) Net profit from discontinued operations (net loss presented with “-”)					
V. Other comprehensive income, net of tax		-10,419.82	755,693.85	404,089.56	2,372,080.78
1. Other comprehensive income that will not be reclassified to profit or loss		-10,419.82	755,693.85	404,089.56	2,372,080.78
(1) Share of other comprehensive income of investees under the equity method that will not be reclassified to profit or loss		-10,419.82	755,693.85	404,089.56	2,372,080.78
(2) Changes in fair value of investments in other equity instruments					
(3) Changes in fair value attributable to the enterprise's own credit risk					
(4) Others					
2. Other comprehensive income that will be reclassified to profit or loss		—	—		—
(1) Changes in fair value of other debt investments					
(2) Amount of financial assets reclassified into other comprehensive income					
(3) Provision for credit impairment of other debt investments					
(4) Cash flow hedge reserve					
VI. Total comprehensive income		113,831,673.04	170,656,125.67	55,685,596.04	127,057,079.02
VII. Earnings per share					
(I) Basic earnings per share					
(II) Diluted earnings per share					

**Legal representative of the
Company:****Person in charge of
accounting affairs:****Head of the Company's
accounting department:**

COMPANY CASH FLOW

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	Note	January-April 2026	The year 2025	The year 2024	The year 2023
I. Cash flows from operating activities:					
Cash received from sales of goods and rendering of services		1,680,878,957.18	6,009,268,703.17	4,465,352,650.12	5,421,869,441.50
Refunds of taxes and surcharges received		15,786,919.81	48,980,278.55	38,180,092.49	34,701,373.70
Other cash received relating to operating activities		3,644,536.61	95,881,323.57	120,254,798.33	105,318,775.63
Subtotal of cash inflows from operating activities		1,700,310,413.60	6,154,130,305.29	4,623,787,540.94	5,561,889,590.83
Cash paid for goods purchased and services received		1,295,666,617.95	5,059,708,654.51	4,033,451,440.41	4,806,137,765.87
Cash paid to and on behalf of employees		116,038,428.10	256,275,709.95	300,384,712.89	272,407,029.04
Payments of taxes and surcharges		13,272,522.83	35,943,236.04	34,948,883.19	40,688,626.15
Other cash paid relating to operating activities		159,125,787.79	412,216,560.59	293,978,814.98	263,073,836.89
Subtotal of cash outflows from operating activities		1,584,103,356.67	5,764,144,161.09	4,662,763,851.47	5,382,307,257.95
Net cash flows from operating activities		116,207,056.93	389,986,144.20	-38,976,310.53	179,582,332.88
II. Cash flows from investing activities:					
Cash received from disposal of investments		1,188,979,759.78	1,831,713,622.07	459,498,617.19	50,000,000.00
Cash received from returns on investments		1,794,420.36	22,630,330.02	2,684,466.14	385,347.94
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		129,990.04	489,615.91	939,868.96	191,146.80
Net cash received from disposal of subsidiaries and other business units		—	—	—	3,000,000.00
Other cash received relating to investing activities		—	75,935,332.01	46,033,312.94	10,000,000.00
Subtotal of cash inflows from investing activities		1,190,904,170.18	1,930,768,900.01	509,156,265.23	63,576,494.74
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		12,476,245.40	82,770,296.89	62,058,523.57	77,538,358.29
Cash paid for investments		1,572,700,164.53	2,163,391,027.53	590,700,000.00	50,000,000.00
Net cash paid for acquisition of subsidiaries and other business units		—	—	11,496,160.00	14,000,000.00
Other cash paid relating to investing activities		22,036,922.87	11,770,362.12	133,000,000.00	126,326,420.53
Subtotal of cash outflows from investing activities		1,607,213,332.80	2,257,931,686.54	797,254,683.57	267,864,778.82
Net cash flows from investing activities		-416,309,162.62	-327,162,786.53	-288,098,418.34	-204,288,284.08

APPENDIX II**ACCOUNTANTS' REPORT ON THE
HANGSHENG ELECTRONICS GROUP**

Item	Note	January-April 2026	The year 2025	The year 2024	The year 2023
III. Cash flows from financing activities:					
Cash received from capital contributions		–	–	–	379,100,000.00
Cash received from borrowings		60,000,000.00	50,000,000.00	–	150,000,000.00
Other cash received relating to financing activities		61,912,932.84	–	–	–
Subtotal of cash inflows from financing activities		121,912,932.84	50,000,000.00	–	529,100,000.00
Cash repayments of borrowings		50,000,000.00	–	–	220,000,000.00
Cash paid for distribution of dividends or profits and for interest expenses		560,401.23	1,975,310.24	110,971.44	7,735,349.77
Other cash paid relating to financing activities		62,360,677.03	218,315.44	1,006,933.80	1,115,970.84
Subtotal of cash outflows from financing activities		112,921,078.26	2,193,625.68	1,117,905.24	228,851,320.61
Net cash flows from financing activities		8,991,854.58	47,806,374.32	-1,117,905.24	300,248,679.39
IV. Effect of exchange rate changes on cash and cash equivalents					
		-226,374.20	-1,120,367.18	-742,374.22	219,410.35
V. Net increase in cash and cash equivalents					
		-291,336,625.31	109,509,364.81	-328,935,008.33	275,762,138.54
Add: Opening balance of cash and cash equivalents		426,321,868.36	316,812,503.55	645,747,511.88	369,985,373.34
VI. Closing balance of cash and cash equivalents					
		134,985,243.05	426,321,868.36	316,812,503.55	645,747,511.88

Legal representative of the Company:	Person in charge of accounting affairs:	Head of the accounting department:	Head of the Company's accounting department:
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COMPANY CHANGES IN EQUITY

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	January-April 2026						Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	comprehensive income	Special reserve	Surplus reserve	
I. Balance at the end of the prior year	320,300,000.00	1,270,180,608.05	-	3,531,864.19	-	16,990,043.18	1,734,313,581.05
Add: Changes in accounting policies							-
Corrections of prior period errors							-
Others							-
II. Balance at the beginning of the current year	320,300,000.00	1,270,180,608.05	-	3,531,864.19	-	16,990,043.18	1,734,313,581.05
III. Increase/decrease for the current year (decrease presented with "-")	-	7,976,062.24	-	-10,419.82	-	-	121,807,735.28
(I) Total comprehensive income				-10,419.82			113,831,673.04
(II) Capital contributed and reduced by shareholders	-	7,976,062.24	-	-	-	-	7,976,062.24
1. Capital contributed by shareholders							-
2. Share-based payments credited to shareholders' equity		7,976,062.24					7,976,062.24
3. Others							-
(III) Profit distribution	-	-	-	-	-	-	-
1. Appropriation to surplus reserve						-	-
2. Distribution to shareholders						-	-
3. Others						-	-

Item	January-April 2026						Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	
(IV) Internal transfers within shareholders' equity	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital							-
2. Transfer of surplus reserve to share capital							-
3. Offsetting of losses							-
4. Other comprehensive income transferred to retained earnings							-
5. Others							-
(V) Special reserve	-	-	-	-	-	-	-
1. Appropriation in the current period							-
2. Utilisation in the current period (presented as a negative number)							-
(VI) Others							-
IV. Balance at the end of the current year	320,300,000.00	1,278,156,670.29	-	3,521,444.37	-	16,990,043.18	237,153,158.49
							1,856,121,316.33

Legal representative of the Company: Person in charge of accounting affairs: Head of the Company's accounting department:

COMPANY CHANGES IN EQUITY

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	The year 2025							Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
I. Balance at the end of the prior year	320,300,000.00	1,540,663,430.43	-	2,776,170.34	-	75,687,810.50	-392,778,028.32	1,546,649,382.95
Add: Changes in accounting policies								-
Corrections of prior period errors								-
Others								-
II. Balance at the beginning of the current year	320,300,000.00	1,540,663,430.43	-	2,776,170.34	-	75,687,810.50	-392,778,028.32	1,546,649,382.95
III. Increase/decrease for the current year (decrease presented with "-")								
(I) Total comprehensive income	-	-270,482,822.38	-	755,693.85	-	-58,697,767.32	516,089,093.95	187,664,198.10
(II) Capital contributed and reduced by shareholders	-	17,008,072.43	-	755,693.85	-	169,900,431.82	170,656,125.67	17,008,072.43
1. Capital contributed by shareholders								-
2. Share-based payments credited to shareholders' equity		17,008,072.43						17,008,072.43
3. Others								-
(III) Profit distribution								-
1. Appropriation to surplus reserve	-	-	-	-	-	16,990,043.18	-16,990,043.18	-
2. Distribution to shareholders						16,990,043.18	-16,990,043.18	-
3. Others								-

Item	The year 2025						Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	
(IV) Internal transfers within shareholders' equity	-	-287,490,894.81	-	-	-	-75,687,810.50	-
1. Transfer of capital reserve to share capital							-
2. Transfer of surplus reserve to share capital							-
3. Offsetting of losses		-287,490,894.81				-75,687,810.50	-
4. Other comprehensive income transferred to retained earnings							-
5. Others							-
(V) Special reserve	-	-	-	-	-	-	-
1. Appropriation in the current period							-
2. Utilisation in the current period (presented as a negative number)							-
(VI) Others							-
IV. Balance at the end of the current year	320,300,000.00	1,270,180,608.05	-	3,531,864.19	-	16,990,043.18	1,734,313,581.05

Legal representative of the Company: Person in charge of accounting affairs: Head of the Company's accounting department:

COMPANY CHANGES IN EQUITY

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	The year 2024							Total shareholders' equity
	Share capital	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
I. Balance at the end of the prior year	320,300,000.00	1,523,552,733.57	-	2,372,080.78	-	75,687,810.50	-448,059,534.80	1,473,853,090.05
Add: Changes in accounting policies								-
Corrections of prior period errors								-
Others								-
II. Balance at the beginning of the current year	320,300,000.00	1,523,552,733.57	-	2,372,080.78	-	75,687,810.50	-448,059,534.80	1,473,853,090.05
III. Increase/decrease for the current year (decrease presented with "-")	-	17,110,696.86	-	404,089.56	-	-	55,281,506.48	72,796,292.90
(I) Total comprehensive income				404,089.56			55,281,506.48	55,685,596.04
(II) Capital contributed and reduced by shareholders	-	17,110,696.86	-	-	-	-	-	17,110,696.86
1. Capital contributed by shareholders								-
2. Share-based payments credited to shareholders' equity		17,110,696.86						17,110,696.86
3. Others								-
(III) Profit distribution	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserve								-
2. Distribution to shareholders								-
3. Others								-

Item	The year 2024						Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	
(IV) Internal transfers within shareholders' equity	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital							-
2. Transfer of surplus reserve to share capital							-
3. Offsetting of losses							-
4. Other comprehensive income transferred to retained earnings							-
5. Others							-
(V) Special reserve	-	-	-	-	-	-	-
1. Appropriation in the current period							-
2. Utilisation in the current period (presented as a negative number)							-
(VI) Others							-
IV. Balance at the end of the current year	320,300,000.00	1,540,663,430.43	-	2,776,170.34	-	75,687,810.50	1,546,649,382.95

Legal representative of the Company: Person in charge of accounting affairs: Head of the Company's accounting department:

COMPANY CHANGES IN EQUITY

Prepared by: Shenzhen Hangsheng Electronics Co., Ltd.

Unit: RMB

Item	The year 2023							Total shareholders' equity
	Share capital	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
I. Balance at the end of the prior year	298,000,000.00	1,147,038,447.86	-	-	-	75,687,810.50	-572,744,533.04	947,981,725.32
Add: Changes in accounting policies								-
Corrections of prior period errors								-
Others								-
II. Balance at the beginning of the current year	298,000,000.00	1,147,038,447.86	-	-	-	75,687,810.50	-572,744,533.04	947,981,725.32
III. Increase/decrease for the current year (decrease presented with "-")	22,300,000.00	376,514,285.71	-	2,372,080.78	-	-	124,684,998.24	525,871,364.73
(I) Total comprehensive income				2,372,080.78			124,684,998.24	127,057,079.02
(II) Capital contributed and reduced by shareholders	22,300,000.00	376,514,285.71	-	-	-	-	-	398,814,285.71
1. Capital contributed by shareholders	22,300,000.00	356,800,000.00						379,100,000.00
2. Share-based payments credited to shareholders' equity		19,714,285.71						19,714,285.71
3. Others								-
(III) Profit distribution	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserve								-
2. Distribution to shareholders								-
3. Others								-

Item	The year 2023						
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings
Total shareholders' equity							
(IV) Internal transfers within shareholders' equity	-	-	-	-	-	-	-
1. Transfer of capital reserve to share capital							-
2. Transfer of surplus reserve to share capital							-
3. Offsetting of losses							-
4. Other comprehensive income transferred to retained earnings							-
5. Others							-
(V) Special reserve	-	-	-	-	-	-	-
1. Appropriation in the current period							-
2. Utilisation in the current period (presented as a negative number)							-
(VI) Others							-
IV. Balance at the end of the current year	320,300,000.00	1,523,552,733.57	-	2,372,080.78	-	75,687,810.50	-448,059,534.80
							1,473,853,090.05
Legal representative of the Company:	Person in charge of accounting affairs:			Head of the Company's accounting department:			

NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION OF THE COMPANY

(I) Company profile

Shenzhen Hangsheng Electronics Co., Ltd. (hereinafter referred to as “Hangsheng Electronics” or the “Company”) was established on 6 December 1993 upon approval of the Shenzhen Economic Development Bureau under document Shen Jing Fu [1993] No. 276. Its unified social credit code is 91440300192252025L, its legal representative is Yang Hong, and its registered address is Room 201, Office Building A1, Hangsheng Industrial Park, Fuyuan 1st Road, Zhancheng Community, Fuhai Sub-district, Bao'an District, Shenzhen.

On 23 March 2001, Shenzhen Hangsheng Electronics Co., Ltd. (a limited liability company) held a shareholders' meeting and resolved to convert Shenzhen Hangsheng Electronics Co., Ltd. as a whole into Shenzhen Hangsheng Electronics Co., Ltd. (a joint stock company). With 28 February 2001 as the benchmark date, the audited carrying amount of the net assets of Shenzhen Hangsheng Electronics Co., Ltd. was RMB34,310,999.74. Upon conversion of the net assets into shares, the total share capital of the Company was determined to be RMB33,800,000 (of which RMB33,800,000 of the net assets was recorded as the share capital of the joint stock company and the remainder was recorded as capital reserve of the joint stock company), with a par value of RMB1.00 per share. The above capital contribution was verified by Shenzhen Zhongtianqin Certified Public Accountants Co., Ltd., which issued the Capital Verification Report Zhong Tian Qin Yan Zi Bao Zi [2001] No. B-053 on 5 June 2001. On 16 July 2001, the Shenzhen Administration for Industry and Commerce reissued the Business Licence for Enterprise Legal Person with registration number Shen Si Zi S41196. Following the Company's conversion into a joint stock company in accordance with the law, its share capital structure was as follows:

Name of shareholder	Amount of capital contribution (RMB)	Proportion of the Company's registered capital
Shenzhen Nanhong Electronics Industry Co., Ltd.	6,500,000.00	19.23%
Shenzhen High-Tech Industry Investment Service Co., Ltd.	6,240,000.00	18.46%
Yang Hong	4,290,000.00	12.69%
Duan Zhong	2,080,000.00	6.15%
Lai Mingwen	1,521,000.00	4.50%
Guo Yonggeng	1,300,000.00	3.85%
Liu Li	1,300,000.00	3.85%
Hou Chaochuan	1,183,000.00	3.50%
Guan Jingcheng	1,105,000.00	3.27%

Name of shareholder	Amount of capital contribution (RMB)	Proportion of the Company's registered capital
Jin Anhua	1,014,000.00	3.00%
Fang Hongbin	975,000.00	2.88%
Zheng Yuechao	975,000.00	2.88%
Cheng Hao	910,000.00	2.69%
Jia Tianxi	910,000.00	2.69%
Song Hongliang	858,000.00	2.54%
Ma Gaochao	650,000.00	1.92%
Guo Hongwei	650,000.00	1.92%
Wu Depei	624,000.00	1.85%
Yang Rong	455,000.00	1.35%
Wang Xin	260,000.00	0.78%
Total	33,800,000.00	100.00%

From September 2002 to November 2023, the joint stock company completed eleven capital increases in aggregate, and its registered capital was changed from RMB33.8 million to RMB320.3 million.

As at 30 April 2026, the registered capital of the Company was RMB320.3 million and its share capital was RMB320.3 million.

The investment proportions of the investors of the Company are as follows:

Name of shareholder	Amount of capital contribution (RMB'0,000)	Proportion of the Company's registered capital
Shenzhen Huajian Jiachuang Enterprise Management Consulting Partnership (Limited Partnership)	3,829.40	11.9557%
Yang Hong	3,166.35	9.8856%
AVIC Airborne Systems Co., Ltd.	2,000.00	6.2441%
Shenzhen Jinshi Zhongtou Smart Sensor Industry Private Equity Fund Partnership (Limited Partnership)	1,816.00	5.6697%
Shenzhen Hangsheng Investment Co., Ltd.	1,550.05	4.8394%
Shenzhen Dongfeng Nanfang Industrial Group Co., Ltd.	1,250.00	3.9026%

Name of shareholder	Amount of capital contribution (RMB'0,000)	Proportion of the Company's registered capital
China Internet Investment Fund (Limited Partnership)	1,150.00	3.5904%
Hefei Huadeng II Integrated Circuit Industry Investment Partnership (Limited Partnership)	1,133.52	3.5389%
Hangzhou Huaxin Yunkai Equity Investment Partnership (Limited Partnership)	1,047.12	3.2692%
Shenzhen Nanhang Electronics Industry Co., Ltd.	845.00	2.6382%
Hangzhou Xinhangsheng Equity Investment Partnership (Limited Partnership)	819.36	2.5581%
Shenzhen Bohuasheng Investment Partners Enterprise (Limited Partnership)	518.00	1.6172%
Xiao Jinhong	515.00	1.6079%
Shouheng Zhiming (Jinjiang) Equity Investment Partnership (Limited Partnership)	500.00	1.5610%
Xiamen Huiyou Haojia Equity Investment Partnership (Limited Partnership)	500.00	1.5610%
Shenzhen Bohuahang Investment Partners Enterprise (Limited Partnership)	482.00	1.5048%
Shenzhen Mingjin Investment Partnership (Limited Partnership)	429.00	1.3394%
Zhang Weihang	400.00	1.2488%
Shenzhen Shengrun Investment Partnership (Limited Partnership)	400.00	1.2488%
Guangdong Yuecai Industrial Investment Fund Partnership (Limited Partnership)	387.56	1.2100%
Ma'anshan Huachun Baoxin Zhixin Equity Investment Partnership (Limited Partnership)	350.00	1.0927%
Shenzhen Hi-Tech Investment and Venture Capital Co., Ltd.	340.00	1.0615%
Shenzhen Bohua Shengjing Investment Partners Enterprise (Limited Partnership)	305.00	0.9522%
Shouheng Zhimao (Jinjiang) Equity Investment Partnership (Limited Partnership)	300.00	0.9366%
Changzhou Shengdao Equity Investment Partnership Enterprise (Limited Partnership)	300.00	0.9366%
Huang Sisi	300.00	0.9366%

Name of shareholder	Amount of capital contribution (RMB'0,000)	Proportion of the Company's registered capital
Runwu Holding Co., Ltd.	300.00	0.9366%
Tang Wei	300.00	0.9366%
Shenzhen Baoteng Lianxiang Investment Enterprise (Limited Partnership)	300.00	0.9366%
Shenzhen Bohua Hangzhi Investment Partners Enterprise (Limited Partnership)	295.00	0.9210%
Shenzhen Pengyuan Jishi Private Equity Investment Fund Partnership (Limited Partnership)	290.00	0.9054%
Xiamen Huiqiao New Energy Vehicle Investment Partnership (Limited Partnership)	250.00	0.7805%
Beijing Jingguochuang Advantage Industry Fund (Limited Partnership)	250.00	0.7805%
Shouheng Zhisheng (Jinjiang) Equity Investment Partnership (Limited Partnership)	220.00	0.6869%
Jinan Gangtong No. 1 Investment Partnership (Limited Partnership)	200.00	0.6244%
Zhang Guoliang	200.00	0.6244%
CITIC Securities Investment Co., Ltd.	200.00	0.6244%
Shenzhen Xunjiexing Technology Co., Ltd.	200.00	0.6244%
Xia Guoxin	200.00	0.6244%
Ningbo Huachun Investment Management Partnership (Limited Partnership)	200.00	0.6244%
Guangxi Guangshen United Venture Capital Co., Ltd.	200.00	0.6244%
Foshan Hongtao Chengxuan Equity Investment Partnership (Limited Partnership)	200.00	0.6244%
Ren Xirong	160.00	0.4995%
Shaanxi Dechuang Intelligent Vehicle Venture Capital Fund Partnership (Limited Partnership)	150.00	0.4683%
Zhang Zhiqing	150.00	0.4683%
Yu Jie	140.00	0.4371%
Langfang Guochuang Langti Equity Investment Partnership (Limited Partnership)	140.00	0.4371%
Wuxi Guolian Tongze Venture Capital Partnership (Limited Partnership)	130.00	0.4059%
Wu Xiaoqian	122.10	0.3812%
Liu Ping	122.10	0.3812%

Name of shareholder	Amount of capital contribution (RMB'0,000)	Proportion of the Company's registered capital
Gongqingcheng Shengtai Investment Partnership (Limited Partnership)	120.00	0.3746%
Dong Li	115.00	0.3590%
Zheng Yuechao	110.00	0.3434%
Wang Gang	105.00	0.3278%
Xiamen Hufeng Chunhe Investment Partnership (Limited Partnership)	100.00	0.3122%
Shenzhen Huachuang Duoying No. 1 Industrial Investment Partnership (Limited Partnership)	100.00	0.3122%
Avary Holding Investment (Shenzhen) Co., Ltd.	100.00	0.3122%
Shenzhen Ganshang United Investment Co., Ltd.	100.00	0.3122%
Shenzhen Capital Investment Co., Ltd.	100.00	0.3122%
HAXC Holdings (Beijing) Co., Ltd.	100.00	0.3122%
Shenzhen Capital Group Co., Ltd.	100.00	0.3122%
Shenzhen Hi-Tech Investment Yun Capital Equity Investment Fund Partnership (Limited Partnership)	94.32	0.2945%
Ruan Shuanggang	81.11	0.2532%
Jia Tianxi	80.00	0.2498%
Xu Shutian	60.00	0.1873%
Ran Ya	60.00	0.1873%
Chen Yanqiu	55.00	0.1717%
Song Lianxiang	55.00	0.1717%
Shenzhen Hi-Tech Investment Zhiyuan Phase I Equity Investment Fund Partnership (Limited Partnership)	54.98	0.1716%
Wang Yulin	50.00	0.1561%
Yao Zhixiang	50.00	0.1561%
Wu Depei	50.00	0.1561%
Cheng Qingfu	50.00	0.1561%
Li Ming	50.00	0.1561%
Jing Sihong	43.89	0.1370%
Yin Huiyu	40.00	0.1249%
Guan Jingcheng	40.00	0.1249%
Zhu Weijun	35.00	0.1093%
Liu Lunlan	33.00	0.1030%
Li Li	30.00	0.0937%

Name of shareholder	Amount of capital contribution (RMB'0,000)	Proportion of the Company's registered capital
Zhu Qiguang	30.00	0.0937%
Wang Yanfeng	23.00	0.0718%
An Jiangbo	20.00	0.0624%
Li Fang	20.00	0.0624%
Qi Jie	20.00	0.0624%
Jiang Zhiyu	20.00	0.0624%
Zhao Menglong	20.00	0.0624%
Lyu Zhiji	15.00	0.0468%
Zou Zhengping	15.00	0.0468%
Yu Deming	11.00	0.0343%
Guangdong Qinghe No. 2 Venture Capital Partnership (Limited Partnership)	10.70	0.0334%
Shenzhen Xiaohe Venture Capital Partnership (Limited Partnership)	10.70	0.0334%
Guangdong Qinghe No. 1 Venture Capital Partnership (Limited Partnership)	10.30	0.0322%
Li Guobing	10.00	0.0312%
Zhao Wenjun	10.00	0.0312%
Chen Jian	10.00	0.0312%
Zhuoyuehui Innovation Development (Shenzhen) Co., Ltd.	10.00	0.0312%
Yang Chao	10.00	0.0312%
Zhu Xinjun	10.00	0.0312%
Guo Yonggeng	10.00	0.0312%
Bao Wei	7.00	0.0219%
Gao Jifei	6.00	0.0187%
Gao Jiyang	4.00	0.0125%
Guangzhou Chuangying Jianke Investment Partnership (Limited Partnership)	2.44	0.0076%
Total	32,030.00	100.00%

The Company has established a corporate governance structure comprising the shareholders' meeting, the board of directors and the board of supervisors. It currently has departments including sales, procurement, research and development and finance, and has subsidiaries such as Jiangxi Hangsheng Electronic Technology Co., Ltd. and Hebi Hangsheng Automotive Electronics Technology Co., Ltd.

The principal operating activities of the Company and its subsidiaries are: research and development, production and sale of automotive electronics series products, variable frequency speed regulation device series products, instruments and meters, computer peripheral equipment, information service system equipment and other electronic products; purchase and sale of electronic components; property leasing, etc.

These financial statements and the notes thereto were approved by the 29th meeting of the seventh session of the Board of Directors of the Company on 22 September 2026.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance and the application guidance, interpretations and other relevant provisions thereof (collectively, the “China Accounting Standards for Business Enterprises”). In addition, the Company discloses relevant financial information having regard to the applicable disclosure provisions of the CSRC’s Rules for the Preparation of Information Disclosure by Companies Publicly Issuing Securities No. 15 – General Provisions on Financial Reporting (revised in 2023) and the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

These financial statements have been presented on a going concern basis.

The Company’s accounting is based on the accrual basis. Except for certain financial instruments, these financial statements have been prepared on the historical cost basis. Where assets are impaired, the corresponding provision for impairment is made in accordance with the relevant provisions.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Based on its own production and operating characteristics, the Company has determined its policies for the depreciation of fixed assets, the amortisation of intangible assets, the capitalisation criteria for research and development expenses and revenue recognition. For details of the specific accounting policies, see Note III.15, Note III.18, Note III.19 and Note III.25.

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

These financial statements comply with the requirements of the Accounting Standards for Business Enterprises and give a true and complete view of the financial position of the Group and of the Company as at 31 December 2023, 31 December 2024, 31 December 2025 and 30 April 2026, and of the results of operations and cash flows and other relevant information of the Group and of the Company for the year 2023, the year 2024, the year 2025 and January-April 2026.

2. Accounting period

The Company adopts the Gregorian calendar year as its accounting period, i.e. from 1 January to 31 December each year.

3. Operating cycle

The operating cycle of the Company is 12 months.

4. Functional currency

The Company and its domestic subsidiaries adopt Renminbi as their functional currency. The Company's foreign subsidiaries determine their own functional currencies based on the primary economic environment in which they operate, and their financial statements are translated into Renminbi when these financial statements are prepared. The currency adopted by the Company in preparing these financial statements is Renminbi.

5. Method for determining materiality criteria and basis of selection

Item	Materiality criteria
Significant receivables and payables for which provision for bad debts is individually assessed	The amount of receivables and payables for which provision for bad debts is individually assessed accounts for >0.5% of the Company's consolidated net assets
Significant construction in progress	The amount of an individual construction in progress item accounts for >1% of the Company's consolidated net assets
Significant joint ventures or associates	Investment income recognised from a single entity accounting for >10% of the Company's consolidated profit before tax
Significant investing activity items	Amount of an individual investing activity accounting for >1% of the Company's consolidated net assets

6. Accounting treatment of business combinations under common control and business combinations not under common control***(1) Business combinations under common control***

For a business combination under common control, the assets and liabilities of the combined party acquired by the combining party in the combination are measured at their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the combination consideration and the carrying amount of the net assets acquired in the combination is adjusted against capital reserve; where the capital reserve is insufficient to absorb the difference, retained earnings are adjusted.

Business combination under common control achieved in stages through multiple transactions

The assets and liabilities of the combined party acquired by the combining party in the combination are measured at their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date; the difference between the sum of the carrying amount of the investment held prior to the combination and the carrying amount of the consideration newly paid at the combination date, and the carrying amount of the net assets acquired in the combination, is adjusted against capital reserve; where the capital reserve is insufficient to absorb the difference, retained earnings are adjusted. In respect of the long-term equity investment held by the combining party before it obtained control over the combined party, any related profit or loss, other comprehensive income and other changes in owners' equity already recognised from the later of (i) the date on which the original equity interest was acquired and (ii) the date on which the combining party and the combined party came under the common ultimate control of the same party, to the combination date, shall be offset respectively against the opening retained earnings of the comparative reporting period or against profit or loss for the current period.

(2) Business combinations not under common control

For a business combination not under common control, the combination cost is the fair value, at the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued in order to obtain control over the acquiree. At the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired from the acquiree are recognised at fair value.

The excess of the combination cost over the share of the fair value of the identifiable net assets of the acquiree obtained in the combination is recognised as goodwill and is subsequently measured at cost less accumulated provision for impairment; the excess of the share of the fair value of the identifiable net assets of the acquiree obtained in the combination over the combination cost is recognised in profit or loss for the current period after reassessment.

Business combination not under common control achieved in stages through multiple transactions

The combination cost is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the equity interest in the acquiree held before the acquisition date. The equity interest in the acquiree held before the acquisition date is remeasured at its fair value at the acquisition date, and the difference between the fair value and its carrying amount is recognised in investment income for the current period; where the equity interest in the acquiree held before the acquisition date involves other comprehensive income or other changes in owners' equity, these are transferred to investment income for the period in which the acquisition date falls, except for other comprehensive income arising from the investee's remeasurement of the net liability or net asset of the defined benefit plan and other comprehensive income relating to investments in non-trading equity instruments originally designated as at fair value through other comprehensive income.

(3) *Treatment of transaction costs relating to business combinations*

Intermediary fees such as audit, legal service and valuation and consulting fees, as well as other related administrative expenses, incurred for the purpose of a business combination are recognised in profit or loss for the current period when incurred. Transaction costs of equity securities or debt securities issued as consideration for the combination are included in the amount initially recognised for the equity securities or debt securities.

7. Criteria for determining control and method of preparing the consolidated financial statements

(1) *Criteria for determining control*

The scope of consolidation of the consolidated financial statements is determined on the basis of control. Control means that the Company has power over the investee, is exposed, or has rights, to variable returns through its involvement in the relevant activities of the investee, and has the ability to affect the amount of those returns through its power over the investee. Where changes in relevant facts and circumstances give rise to changes in the relevant elements involved in the definition of control, the Company reassesses whether it controls the investee.

In determining whether a structured entity should be included in the scope of consolidation, the Company assesses whether it controls the structured entity on the basis of all facts and circumstances, including assessing the purpose and design of the structured entity, identifying the types of variable returns and whether it has assumed part or all of the variability of returns through its involvement in the relevant activities of the entity.

(2) Method of preparing the consolidated financial statements

The consolidated financial statements are prepared by the Company on the basis of the financial statements of the Company and its subsidiaries and other relevant information. In preparing the consolidated financial statements, the accounting policies and accounting periods of the Company and its subsidiaries are required to be consistent, and significant transactions and balances between group companies are eliminated.

For subsidiaries and businesses added during the reporting period as a result of a business combination under common control, such subsidiaries and businesses are deemed to have been included in the Company's scope of consolidation from the date on which they came under the control of the same ultimate controlling party, and their results of operations and cash flows from that date are included in the consolidated income statement and the consolidated cash flow statement respectively.

For subsidiaries and businesses added during the reporting period as a result of a business combination not under common control, the income, expenses and profits of such subsidiaries and businesses from the acquisition date to the end of the reporting period are included in the consolidated income statement, and their cash flows are included in the consolidated cash flow statement.

The portion of a subsidiary's shareholders' equity that is not attributable to the Company is presented separately as non-controlling interests under shareholders' equity in the consolidated balance sheet; the share of a subsidiary's net profit or loss for the current period attributable to non-controlling interests is presented as "profit or loss attributable to non-controlling interests" under the net profit line item in the consolidated income statement. Where the losses of a subsidiary borne by non-controlling shareholders exceed the non-controlling shareholders' share of the opening owners' equity of that subsidiary, the excess is still offset against non-controlling interests.

(3) Acquisition of non-controlling interests in subsidiaries

The difference between the cost of the long-term equity investment newly acquired as a result of the acquisition of non-controlling interests and the share of the subsidiary's net assets continuously calculated from the acquisition date or the combination date attributable to the additional shareholding percentage, and the difference between the consideration received from the partial disposal of an equity investment in a subsidiary without loss of control and the corresponding share of the subsidiary's net assets continuously calculated from the acquisition date or the combination date attributable to the long-term equity investment disposed of, are both adjusted against capital reserve (share premium/capital premium) in the consolidated balance sheet; where the capital reserve is insufficient to absorb the difference, retained earnings are adjusted.

(4) Treatment of loss of control over a subsidiary

Where control over a former subsidiary is lost as a result of the disposal of part of the equity investment or for other reasons, the remaining equity interest is remeasured at its fair value at the date on which control is lost; the difference between the sum of the consideration received from the disposal of the equity interest and the fair value of the remaining equity interest, less the sum of (i) the share of the carrying amount of the net assets of the former subsidiary continuously calculated from the acquisition date attributable to the original shareholding percentage and (ii) goodwill, is recognised in investment income for the period in which control is lost.

Other comprehensive income relating to the equity investment in the former subsidiary is, upon the loss of control, accounted for on the same basis as would have applied had the former subsidiary directly disposed of the related assets or liabilities, and other changes in owners' equity relating to the former subsidiary accounted for under the equity method are transferred to profit or loss for the current period upon the loss of control.

(5) Treatment of disposal of equity interests in stages until loss of control

Where the terms, conditions and economic effects of the individual transactions in a disposal of equity interests in stages through multiple transactions until loss of control meet one or more of the following circumstances, the Company accounts for the multiple transactions as a single package transaction:

- ① The transactions are entered into simultaneously or in contemplation of one another;
- ② Only when taken as a whole do the transactions achieve a complete commercial result;
- ③ The occurrence of one transaction depends on the occurrence of at least one other transaction;
- ④ One transaction, considered on its own, is not economic, but is economic when considered together with the other transactions.

Where equity interests are disposed of in stages until control is lost, the measurement of the remaining equity interest and the accounting for the gain or loss on the disposal of the equity interests are dealt with by reference to the "Treatment of loss of control over a subsidiary" described above. The difference between the consideration for each disposal prior to the loss of control and the share of the carrying amount of the net assets of the subsidiary continuously calculated from the acquisition date corresponding to the investment disposed of is dealt with as follows:

- ① Where the transactions constitute a "package transaction", the difference is recognised in other comprehensive income and is transferred in its entirety to profit or loss for the period in which control is lost.

- ② Where the transactions do not constitute a “package transaction”, the difference is accounted for as an equity transaction and recognised in capital reserve (share premium). It shall not be transferred to profit or loss for the period in which control is lost.

8. Classification of joint arrangements and accounting treatment of joint operations

A joint arrangement is an arrangement of which two or more parties have joint control. The Company classifies its joint arrangements into joint operations and joint ventures.

(1) Joint operations

A joint operation is a joint arrangement whereby the Company has rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognises the following items in relation to its interest in a joint operation and accounts for them in accordance with the relevant Accounting Standards for Business Enterprises:

- A. Its assets held individually, and its share of any assets held jointly;
- B. Its liabilities incurred individually, and its share of any liabilities incurred jointly;
- C. Its revenue from the sale of its share of the output arising from the joint operation;
- D. Its share of the revenue arising from the sale of the output by the joint operation;
- E. Its expenses incurred individually, and its share of any expenses incurred by the joint operation.

(2) Joint ventures

A joint venture is a joint arrangement whereby the Company has rights only to the net assets of the arrangement.

The Company accounts for its investments in joint ventures in accordance with the provisions on the equity method applicable to long-term equity investments.

9. Criteria for determining cash and cash equivalents

Cash comprises cash on hand and deposits that are available for payment at any time. Cash equivalents are investments held by the Company that are short-term and highly liquid, that are readily convertible into known amounts of cash and that are subject to an insignificant risk of changes in value.

10. Foreign currency transactions and translation of foreign currency financial statements***(1) Foreign currency transactions***

Foreign currency transactions of the Company are translated into the functional currency at a rate determined in a systematic and rational manner that approximates the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated at the spot exchange rate at the balance sheet date. Exchange differences arising from differences between the spot exchange rate at the balance sheet date and the spot exchange rate at initial recognition or at the previous balance sheet date are recognised in profit or loss for the current period; foreign currency non-monetary items measured at historical cost continue to be translated at the spot exchange rate on the date of the transaction; foreign currency non-monetary items measured at fair value are translated at the spot exchange rate at the date on which the fair value is determined, and the difference between the translated functional currency amount and the original functional currency amount is recognised in profit or loss for the current period or in other comprehensive income according to the nature of the non-monetary item.

(2) Translation of foreign currency financial statements

At the balance sheet date, when the foreign currency financial statements of foreign subsidiaries are translated, asset and liability items in the balance sheet are translated at the spot exchange rate at the balance sheet date, and shareholders' equity items, other than "undistributed profits", are translated at the spot exchange rates prevailing on the dates on which they arose.

Income and expense items in the income statement are translated at a rate determined in a systematic and rational manner that approximates the spot exchange rate on the date of the transaction.

All items in the cash flow statement are translated at a rate determined in a systematic and rational manner that approximates the spot exchange rate on the date of the cash flow. The effect of exchange rate changes on cash is presented as a reconciling item and is separately presented in the cash flow statement under the item "Effect of exchange rate changes on cash and cash equivalents".

Differences arising from the translation of the financial statements are presented under the item "other comprehensive income" within shareholders' equity in the balance sheet.

On disposal of an foreign operation with loss of control, the foreign currency translation differences relating to that foreign operation presented under shareholders' equity in the balance sheet are transferred, in full or in proportion to the interest in the foreign operation disposed of, to profit or loss for the period of the disposal.

11. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(1) Recognition and derecognition of financial instruments

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

A financial asset is derecognised when one of the following conditions is met:

- ① The contractual rights to the cash flows from the financial asset expire;
- ② The financial asset has been transferred and the transfer satisfies the criteria for derecognition of transfers of financial assets set out below.

Where the present obligation of a financial liability has been discharged in whole or in part, the financial liability or that part of it is derecognised. Where the Company (the debtor) enters into an agreement with a creditor to replace an existing financial liability by assuming a new financial liability, and the contractual terms of the new financial liability are substantially different from those of the existing financial liability, the existing financial liability is derecognised and the new financial liability is recognised at the same time.

Regular-way purchases and sales of financial assets are recognised and derecognised using trade date accounting.

(2) Classification and measurement of financial assets

At initial recognition, the Company classifies its financial assets into the following three categories based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets: financial assets measured at amortised cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are recognised directly in profit or loss for the current period; for other categories of financial assets, the related transaction costs are included in the amount initially recognised. For receivables arising from the sale of goods or the rendering of services that do not contain, or that disregard, a significant financing component, the Company takes the amount of consideration to which it expects to be entitled as the amount initially recognised.

Financial assets measured at amortised cost

The Company classifies a financial asset that meets both of the following conditions and that is not designated as at fair value through profit or loss as a financial asset measured at amortised cost:

- The Company's business model for managing the financial asset is to hold the financial asset in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets measured at amortised cost that are not part of any hedging relationship are recognised in profit or loss for the current period upon derecognition, amortisation using the effective interest method or recognition of impairment.

Financial assets at fair value through other comprehensive income

The Company classifies a financial asset that meets both of the following conditions and that is not designated as at fair value through profit or loss as a financial asset at fair value through other comprehensive income:

- The Company's business model for managing the financial asset is achieved both by collecting contractual cash flows and by selling the financial asset;
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, such financial assets are subsequently measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains and losses are recognised in profit or loss for the current period, and other gains or losses are recognised in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognised in other comprehensive income is transferred out of other comprehensive income and recognised in profit or loss for the current period.

Financial assets at fair value through profit or loss

Apart from the financial assets measured at amortised cost and the financial assets at fair value through other comprehensive income described above, the Company classifies all its remaining financial assets as financial assets at fair value through profit or loss. At initial recognition, in order to eliminate or significantly reduce an accounting mismatch, the Company irrevocably designates certain financial assets that would otherwise be measured at amortised cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.

After initial recognition, such financial assets are subsequently measured at fair value, and the resulting gains or losses (including interest and dividend income) are recognised in profit or loss for the current period, unless the financial asset forms part of a hedging relationship.

The business model for managing financial assets refers to how the Company manages its financial assets in order to generate cash flows. The business model determines whether the source of cash flows of the financial assets managed by the Company is the collection of contractual cash flows, the sale of the financial assets, or both. The Company determines the business model for managing financial assets on the basis of objective facts and of the specific business objectives for managing the financial assets determined by key management personnel.

The Company assesses the contractual cash flow characteristics of financial assets in order to determine whether the contractual cash flows arising from the relevant financial assets on specified dates are solely payments of principal and interest on the principal amount outstanding. Principal refers to the fair value of the financial asset at initial recognition; interest includes consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period, and for other basic lending risks, costs and profit margin. In addition, the Company assesses contractual terms that may change the timing or amount of the contractual cash flows of a financial asset in order to determine whether they meet the above requirements for contractual cash flow characteristics.

Only when the Company changes its business model for managing financial assets are all affected financial assets reclassified, on the first day of the first reporting period following the change in the business model; otherwise, financial assets are not reclassified after initial recognition.

(3) Classification and measurement of financial liabilities

At initial recognition, the Company classifies its financial liabilities as: financial liabilities at fair value through profit or loss and financial liabilities measured at amortised cost. For financial liabilities not classified as at fair value through profit or loss, the related transaction costs are included in the amount initially recognised.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise held-for-trading financial liabilities and financial liabilities designated at initial recognition as at fair value through profit or loss. Such financial liabilities are subsequently measured at fair value, and gains or losses arising from changes in fair value, together with dividends and interest expenses relating to such financial liabilities, are recognised in profit or loss for the current period.

Financial liabilities measured at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, and gains or losses arising from derecognition or amortisation are recognised in profit or loss for the current period.

(4) Fair value of financial instruments

The methods for determining the fair value of financial assets and financial liabilities are set out in Note III.12.

(5) Impairment of financial assets

On the basis of expected credit losses, the Company accounts for impairment of, and recognises loss allowances for, the following items:

- Financial assets measured at amortised cost;
- Receivables and debt instrument investments at fair value through other comprehensive income;
- Contract assets as defined in “Accounting Standards for Business Enterprises No. 14 – Revenue”;
- Lease receivables;
- Financial guarantee contracts (other than those measured at fair value through profit or loss, those arising from transfers of financial assets that do not qualify for derecognition and those arising from continuing involvement in transferred financial assets).

Measurement of expected credit losses

Expected credit losses are the weighted average of the credit losses on a financial instrument, weighted by the risk of a default occurring. Credit losses are the difference, discounted at the original effective interest rate, between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, that is, the present value of all cash shortfalls.

The Company recognises expected credit losses by calculating, weighted by the risk of a default occurring, the probability-weighted amount of the present value of the difference between the contractual cash flows receivable and the cash flows expected to be received, taking into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The Company measures the expected credit losses of financial instruments at different stages separately. Where the credit risk of a financial instrument has not increased significantly since initial recognition, the instrument is in stage 1 and the Company measures the loss allowance at an amount equal to the expected credit losses within the next 12 months; where the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the instrument is in stage 2 and the Company measures the loss allowance at an amount equal to the lifetime expected credit losses of the instrument; where a financial instrument has become credit-impaired since initial recognition, the instrument is in stage 3 and the Company measures the loss allowance at an amount equal to the lifetime expected credit losses of the instrument.

For financial instruments that have low credit risk at the balance sheet date, the Company assumes that their credit risk has not increased significantly since initial recognition and measures the loss allowance at an amount equal to the expected credit losses within the next 12 months.

Lifetime expected credit losses are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. Expected credit losses within the next 12 months are the expected credit losses resulting from default events on the financial instrument that are possible within 12 months after the balance sheet date (or, where the expected life of the financial instrument is less than 12 months, within the expected life), and are a portion of the lifetime expected credit losses.

In measuring expected credit losses, the maximum period the Company considers is the maximum contractual period over which the Company is exposed to credit risk (including taking into account extension options).

For financial instruments in stage 1 and stage 2 and for financial instruments with low credit risk, the Company calculates interest income on the basis of their gross carrying amount before deduction of the impairment allowance and the effective interest rate. For financial instruments in stage 3, the Company calculates interest income on the basis of the amortised cost, being the gross carrying amount less the impairment allowance already made, and the effective interest rate.

For receivables such as notes receivable, accounts receivable, receivables financing, other receivables and contract assets, where the credit risk characteristics of a particular customer are significantly different from those of other customers in the portfolio, or where the credit risk characteristics of that customer have changed significantly, the Company recognises a provision for bad debts for that receivable on an individual basis. Apart from receivables for which a provision for bad debts is made individually, the Company groups receivables into portfolios based on credit risk characteristics and calculates the provision for bad debts on a portfolio basis.

Notes receivable, accounts receivable and contract assets

For notes receivable, accounts receivable and contract assets, whether or not a significant financing component exists, the Company always measures the loss allowance at an amount equal to the lifetime expected credit losses.

Where information on the expected credit losses of an individual financial asset or contract asset cannot be obtained or evaluated at a reasonable cost, the Company groups notes receivable, accounts receivable and contract assets into portfolios based on credit risk characteristics and calculates expected credit losses on a portfolio basis. The bases for determining the portfolios are as follows:

A. Notes receivable

- Notes receivable portfolio 1: Bank acceptance notes
- Notes receivable portfolio 2: Commercial acceptance notes

B. Accounts receivable

- Accounts receivable portfolio 1: Amounts due from customers
- Accounts receivable portfolio 2: Amounts due from related parties within the scope of consolidation

For notes receivable and contract assets grouped into portfolios, the Company calculates expected credit losses by reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, through the exposure at default and the lifetime expected credit loss rate.

For accounts receivable grouped into portfolios, the Company calculates expected credit losses by reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, and by preparing a comparison table of the ageing of accounts receivable and the lifetime expected credit loss rates. The ageing of accounts receivable is calculated from the date of recognition.

Other receivables

The Company groups other receivables into a number of portfolios based on credit risk characteristics and calculates expected credit losses on a portfolio basis. The bases for determining the portfolios are as follows:

- Other receivables portfolio 1: Petty cash advances
- Other receivables portfolio 2: Current accounts with other entities
- Other receivables portfolio 3: Deposits and security deposits
- Other receivables portfolio 4: Others
- Other receivables portfolio 5: Current accounts with related parties within the scope of consolidation

For other receivables grouped into portfolios, the Company calculates expected credit losses through the exposure at default and the expected credit loss rate for the next 12 months or for the lifetime. For other receivables grouped by ageing, the ageing is calculated from the date of recognition.

Debt investments and other debt investments

For debt investments and other debt investments, the Company calculates expected credit losses, according to the nature of the investments and on the basis of the various types of counterparties and risk exposures, through the exposure at default and the expected credit loss rate for the next 12 months or for the lifetime.

Assessment of significant increases in credit risk

The Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument at the balance sheet date with the risk of a default occurring at the date of initial recognition, so as to determine the relative change in the risk of a default occurring over the expected life of the financial instrument.

In determining whether credit risk has increased significantly since initial recognition, the Company considers reasonable and supportable information that is available without undue additional cost or effort, including forward-looking information. The information considered by the Company includes:

- Failure of the debtor to pay principal and interest by the contractual due date;
- Actual or expected significant deterioration in the external or internal credit rating (if any) of the financial instrument;
- Actual or expected significant deterioration in the operating results of the debtor;
- Existing or expected changes in the technological, market, economic or legal environment that will have a significant adverse effect on the debtor's ability to repay the Company.

Depending on the nature of the financial instruments, the Company assesses whether credit risk has increased significantly on an individual financial instrument basis or on a financial instrument portfolio basis. Where the assessment is performed on a portfolio basis, the Company may classify financial instruments on the basis of shared credit risk characteristics, such as past-due information and credit risk ratings.

Credit-impaired financial assets

The Company assesses at the balance sheet date whether financial assets measured at amortised cost and debt investments at fair value through other comprehensive income have become credit-impaired. A financial asset becomes 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 the following observable information:

- Significant financial difficulty of the issuer or the debtor;
- A breach of contract by the debtor, such as a default or delinquency in the payment of interest or principal;

- The Company, for economic or contractual reasons relating to the debtor's financial difficulty, granting to the debtor a concession that would not otherwise be considered;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of the financial difficulties of the issuer or the debtor.

Presentation of allowances for expected credit losses

In order to reflect changes in the credit risk of financial instruments since initial recognition, the Company remeasures expected credit losses at each balance sheet date, and the resulting increase in, or reversal of, the loss allowance is recognised in profit or loss for the current period as an impairment loss or gain. For financial assets measured at amortised cost, the loss allowance reduces the carrying amount of the financial asset presented in the balance sheet; for debt investments at fair value through other comprehensive income, the Company recognises the loss allowance in other comprehensive income without reducing the carrying amount of the financial asset.

Write-off

If the Company no longer reasonably expects that the contractual cash flows of a financial asset will be recovered in whole or in part, it directly writes down the gross carrying amount of that financial asset. Such a write-down constitutes a derecognition of the relevant financial asset. This normally occurs when the Company determines that the debtor has no assets or sources of income capable of generating sufficient cash flows to repay the amount to be written down. However, in accordance with the Company's procedures for recovering amounts due, financial assets that have been written down may still be subject to enforcement activities.

Where a financial asset that has been written down is subsequently recovered, the recovery is recognised as a reversal of impairment losses in profit or loss for the period of recovery.

(6) *Transfer of financial assets*

A transfer of a financial asset refers to the assignment or delivery of a financial asset to a party other than the issuer of that financial asset (the transferee).

Where the Company has transferred substantially all the risks and rewards of ownership of a financial asset to the transferee, it derecognises the financial asset; where it has retained substantially all the risks and rewards of ownership of the financial asset, it does not derecognise the financial asset.

Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership of a financial asset, the following treatments apply respectively: if the Company has relinquished control over the financial asset, it derecognises the financial asset and recognises the assets and liabilities arising therefrom; if the Company has not relinquished control over the financial asset, it recognises the relevant financial asset to the extent of its continuing involvement in the transferred financial asset and recognises the related liability accordingly.

(7) Offsetting of financial assets and financial liabilities

Where the Company has a legal right to offset recognised financial assets and financial liabilities, and that legal right is currently enforceable, and the Company intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously, the financial asset and the financial liability are presented in the balance sheet at their net amount after offsetting. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other.

12. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In measuring the relevant assets or liabilities at fair value, the Company assumes that the orderly transaction to sell the asset or transfer the liability takes place in the principal market for the relevant asset or liability; where there is no principal market, the Company assumes that the transaction takes place in the most advantageous market for the relevant asset or liability. The principal market (or the most advantageous market) is the trading market that the Company can access at the measurement date. The Company uses the assumptions that market participants would use in pricing the asset or liability to maximise their economic benefits.

For financial assets or financial liabilities for which an active market exists, the Company determines their fair value using quoted prices in the active market. Where no active market exists for a financial instrument, the Company determines its fair value using a valuation technique.

When measuring a non-financial asset at fair value, consideration is given to a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are applicable in the current circumstances and for which sufficient data and other information are available, giving priority to the use of relevant observable inputs, and uses unobservable inputs only when observable inputs are not available or are impracticable to obtain.

For assets and liabilities measured or disclosed at fair value in the financial statements, the level within the fair value hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be obtained at the measurement date; Level 2 inputs are inputs other than Level 1 inputs that are directly or indirectly observable for the relevant asset or liability; Level 3 inputs are unobservable inputs for the relevant asset or liability.

At each balance sheet date, the Company reassesses the assets and liabilities recognised in the financial statements that are measured at fair value on a recurring basis in order to determine whether any transfer between levels of the fair value hierarchy has occurred.

13. Inventories

(1) Classification of inventories

The Company's inventories are classified into raw materials, work in progress, finished goods, goods shipped, materials for consigned processing, contract fulfilment costs, etc.

(2) Method for determining the cost of inventories on issue

The Company's inventories are stated at actual cost on acquisition. Raw materials, finished goods and similar items are priced using the weighted average method when issued.

(3) Basis for determining and method of making provision for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. Where the net realisable value is lower than cost, a provision for decline in value of inventories is made.

Net realisable value is the estimated selling price of the inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the related taxes. In determining the net realisable value of inventories, conclusive evidence obtained is used as the basis, and the purpose for which the inventories are held and the effect of events after the balance sheet date are also taken into account.

The Company generally makes provision for decline in value of inventories on an individual inventory item basis. For inventories with a large number of items and a low unit price, the provision for decline in value of inventories is made by inventory category.

At the balance sheet date, where the factors that previously caused the write-down of the value of inventories have ceased to exist, the provision for decline in value of inventories is reversed within the amount previously provided.

(4) Inventory system

The Company adopts the perpetual inventory system for counting inventories.

(5) Amortisation method for low-value consumables

The Company amortises low-value consumables using the one-off write-off method when they are issued for use.

14. Long-term equity investments

Long-term equity investments comprise equity investments in subsidiaries, joint ventures and associates. An investee over which the Company is able to exercise significant influence is an associate of the Company.

(1) Determination of initial investment cost

For long-term equity investments arising from a business combination: for a long-term equity investment acquired through a business combination under common control, the investment cost is the share of the carrying amount of the owners' equity of the party being combined in the consolidated financial statements of the ultimate controlling party at the combination date; for a long-term equity investment acquired through a business combination not under common control, the combination cost is taken as the investment cost of the long-term equity investment.

For long-term equity investments acquired by other means: for a long-term equity investment acquired by payment of cash, the initial investment cost is the purchase consideration actually paid; for a long-term equity investment acquired by the issue of equity securities, the initial investment cost is the fair value of the equity securities issued.

(2) Subsequent measurement and method of recognising profit or loss

Investments in subsidiaries are accounted for using the cost method, unless the investment meets the conditions for classification as held for sale; investments in associates and joint ventures are accounted for using the equity method.

For long-term equity investments accounted for using the cost method, cash dividends or profits declared for distribution by the investee are recognised as investment income and included in profit or loss for the current period, other than cash dividends or profits that have been declared but not yet distributed and are included in the price or consideration actually paid at the time of acquisition of the investment.

For long-term equity investments accounted for using the equity method, where the initial investment cost exceeds the share of the fair value of the investee's identifiable net assets attributable to the investment, the investment cost of the long-term equity investment is not adjusted; where the initial investment cost is less than the share of the fair value of the investee's identifiable net assets attributable to the investment, the carrying amount of the long-term equity investment is adjusted and the difference is included in profit or loss for the period in which the investment is made.

When the equity method is applied, the Company recognises investment income and other comprehensive income respectively based on its share of the net profit or loss and other comprehensive income realised by the investee, and adjusts the carrying amount of the long-term equity investment accordingly; the carrying amount of the long-term equity investment is reduced by the portion attributable to the Company of profits or cash dividends declared for distribution by the investee; for other changes in the investee's owners' equity other than net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment is adjusted and the amount is included in capital reserve (other capital reserve). In recognising its share of the investee's net profit or loss, the Company makes recognition after adjusting the investee's net profit on the basis of the fair values of the investee's identifiable assets at the time of acquisition of the investment and in accordance with the Company's accounting policies and accounting periods.

Where the Company becomes able to exercise significant influence or joint control, but not control, over an investee as a result of additional investment or other reasons, the initial investment cost for the purpose of the change to the equity method is, at the date of conversion, the sum of the fair value of the previously held equity interest plus the cost of the additional investment. Where the previously held equity interest was classified as a non-trading equity instrument investment measured at fair value through other comprehensive income, the cumulative changes in fair value previously included in other comprehensive income in respect of that interest are transferred to retained earnings upon the change to the equity method.

Where the Company loses joint control or significant influence over an investee as a result of the disposal of part of an equity investment or for other reasons, the remaining equity interest after the disposal is, from the date on which joint control or significant influence is lost, accounted for in accordance with Accounting Standards for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement, and the difference between its fair value and carrying amount is included in profit or loss for the current period. Other comprehensive income recognised in respect of the original equity investment under the equity method is accounted for, upon discontinuation of the equity method, on the same basis as would have been applicable had the investee directly disposed of the related assets or liabilities; other changes in owners' equity relating to the original equity investment are transferred to profit or loss for the current period.

Where the Company loses control over an investee as a result of the disposal of part of an equity investment or for other reasons, if the remaining equity interest after the disposal enables the Company to exercise joint control or significant influence over the investee, the equity method is applied and the remaining equity interest is adjusted as if the equity method had been applied from the date of acquisition; if the remaining equity interest after the disposal does not enable the Company to exercise joint control or significant influence over the investee, it is accounted for in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement, and the difference between its fair value and carrying amount at the date on which control is lost is included in profit or loss for the current period.

Where the Company's shareholding percentage decreases as a result of a capital increase by other investors, such that control is lost but joint control or significant influence over the investee can still be exercised, the Company recognises its share of the increase in the investee's net assets arising from the capital increase and share expansion based on the new shareholding percentage, and the difference between that amount and the original carrying amount of the long-term equity investment corresponding to the portion of the shareholding percentage that has decreased and should be carried forward is included in profit or loss for the current period; thereafter, an adjustment is made based on the new shareholding percentage as if the equity method had been applied from the date of acquisition of the investment.

The portion of unrealised gains or losses on internal transactions between the Company and its associates and joint ventures that is attributable to the Company calculated according to the shareholding percentage is eliminated, and investment income or loss is recognised on that basis. However, unrealised losses on internal transactions between the Company and the investee that represent impairment losses on the transferred assets are not eliminated.

(3) Basis for determining joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, whereby decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control. In determining whether joint control exists, it is first assessed whether the arrangement is collectively controlled by all of the parties or by a group of parties, and it is then assessed whether decisions about the relevant activities of the arrangement require the unanimous consent of those parties that collectively control the arrangement. If all of the parties, or a group of parties, must act together to direct the relevant activities of an arrangement, the arrangement is regarded as being collectively controlled by all of the parties or by that group of parties; where two or more combinations of parties are able to collectively control an arrangement, joint control does not exist. In determining whether joint control exists, protective rights held are not taken into account.

Significant influence is the power of the investor to participate in the decision-making on the financial and operating policies of the investee, but not to control, or jointly control with other parties, the formulation of those policies. In determining whether significant influence can be exercised over an investee, consideration is given to the voting shares of the investee held by the investor directly or indirectly and to the effect of currently exercisable potential voting rights held by the investor and other parties, assuming their conversion into equity interests in the investee, including the effect of currently convertible warrants, share options and convertible corporate bonds issued by the investee.

Where the Company holds, directly or indirectly through subsidiaries, 20% (inclusive of 20%) or more but less than 50% of the voting shares of an investee, it is generally considered to have significant influence over the investee, unless there is clear evidence that in such circumstances it cannot participate in the production and operating decision-making of the investee and therefore does not have significant influence; where the Company holds less than 20% of the voting shares of an investee, it is generally not considered to have significant influence over the investee, unless there is clear evidence that in such circumstances it is able to participate in the production and operating decision-making of the investee and therefore has significant influence.

(4) Impairment testing method and method of making provision for impairment

For investments in subsidiaries, associates and joint ventures, the method of making provision for asset impairment is set out in Note III.20.

15. Fixed assets

(1) Recognition criteria for fixed assets

The Company's fixed assets are tangible assets that are held for the production of goods, the rendering of services, rental or administrative purposes and that have a useful life exceeding one accounting year.

A fixed asset is recognised only when it is probable that the economic benefits associated with the fixed asset will flow to the Company and the cost of the fixed asset can be measured reliably.

The Company's fixed assets are initially measured at the actual cost at the time of acquisition.

Subsequent expenditure relating to a fixed asset is included in the cost of the fixed asset when it is probable that the economic benefits associated with it will flow to the Company and its cost can be measured reliably; routine repair costs of fixed assets that do not meet the conditions for capitalisation of subsequent expenditure on fixed assets are included in profit or loss for the current period or in the cost of the related asset according to the beneficiary when they are incurred. The carrying amount of the replaced part is derecognised.

(2) Depreciation methods for the various categories of fixed assets

The Company provides depreciation using the straight-line method. Depreciation of a fixed asset commences when it is ready for its intended use and ceases upon derecognition or upon classification as a non-current asset held for sale. Without taking provision for impairment into account, the Company determines the annual depreciation rates for the various categories of fixed assets, based on the category of fixed assets, the estimated useful life and the estimated residual value, as follows:

Category	Useful life (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	40	5	2.38
Machinery and equipment	10	5	9.5
Testing instruments	5-10	5	19.00-9.50
Moulds	3-5	5	31.67-19.00
Transportation equipment	5	5	19.00
Electronic and other equipment	3	5	31.67

Of which, for fixed assets for which provision for impairment has been made, the depreciation rate is determined after further deducting the accumulated amount of the provision for impairment of fixed assets that has been made.

(3) The impairment testing method and the method of making provision for impairment of fixed assets are set out in Note III.20.***(4) At the end of each year, the Company reviews the useful lives, estimated net residual values and depreciation methods of fixed assets.***

Where the estimated useful life differs from the previous estimate, the useful life of the fixed asset is adjusted; where the estimated net residual value differs from the previous estimate, the estimated net residual value is adjusted.

(5) Disposal of fixed assets

A fixed asset is derecognised when it is disposed of or when no economic benefits are expected to be generated from its use or disposal. The amount of the proceeds from the sale, transfer, retirement or damage of a fixed asset, net of its carrying amount and the related taxes and expenses, is included in profit or loss for the current period.

16. Construction in progress

The cost of the Company's construction in progress is determined based on the actual construction expenditure incurred, including all necessary construction expenditure incurred during the construction period, borrowing costs that should be capitalised before the construction in progress is ready for its intended use, and other related expenses.

Construction in progress is transferred to fixed assets when it is ready for its intended use.

The method of making provision for asset impairment of construction in progress is set out in Note III.20.

17. Borrowing costs***(1) Principles for recognising the capitalisation of borrowing costs***

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised and included in the cost of the related asset; other borrowing costs are recognised as expenses in the amount incurred when they are incurred and are included in profit or loss for the current period. Capitalisation of borrowing costs commences when all of the following conditions are satisfied:

- ① Asset expenditures have been incurred, which include expenditures incurred in the form of cash payments, transfers of non-cash assets or the assumption of interest-bearing debt for the acquisition, construction or production of a qualifying asset;
- ② Borrowing costs have been incurred;
- ③ The acquisition, construction or production activities necessary for the asset to be ready for its intended use or sale have commenced.

(2) Capitalisation period of borrowing costs

Capitalisation of borrowing costs ceases when the qualifying asset acquired, constructed or produced by the Company is ready for its intended use or sale. Borrowing costs incurred after the qualifying asset has reached its intended usable or saleable condition are recognised as expenses in the amount incurred when they are incurred and are included in profit or loss for the current period.

Where the acquisition, construction or production of a qualifying asset is abnormally interrupted and the interruption lasts for more than 3 consecutive months, capitalisation of borrowing costs is suspended; borrowing costs incurred during periods of normal interruption continue to be capitalised.

(3) Method of calculating the capitalisation rate and the capitalised amount of borrowing costs

For specific borrowings, the amount of interest expense actually incurred during the current period, less any interest income earned on the unused borrowed funds deposited with banks or investment income obtained from temporary investments, is capitalised; for general borrowings, the capitalised amount is determined by multiplying the weighted average of the asset expenditures in excess of those covered by specific borrowings by the capitalisation rate of the general borrowings utilised. The capitalisation rate is determined based on the weighted average interest rate of the general borrowings.

During the capitalisation period, all exchange differences on foreign currency specific borrowings are capitalised; exchange differences on foreign currency general borrowings are included in profit or loss for the current period.

18. Intangible assets

The Company's intangible assets comprise land use rights, patents, licences, software use rights, etc.

Intangible assets are initially measured at cost, and their useful lives are analysed and determined at the time of acquisition. For an intangible asset with a finite useful life, it is amortised over its estimated useful life from the time it is available for use, using an amortisation method that reflects the expected pattern of realisation of the economic benefits associated with the asset; where the expected pattern of realisation cannot be determined reliably, the straight-line method is used. Intangible assets with indefinite useful lives are not amortised.

The amortisation methods for intangible assets with finite useful lives are as follows:

Category	Useful life	Amortisation method	Remarks
Land use rights	Within the period granted by the land use right certificate	Straight-line method	
Patents and licences	The useful life stipulated by relevant laws or agreed in the contract	Straight-line method	
Software use rights	Estimated period of benefit	Straight-line method	

At the end of each year, the Company reviews the useful lives and amortisation methods of intangible assets with finite useful lives; where these differ from previous estimates, the previous estimates are adjusted and the change is accounted for as a change in accounting estimate.

Where it is expected at the balance sheet date that an intangible asset can no longer bring future economic benefits to the enterprise, the entire carrying amount of that intangible asset is transferred to profit or loss for the current period.

The method of making provision for asset impairment of intangible assets is set out in Note III.20.

19. Research and development expenditure

The Company's research and development expenditure comprises expenditure directly related to the Company's research and development activities, including employee benefits of research and development personnel, direct input costs, depreciation expenses and amortisation of long-term prepaid expenses, design costs, equipment commissioning costs, amortisation of intangible assets, expenses for research and development entrusted to external parties, and other expenses. Of these, the salaries of research and development personnel are allocated to research and development expenditure based on project working hours. The costs of equipment, production lines and premises shared between research and development activities and other production and operating activities are allocated to research and development expenditure based on the proportion of working hours and the proportion of floor area.

The Company classifies expenditure on internal research and development projects into expenditure in the research phase and expenditure in the development phase.

Expenditure in the research phase is included in profit or loss for the current period when it is incurred.

Expenditure in the development phase may be capitalised only when all of the following conditions are satisfied: it is technically feasible to complete the intangible asset so that it will be available for use or sale; there is an intention to complete the intangible asset and use or sell it; the manner in which the intangible asset will generate economic benefits can be demonstrated, including the ability to demonstrate that there is a market for the products produced using the intangible asset or that there is a market for the intangible asset itself and, where the intangible asset will be used internally, its usefulness; there are adequate technical, financial and other resources to support the completion of the development of the intangible asset and the ability to use or sell the intangible asset; and the expenditure attributable to the development phase of the intangible asset can be measured reliably. Development expenditure that does not satisfy the above conditions is included in profit or loss for the current period.

The Company's research and development projects enter the development phase after they satisfy the above conditions, pass technical feasibility and economic feasibility studies, and the project has been formally approved.

Capitalised expenditure in the development phase is presented in the balance sheet as development expenditure and is transferred to intangible assets on the date on which the project is ready for its intended use.

Capitalisation conditions for specific research and development projects:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

The Company has established a dedicated research and development team to conduct research on the relevant technologies. Having passed the verification of the planning and conceptual design phases, the technical feasibility of the project has been fully demonstrated, and, following approval by the Company's final decision-making review, the project enters the development and verification phase. The technical feasibility of such research and development investment can therefore be fully substantiated.

- (2) There is an intention to complete the intangible asset and use or sell it;

Through the research and development of major projects, the Company further enriches its product lines. On the one hand, this is conducive to providing corresponding products to different categories of customers in the market according to their needs and to meeting the continuously growing market demand of downstream customers, thereby further expanding the application fields of the Company's products and enhancing its profitability; on the other hand, it is an inevitable measure for the Company to continue to consolidate its principal business, comprehensively enhance its technical research and development capabilities, further expand its market presence, increase its market competitiveness, and gradually become a leading enterprise in the automotive electronics industry. The Company needs to invest continuously in order to seize commercial opportunities, and therefore the Company has the intention to complete and use the projects under research and development.

- (3) The manner in which the intangible asset will generate economic benefits can be demonstrated, including the ability to demonstrate that there is a market for the products produced using the intangible asset or that there is a market for the intangible asset itself and, where the intangible asset will be used internally, its usefulness;

For each research and development project, the Company carries out a comprehensive and systematic market analysis of the project, and for each project, from the perspective of inputs and outputs, calculates the profit forecast data over the project

life cycle. Only major projects that meet the Company's profitability requirements may proceed to the next stage of development work and be accounted for as capitalised. According to the profit forecast, it is estimated that all capitalised research and development expenses can be recovered through future sales.

- (4) There are adequate technical, financial and other resources to support the completion of the development of the intangible asset and the ability to use or sell the intangible asset;

In terms of technology, since its establishment the Company has been dedicated to technical research and development, solution design and application promotion in the field of automotive electronics. It has developed strong research and development capabilities in automotive electronics product technology and has extensive experience in automotive electronics product development. The current research and development team has formed a well-established technological innovation system with sustained innovation capability, providing reliable technical support for the implementation of projects. In terms of finance, the Company's current operating results are satisfactory, its credit standing is sound and its financing channels are unimpeded, enabling it to provide adequate funding support for the implementation of research and development projects and the sale of products. In terms of other resources, by virtue of its excellent product performance the Company has accumulated extensive sales channels and customer resources, and has at the same time cultivated a group of experienced management and research and development personnel, which can fully support the development of research and development projects and the sale of products.

- (5) The expenditure attributable to the development phase of the intangible asset can be measured reliably;

Apart from employee benefits, research and development expenses can all be collected by department and by project. Each research and development employee is required, each week, to complete a weekly timesheet, and the hours worked by each research and development employee on each project are collected by project. Each month, after the finance department has collected the weekly timesheets, employee benefits are reasonably allocated according to the project working hours reported. Therefore, once the capitalisation date of a particular project has been determined, the expenses of that project after the capitalisation point can be collected.

20. Impairment of assets

Impairment of long-term equity investments in subsidiaries, associates and joint ventures; fixed assets; construction in progress; right-of-use assets; intangible assets; goodwill, etc. (other than inventories, deferred tax assets and financial assets) is determined using the following methods:

At the balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. Where such an indication exists, the Company estimates the recoverable amount of the asset and performs an impairment test. Goodwill arising from a business combination, intangible assets with indefinite useful lives and intangible assets not yet available for their intended use are tested for impairment annually, irrespective of whether there is any indication of impairment.

The recoverable amount is determined as the higher of the fair value of the asset less costs of disposal and the present value of the estimated future cash flows of the asset. The Company estimates the recoverable amount on an individual asset basis; where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs is determined. An asset group is identified on the basis of whether the principal cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

Where the recoverable amount of an asset or asset group is lower than its carrying amount, the Company writes down its carrying amount to the recoverable amount, and the amount written down is included in profit or loss for the current period, with a corresponding provision for impairment of assets being made.

For the purpose of impairment testing of goodwill, the carrying amount of goodwill arising from a business combination is allocated, from the acquisition date, to the relevant asset groups using a reasonable method; where it is difficult to allocate to the relevant asset groups, it is allocated to the relevant groups of asset groups. The relevant asset group or group of asset groups is an asset group or group of asset groups that can benefit from the synergies of the business combination and is not larger than a reporting segment determined by the Company.

When performing an impairment test, if there is any indication of impairment of an asset group or a group of asset groups related to goodwill, an impairment test is first performed on the asset group or group of asset groups excluding goodwill, the recoverable amount is calculated and the corresponding impairment loss is recognised. An impairment test is then performed on the asset group or group of asset groups including goodwill by comparing its carrying amount with its recoverable amount; where the recoverable amount is lower than the carrying amount, an impairment loss on goodwill is recognised.

Once an impairment loss on an asset has been recognised, it is not reversed in subsequent accounting periods.

21. Long-term prepaid expenses

Long-term prepaid expenses incurred by the Company are stated at actual cost and amortised evenly over the expected periods of benefit. For long-term prepaid expense items that can no longer bring benefits to subsequent accounting periods, the entire unamortised value is included in profit or loss for the current period.

22. Employee benefits***(1) Scope of employee benefits***

Employee benefits are all forms of remuneration or compensation given by an enterprise in exchange for services rendered by employees or for the termination of employment relationships. Employee benefits comprise short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided by an enterprise to the spouses, children and dependants of employees, to the surviving family members of deceased employees and to other beneficiaries also constitute employee benefits.

Based on liquidity, employee benefits are presented separately in the balance sheet under the items “Employee benefits payable” and “Long-term employee benefits payable”.

(2) Short-term employee benefits

In the accounting period in which employees render services, the Company recognises the employee wages and bonuses actually incurred, together with social insurance contributions such as medical insurance premiums, work-related injury insurance premiums and maternity insurance premiums, and housing provident fund contributions made for employees at the prescribed bases and rates, as liabilities, and includes them in profit or loss for the current period or in the cost of the related assets.

(3) Post-employment benefits

Post-employment benefit plans comprise defined contribution plans and defined benefit plans. Of these, a defined contribution plan is a post-employment benefit plan under which an enterprise, having paid fixed contributions into an independent fund, has no further payment obligations; a defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Defined contribution plans

Defined contribution plans comprise basic pension insurance, unemployment insurance, etc.

In the accounting period in which employees render services, the amount payable calculated in accordance with the defined contribution plan is recognised as a liability and is included in profit or loss for the current period or in the cost of the related assets.

Defined benefit plans

For defined benefit plans, an actuarial valuation is performed by an independent actuary at the annual balance sheet date, and the cost of providing the benefits is determined using the projected unit credit method. The employee benefit costs arising from the Company's defined benefit plans comprise the following components:

- ① Service costs, comprising current service cost, past service cost and gains or losses on settlement. Among these, current service cost refers to the increase in the present value of the defined benefit plan obligation resulting from employee service in the current period; past service cost refers to the increase or decrease in the present value of the defined benefit plan obligation relating to employee service in prior periods resulting from an amendment to the defined benefit plan.
- ② Net interest on the net defined benefit liability or net defined benefit asset, comprising interest income on plan assets, interest expense on the defined benefit plan obligation and interest on the effect of the asset ceiling.
- ③ Changes arising from the remeasurement of the net defined benefit liability or net defined benefit asset.

Unless other accounting standards require or permit employee benefit costs to be included in the cost of an asset, the Company recognises items ① and ② above in profit or loss for the current period; item ③ is recognised in other comprehensive income and will not be reclassified to profit or loss in subsequent accounting periods, and upon termination of the original defined benefit plan the amount previously recognised in other comprehensive income is transferred in full to undistributed profits within equity.

(4) Termination benefits

Where the Company provides termination benefits to employees, it recognises the employee benefit liability arising from the termination benefits and includes it in profit or loss for the current period at the earlier of the following dates: when the Company can no longer unilaterally withdraw the termination benefits offered under a plan to terminate the employment relationship or a redundancy proposal; and when the Company recognises the costs or expenses relating to a restructuring that involves the payment of termination benefits.

Where an internal retirement plan for employees is implemented, the economic compensation paid before the formal retirement date constitutes termination benefits, and the salaries to be paid and social insurance contributions to be made for internally retired employees for the period from the date on which the employees cease to provide services to the normal retirement date are recognised in profit or loss for the current period on a one-off basis. Economic compensation payable after the formal retirement date (such as normal pension benefits) is accounted for as post-employment benefits.

(5) Other long-term employee benefits

Where other long-term employee benefits provided by the Company to employees meet the conditions of a defined contribution plan, they are accounted for in accordance with the relevant provisions on defined contribution plans set out above. Where they meet the conditions of a defined benefit plan, they are accounted for in accordance with the relevant provisions on defined benefit plans set out above, except that the portion of the related employee benefit costs representing “changes arising from the remeasurement of the net defined benefit liability or net defined benefit asset” is recognised in profit or loss for the current period or in the cost of the related asset.

23. Provisions

The Company recognises an obligation relating to a contingency as a provision when all of the following conditions are met:

- (1) the obligation is a present obligation assumed by the Company;
- (2) it is probable that the fulfilment of the obligation will result in an outflow of economic benefits from the Company;
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors such as the risks, uncertainties and time value of money relating to the contingency. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The Company reviews the carrying amount of provisions at the balance sheet date and adjusts the carrying amount to reflect the current best estimate.

Where all or part of the expenditure required to settle a recognised provision is expected to be compensated by a third party or another party, the amount of compensation is separately recognised as an asset only when it is virtually certain that the compensation will be received. The amount of compensation recognised shall not exceed the carrying amount of the liability recognised.

24. Share-based payments and equity instruments

(1) Types of share-based payments

The Company's share-based payments are classified into equity-settled share-based payments and cash-settled share-based payments.

(2) Methods for determining the fair value of equity instruments

For equity instruments such as options granted for which an active market exists, the Company determines their fair value on the basis of the quoted prices in the active market. For equity instruments such as options granted for which no active market exists, the Company determines their fair value using valuation techniques such as an option pricing model. The option pricing model selected takes into account the following factors: A. the exercise price of the option; B. the term of the option; C. the current price of the underlying shares; D. the expected volatility of the share price; E. the expected dividends on the shares; F. the risk-free interest rate over the term of the option.

(3) Basis for determining the best estimate of the equity instruments expected to vest

At each balance sheet date during the vesting period, the Company makes a best estimate on the basis of the latest available subsequent information, such as changes in the number of employees expected to become entitled to exercise, and revises the estimated number of equity instruments expected to vest. On the vesting date, the final estimated number of equity instruments expected to vest shall be consistent with the actual number vested.

(4) Accounting treatment relating to the implementation, modification and termination of share-based payment plans

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. Where the share-based payment vests immediately upon grant, the fair value of the equity instruments is recognised in the related costs or expenses on the grant date, with a corresponding increase in capital reserve. Where the share-based payment vests only upon the completion of services during the vesting period or the satisfaction of specified performance conditions, at each balance sheet date during the vesting period the services received in the current period are recognised in the related costs or expenses and in capital reserve, based on the best estimate of the number of equity instruments expected to vest and at the fair value of the equity instruments at the grant date. After the vesting date, no further adjustment is made to the costs or expenses already recognised or to total owners' equity.

Cash-settled share-based payments are measured at the fair value of the liability assumed by the Company that is determined on the basis of shares or other equity instruments. Where the share-based payment vests immediately upon grant, the fair value of the liability assumed by the Company is recognised in the related costs or expenses on the grant date, with a corresponding increase in liabilities. For cash-settled share-based payments that vest only upon the completion of services during the vesting period or the satisfaction of specified performance conditions, at each balance sheet date during the vesting period the services received in the current period are recognised in costs or expenses and in the corresponding liability, based on the best estimate of the vesting position and at the fair value of the liability assumed by the Company. At each balance sheet date prior to the settlement of the related liability and at the settlement date, the fair value of the liability is remeasured and the changes therein are recognised in profit or loss for the current period.

Where the Company modifies a share-based payment plan, if the modification increases the fair value of the equity instruments granted, the Company recognises a corresponding increase in the services received on the basis of the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the fair value of the additional equity instruments is recognised as a corresponding increase in the services received. The increase in the fair value of the equity instruments refers to the difference between the fair values, at the modification date, of the equity instruments before and after the modification. If the modification reduces the total fair value of the share-based payment or modifies the terms and conditions of the share-based payment plan in any other manner unfavourable to employees, the Company continues to account for the services received as if the change had never occurred, unless the Company cancels some or all of the equity instruments granted.

Where the equity instruments granted are cancelled during the vesting period (other than a cancellation resulting from the failure to satisfy a non-market vesting condition), the Company accounts for the cancellation of the equity instruments granted as an acceleration of vesting, immediately recognising in profit or loss for the current period the amount that would otherwise have been recognised over the remainder of the vesting period, with a corresponding recognition in capital reserve. Where employees or other parties are able to choose to satisfy a non-vesting condition but fail to do so during the vesting period, the Company accounts for this as a cancellation of the equity instruments granted.

25. Revenue

(1) General principles

The Company recognises revenue when it has satisfied a performance obligation in a contract, that is, when the customer obtains control of the related goods or services.

Where a contract contains two or more performance obligations, the Company allocates the transaction price to each separate performance obligation at the inception date of the contract in proportion to the relative stand-alone selling prices of the goods or services promised under each separate performance obligation, and measures revenue at the transaction price allocated to each separate performance obligation.

A performance obligation is satisfied over time where one of the following conditions is met; otherwise, it is satisfied at a point in time:

- ① The customer simultaneously obtains and consumes the economic benefits provided by the Company's performance as the Company performs.
- ② The customer is able to control the goods under construction in the course of the Company's performance.
- ③ The goods produced in the course of the Company's performance have no alternative use, and the Company has an enforceable right to payment for the performance completed to date throughout the term of the contract.

For a performance obligation satisfied over time, the Company recognises revenue over that period according to the progress towards satisfaction of the performance obligation. Where the progress cannot be reasonably determined, if the costs already incurred by the Company are expected to be recovered, revenue is recognised to the extent of the costs incurred until such time as the progress can be reasonably determined.

For a performance obligation satisfied at a point in time, the Company recognises revenue at the point in time when the customer obtains control of the related goods or services. In determining whether the customer has obtained control of the goods or services, the Company considers the following indicators:

- ① The Company has a present right to payment for the goods or services, that is, the customer has a present obligation to pay for the goods.
- ② The Company has transferred the legal title to the goods to the customer, that is, the customer has obtained the legal title to the goods.
- ③ The Company has transferred physical possession of the goods to the customer, that is, the customer has physical possession of the goods.
- ④ The Company has transferred the significant risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the significant risks and rewards of ownership of the goods.
- ⑤ The customer has accepted the goods or services.
- ⑥ Other indicators showing that the customer has obtained control of the goods.

(2) *Specific methods*

The specific methods for the recognition of the Company's sales revenue are as follows:

1) *Domestic sales:*

- ① The Company recognises revenue upon obtaining the customer's signed goods acceptance receipt or the delivery information confirmed by the customer.
- ② For customers under the consignment model, the Company recognises revenue upon obtaining the settlement statement checked and confirmed by both parties, based on the date of usage stated in the settlement statement.

2) *Overseas sales:*

The Company mainly exports on terms such as FOB and CIF, under which the risks and rewards relating to the products are transferred upon shipment. The Company recognises revenue when the products have been declared for export and the packing list, customs declaration and bill of lading have been obtained.

26. Contract costs

Contract costs comprise the incremental costs of obtaining a contract and the costs to fulfil a contract.

The incremental costs of obtaining a contract are the costs that the Company would not have incurred had the contract not been obtained (such as sales commissions). Where such costs are expected to be recovered, the Company recognises an asset in respect of the costs to obtain the contract. Expenditures incurred by the Company in obtaining a contract, other than the incremental costs that are expected to be recovered, are recognised in profit or loss for the current period as incurred.

Costs incurred to fulfil a contract that do not fall within the scope of other accounting standards for business enterprises such as those on inventories, and that meet all of the following conditions, are recognised by the Company as an asset in respect of the costs to fulfil a contract:

- ① the costs relate directly to a current or an anticipated contract, including direct labour, direct materials, manufacturing overheads (or similar expenses), costs that are explicitly chargeable to the customer and other costs that are incurred only because of the contract;
- ② the costs enhance the resources of the Company that will be used in satisfying performance obligations in the future;
- ③ the costs are expected to be recovered.

Assets recognised in respect of the costs to obtain a contract and assets recognised in respect of the costs to fulfil a contract (hereinafter collectively referred to as “assets relating to contract costs”) are amortised on the same basis as the recognition of revenue from the goods or services to which the assets relate, and are recognised in profit or loss for the current period.

Where the carrying amount of an asset relating to contract costs exceeds the difference between the following two items, the Company makes a provision for impairment for the excess and recognises it as an asset impairment loss:

- ① the remaining consideration that the Company expects to obtain in exchange for transferring the goods or services to which the asset relates;
- ② the costs estimated to be incurred in transferring the related goods or services.

27. Government grants

Government grants are recognised when the conditions attaching to the government grants are met and the grants can be received.

Government grants in the form of monetary assets are measured at the amount received or receivable. Government grants in the form of non-monetary assets are measured at fair value; where the fair value cannot be reliably obtained, they are measured at a nominal amount of RMB1.

Government grants related to assets are government grants obtained by the Company for the purpose of acquiring or constructing, or otherwise forming, long-term assets; government grants other than these are treated as government grants related to income.

Where a government document does not expressly specify the object of the grant, and long-term assets can be formed, the portion of the government grant corresponding to the value of the assets is treated as a government grant related to assets and the remaining portion as a government grant related to income; where the two are difficult to distinguish, the government grant is treated in its entirety as a government grant related to income.

Government grants related to assets are recognised as deferred income and are recognised in profit or loss in instalments on a reasonable and systematic basis over the useful life of the related assets. Government grants related to income that are used to compensate related costs, expenses or losses already incurred are recognised in profit or loss for the current period; those used to compensate related costs, expenses or losses to be incurred in subsequent periods are recognised as deferred income and are recognised in profit or loss for the current period in the periods in which the related costs, expenses or losses are recognised. Government grants measured at a nominal amount are recognised directly in profit or loss for the current period. The Company applies a consistent method to the same or similar government grant transactions.

Government grants relating to the Company's ordinary activities are recognised in other income according to the substance of the economic transaction. Government grants not relating to ordinary activities are recognised in non-operating income.

Where a recognised government grant is required to be repaid, if the carrying amount of the related asset was reduced upon initial recognition, the carrying amount of the asset is adjusted; where a balance of related deferred income exists, the carrying amount of the related deferred income is reduced and any excess is recognised in profit or loss for the current period; in other cases, the repayment is recognised directly in profit or loss for the current period.

28. Deferred tax assets and deferred tax liabilities

Income tax comprises current income tax and deferred tax. Except for deferred tax that adjusts goodwill arising from a business combination, or deferred tax relating to transactions or events recognised directly in owners' equity, which is recognised in owners' equity, income tax is recognised as income tax expense in profit or loss for the current period.

The Company recognises deferred tax using the balance sheet liability method on the basis of the temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their tax bases.

A related deferred tax liability is recognised for all taxable temporary differences, unless the taxable temporary difference arises from the following transactions:

- (1) the initial recognition of goodwill, or the initial recognition of an asset or a liability in a transaction with the following features: the transaction is not a business combination and, at the time of the transaction, it affects neither accounting profit nor taxable income (except for a single transaction in which the assets and liabilities initially recognised give rise to equal taxable temporary differences and deductible temporary differences);
- (2) taxable temporary differences relating to investments in subsidiaries, joint ventures and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences, deductible losses that can be carried forward to subsequent years and tax credits, the Company recognises the resulting deferred tax assets to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, unless the deductible temporary difference arises from the following transactions:

- (1) the transaction is not a business combination and, at the time of the transaction, it affects neither accounting profit nor taxable income (except for a single transaction in which the assets and liabilities initially recognised give rise to equal taxable temporary differences and deductible temporary differences);
- (2) for deductible temporary differences relating to investments in subsidiaries, joint ventures and associates, the corresponding deferred tax assets are recognised where both of the following conditions are met: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable income will be available in the future against which the deductible temporary difference can be utilised.

At the balance sheet date, the Company measures deferred tax assets and deferred tax liabilities at the tax rates applicable to the period in which the asset is expected to be recovered or the liability is expected to be settled, and reflects the income tax effect of the manner in which the assets are expected to be recovered or the liabilities are expected to be settled as at the balance sheet date.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. Where it is probable that sufficient taxable income will not be available in future periods to allow the benefit of the deferred tax assets to be utilised, the carrying amount of the deferred tax assets is written down. The amount written down is reversed when it becomes probable that sufficient taxable income will be available.

29. Leases

(1) Identification of a lease

At the inception date of a contract, the Company, as lessee or lessor, assesses whether the customer in the contract has the right to obtain substantially all of the economic benefits arising from the use of the identified asset during the period of use and has the right to direct the use of the identified asset throughout that period of use. Where a party to the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration, the Company determines that the contract is, or contains, a lease.

(2) The Company as lessee

At the commencement date of the lease term, the Company recognises a right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low-value assets to which the simplified treatment is applied.

The accounting policy for right-of-use assets is set out in Note III.30.

A lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date of the lease term, calculated using the interest rate implicit in the lease; where the interest rate implicit in the lease cannot be determined, the incremental borrowing rate is used as the discount rate. Lease payments comprise: fixed payments and in-substance fixed payments, less the amounts relating to lease incentives where lease incentives exist; variable lease payments that depend on an index or a rate; the exercise price of a purchase option, provided that the lessee is reasonably certain to exercise that option; amounts payable for exercising an option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; and amounts expected to be payable under residual value guarantees provided by the lessee. Interest expense on the lease liability for each period of the lease term is subsequently calculated at a constant periodic rate of interest and is recognised in profit or loss for the current period. Variable lease payments not included in the measurement of the lease liability are recognised in profit or loss for the current period when they are actually incurred.

Short-term leases

A short-term lease is a lease that, at the commencement date of the lease term, has a lease term of not more than 12 months, other than a lease that contains a purchase option.

The Company recognises the lease payments of short-term leases in the cost of the related asset or in profit or loss for the current period on a straight-line basis over each period of the lease term.

For short-term leases, the Company elects, by class of leased asset, to apply the simplified treatment described above to the items among the following classes of assets that meet the conditions of a short-term lease.

- Office equipment

Leases of low-value assets

A lease of a low-value asset is a lease in which the value of the single leased asset when it is new is less than RMB40,000.

The Company recognises the lease payments of leases of low-value assets in the cost of the related asset or in profit or loss for the current period on a straight-line basis over each period of the lease term.

For leases of low-value assets, the Company elects to apply the simplified treatment described above according to the specific circumstances of each individual lease.

Lease modifications

Where a lease is modified and all of the following conditions are met, the Company accounts for the lease modification as a separate lease: ① the lease modification increases the scope of the lease by adding the right to use one or more leased assets; ② the increase in consideration is commensurate with the stand-alone price of the increase in the scope of the lease, as adjusted for the circumstances of the particular contract.

Where a lease modification is not accounted for as a separate lease, at the effective date of the lease modification the Company reallocates the consideration of the modified contract, redetermines the lease term, and remeasures the lease liability at the present value calculated using the revised lease payments and the revised discount rate.

Where a lease modification results in a reduction in the scope of the lease or a shortening of the lease term, the Company reduces the carrying amount of the right-of-use asset accordingly and recognises the gain or loss relating to the partial or full termination of the lease in profit or loss for the current period.

For other lease modifications that result in a remeasurement of the lease liability, the Company adjusts the carrying amount of the right-of-use asset accordingly.

(3) The Company as lessor

When acting as lessor, the Company recognises a lease that transfers substantially all the risks and rewards relating to the ownership of an asset as a finance lease, and recognises leases other than finance leases as operating leases.

Finance leases

For a finance lease, at the commencement date of the lease term the Company records the net investment in the lease as the initial carrying amount of the finance lease receivable. The net investment in the lease is the sum of the present values, discounted at the interest rate implicit in the lease, of the unguaranteed residual value and the lease receipts not yet received at the commencement date of the lease term. As lessor, the Company calculates and recognises interest income for each period of the lease term at a constant periodic rate of interest. Variable lease payments obtained by the Company as lessor that are not included in the measurement of the net investment in the lease are recognised in profit or loss for the current period when they are actually incurred.

The derecognition and impairment of finance lease receivables are accounted for in accordance with the provisions of Accounting Standards for Business Enterprises No. 22 — Financial Instruments: Recognition and Measurement and Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Assets.

Operating leases

The Company recognises rental income from operating leases in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred in connection with operating leases are capitalised and allocated over the lease term on the same basis as that used for the recognition of rental income, and are recognised in profit or loss in instalments. Variable lease payments obtained in connection with operating leases that are not included in the lease receipts are recognised in profit or loss for the current period when they are actually incurred.

Lease modifications

Where an operating lease is modified, the Company accounts for it as a new lease from the effective date of the modification, and the lease receipts received in advance or receivable relating to the lease before the modification are treated as receipts of the new lease.

Where a finance lease is modified and all of the following conditions are met, the Company accounts for the modification as a separate lease: ① the modification increases the scope of the lease by adding the right to use one or more leased assets; ② the increase in consideration is commensurate with the stand-alone price of the increase in the scope of the lease, as adjusted for the circumstances of the particular contract.

Where a modification of a finance lease is not accounted for as a separate lease, the Company accounts for the modified lease in the following circumstances respectively: ① where the lease would have been classified as an operating lease had the modification been effective at the inception date of the lease, the Company accounts for it as a new lease from the effective date of the lease modification and takes the net investment in the lease immediately before the effective date of the lease modification as the carrying amount of the leased asset; ② where the lease would have been classified as a finance lease had the modification been effective at the inception date of the lease, the Company accounts for it in accordance with the provisions of Accounting Standards for Business Enterprises No. 22 — Financial Instruments: Recognition and Measurement on the modification or renegotiation of contracts.

30. Right-of-use assets***(1) Recognition criteria for right-of-use assets***

A right-of-use asset is the right of the Company, as lessee, to use a leased asset during the lease term.

At the commencement date of the lease term, a right-of-use asset is initially measured at cost. The cost comprises: the amount of the initial measurement of the lease liability; the lease payments made at or before the commencement date of the lease term, less the amounts relating to lease incentives already enjoyed where lease incentives exist; the initial direct costs incurred by the Company as lessee; and the costs estimated to be incurred by the Company as lessee in dismantling and removing the leased asset, restoring the site on which the leased asset is located or restoring the leased asset to the condition required by the terms of the lease. The Company, as lessee, recognises and measures the costs of dismantling and restoration in accordance with Accounting Standards for Business Enterprises No. 13 — Contingencies. The right-of-use asset is subsequently adjusted for any remeasurement of the lease liability.

(2) Depreciation methods for right-of-use assets

The Company provides depreciation using the straight-line method. Where the Company, as lessee, is reasonably certain to obtain ownership of the leased asset at the end of the lease term, depreciation is provided over the remaining useful life of the leased asset. Where it cannot be reasonably determined that ownership of the leased asset will be obtained at the end of the lease term, depreciation is provided over the shorter of the lease term and the remaining useful life of the leased asset.

(3) The methods for impairment testing of right-of-use assets and for making provisions for impairment are set out in Note III.20.**31. Significant accounting judgements and estimates**

The Company continually evaluates the significant accounting estimates and key assumptions adopted, based on historical experience and other factors, including reasonable expectations of future events. The significant accounting estimates and key assumptions that are likely to give rise to a significant risk of material adjustment to the carrying amounts of assets and liabilities in the next accounting year are set out below:

Classification of financial assets

The significant judgements involved when the Company determines the classification of financial assets include the analysis of the business model and of the contractual cash flow characteristics.

The Company determines the business model for managing financial assets at the level of the portfolio of financial assets. The factors considered include the manner in which the performance of the financial assets is evaluated and reported to key management personnel, the risks that affect the performance of the financial assets and the manner in which those risks are managed, and the manner in which the relevant business management personnel are remunerated.

When assessing whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement, the Company makes the following principal judgements: whether the timing or amount of the principal may change over the life of the asset for reasons such as prepayment; and whether the interest comprises only consideration for the time value of money, credit risk, other basic lending risks and costs and a profit margin. For example, whether the prepayment amount reflects only the unpaid principal and the interest based on the outstanding principal, together with reasonable compensation paid for the early termination of the contract.

Measurement of expected credit losses on accounts receivable

The Company calculates the expected credit losses on accounts receivable using the exposure at default of accounts receivable and the expected credit loss rate, and determines the expected credit loss rate on the basis of the probability of default and the loss given default. In determining the expected credit loss rate, the Company uses data such as internal historical credit loss experience and adjusts the historical data taking into account current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Company include the risk of an economic downturn, the external market environment, the technological environment and changes in customer circumstances. The Company regularly monitors and reviews the assumptions relating to the calculation of expected credit losses.

Deferred tax assets

Deferred tax assets shall be recognised for all unutilised tax losses to the extent that it is probable that sufficient taxable income will be available against which the losses can be utilised. This requires management to exercise substantial judgement in estimating the timing and amount of future taxable income, taking into account tax planning strategies, in order to determine the amount of deferred tax assets to be recognised.

32. Changes in significant accounting policies and accounting estimates***(1) Changes in significant accounting policies******Changes in accounting policies for the year 2023*****① Interpretation No. 16 of the Accounting Standards for Business Enterprises**

In November 2022, the Ministry of Finance issued Interpretation No. 16 of the Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31) (hereinafter referred to as “Interpretation No. 16”).

Interpretation No. 16 provides that, for a single transaction that is not a business combination, that at the time of the transaction affects neither accounting profit nor taxable income (or deductible losses), and in which the assets and liabilities initially recognised give rise to equal taxable temporary differences and deductible temporary differences, the taxable temporary differences and deductible temporary differences arising from the initial recognition of the assets and liabilities shall, in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 18 — Income Taxes, be recognised as the corresponding deferred tax liabilities and deferred tax assets at the time of the transaction. For such transactions occurring between the beginning of the earliest period presented in the financial statements

in which the above provisions are first applied and the effective date of this Interpretation, an enterprise shall, in accordance with the above provisions, adjust the cumulative effect against the retained earnings at the beginning of the earliest period presented in the financial statements and against other related financial statement items. These provisions took effect on 1 January 2023.

The adoption of the above accounting treatment provisions of Interpretation No. 16 did not have a material impact on the Company's financial position and operating results.

Changes in accounting policies for the year 2024

① Interpretation No. 18 of the Accounting Standards for Business Enterprises

On 31 December 2024, the Ministry of Finance issued Interpretation No. 18 of the Accounting Standards for Business Enterprises (Cai Kuai [2024] No. 24) (hereinafter referred to as "Interpretation No. 18").

Accounting treatment of assurance-type quality warranties that do not constitute a separate performance obligation

Interpretation No. 18 provides that, when accounting for provisions arising from assurance-type quality warranties that do not constitute a separate performance obligation, an enterprise shall, in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 13 — Contingencies, debit accounts such as "Cost of principal operations" and "Cost of other operations" and credit the account "Provisions" for the determined amount of the provision, and shall present the amounts accordingly under "Operating costs" in the income statement and under "Other current liabilities", "Non-current liabilities due within one year" and "Provisions" in the balance sheet.

The Company has applied these provisions from the date of issuance of Interpretation No. 18 and has made retrospective adjustments.

The impact of the application of the above accounting policy on the consolidated income statement for the year 2024 is as follows:

**Item of the consolidated income statement
(for the year 2024)**

Amount of impact

Operating costs	44,713,200.21
Selling expenses	-44,713,200.21

The impact of the application of the above accounting policy on the consolidated income statement for the year 2023 is as follows:

Item of the consolidated income statement (for the year 2023)	Before adjustment	Adjustment amount	After adjustment
Operating costs	3,316,382,201.04	26,424,036.07	3,342,806,237.11
Selling expenses	95,832,036.17	-26,424,036.07	69,408,000.10

(2) Changes in significant accounting estimates

The Company had no significant changes in accounting estimates during the current period.

IV. TAXATION

1. Major taxes and tax rates

Tax type	Tax basis	Statutory tax rate (%)
Value-added tax	Taxable value added (the tax payable is calculated as the taxable sales amount multiplied by the applicable tax rate, less the input tax deductible for the current period)	13, 7, 6, 5
Urban maintenance and construction tax	Turnover tax actually paid	7
Education surcharge	Turnover tax actually paid	3
Local education surcharge	Turnover tax actually paid	2
Enterprise income tax	Taxable income	25, 16.5, 15.825, 20, 15

Enterprise income tax

Name of taxpaying entity	Income tax rate (%)
1. Shenzhen Hangsheng Electronics Co., Ltd. (hereinafter referred to as "the Company")	15.00
2. Hong Kong Hangsheng Development Co., Limited (hereinafter referred to as "Hong Kong Hangsheng")	16.50
3. Hangsheng Technology GmbH (hereinafter referred to as "Hangsheng Germany")	15.825
4. Shenzhen Hangsheng Cheyun Technology Co., Ltd. (hereinafter referred to as "Shenzhen Hangsheng Cheyun")	20.00
5. Yangzhou Hangsheng Technology Co., Ltd. (hereinafter referred to as "Yangzhou Hangsheng")	15.00
6. Yongfeng Hangsheng Electronics Co., Ltd. (hereinafter referred to as "Yongfeng Hangsheng")	15.00
7. Jiangxi Hangsheng Electronic Technology Co., Ltd. (hereinafter referred to as "Jiangxi Hangsheng Technology")	25.00
8. Hebi Hangsheng Automotive Electronics Technology Co., Ltd. (hereinafter referred to as "Hebi Hangsheng")	25.00
9. Jilin Hangsheng Electronics Co., Ltd. (hereinafter referred to as "Jilin Hangsheng")	15.00
10. Shenzhen Hangsheng New Energy Co., Ltd. (hereinafter referred to as "Hangsheng New Energy")	25.00
11. Shenzhen Yuebailing Technology Co., Ltd. (hereinafter referred to as "Yuebailing")	20.00
12. Chengdu Hangsheng Zhixing Technology Co., Ltd. (hereinafter referred to as "Chengdu Hangsheng")	15.00
13. Wuhan Hangsheng Automotive Electronics Co., Ltd. (hereinafter referred to as "Wuhan Hangsheng")	25.00
14. Shanghai Hangsheng Zhixing Electronic Technology Development Co., Ltd. (hereinafter referred to as "Shanghai Hangsheng")	20.00
15. Suzhou Hangsheng New Energy Co., Ltd. (hereinafter referred to as "Suzhou New Energy")	25.00
16. HANGSHENG ELECTRONICS (THAILAND) CO., LTD. (hereinafter referred to as "Hangsheng Thailand")	20.00
17. HSAE JAPAN Co., Ltd. (hereinafter referred to as "Hangsheng Japan")	15.00

Name of taxpaying entity	Income tax rate (%)
18. Jiangxi Hangsheng Automotive Acoustics Technology Co., Ltd. (hereinafter referred to as "Hangsheng Acoustics")	25.00
19. Hangxinda (Guangdong) Technology Co., Ltd. (hereinafter referred to as "Hangxinda")	25.00
20. Jiangxi Hangxing Optoelectronics Technology Co., Ltd. (hereinafter referred to as "Hangxing Optoelectronics")	20.00
21. Suzhou Hangsheng Autoliv Automotive Electronics Co., Ltd. (hereinafter referred to as "Hangsheng Autoliv")	20.00

2. Tax incentives and approval documents

- (1) The Company obtained the National High-tech Enterprise Certificate No. GR202344207432 on 12 December 2023, which is valid for three years. In accordance with the Enterprise Income Tax Law, a preferential tax rate of 15% applies for the years 2023 to 2025, and for January-April 2026 enterprise income tax is provisionally paid at the preferential tax rate of 15%.
- (2) Hong Kong Hangsheng is an enterprise registered in Hong Kong and is subject to the profits tax rate applicable in Hong Kong.
- (3) Yongfeng Hangsheng obtained the National High-tech Enterprise Certificate No. GR202336000795 on 22 November 2023, which is valid for three years. In accordance with the Enterprise Income Tax Law, a preferential tax rate of 15% applies for the years 2023 to 2025, and for January-April 2026 enterprise income tax is provisionally paid at the preferential tax rate of 15%.
- (4) Jilin Hangsheng obtained the National High-tech Enterprise Certificate No. GR202322000370 on 16 October 2023, which is valid for three years. In accordance with the Enterprise Income Tax Law, a preferential tax rate of 15% applies for the years 2023 to 2025, and for January-April 2026 enterprise income tax is provisionally paid at the preferential tax rate of 15%.
- (5) Yangzhou Hangsheng obtained the National High-tech Enterprise Certificate No. GR202232017028 on 12 December 2022, which is valid for three years, and in accordance with the Enterprise Income Tax Law a preferential tax rate of 15% applies for the years 2022 to 2024; it obtained the National High-tech Enterprise Certificate No. GR202532002963 on 26 December 2025, which is valid for three years, and in accordance with the Enterprise Income Tax Law a preferential tax rate of 15% applies for the years 2025 to 2027.

Yangzhou Hangsheng obtained the Software Enterprise Certificate (certificate No.: Su RQ-2016-K0111) issued by the Jiangsu Provincial Software Industry Association on 27 September 2016. It satisfies the requirements of the Notice on Issues Concerning Preferential Enterprise Income Tax Policies for the Software and Integrated Circuit Industries (Cai Shui [2016] No. 49) and enjoys the preferential enterprise income tax policies for “newly established integrated circuit design enterprises and qualified software enterprises within China”. At the same time, in accordance with the Announcement of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Industry and Information Technology (Announcement of the Ministry of Finance and the State Taxation Administration No. 45 of 2020) and Announcement No. 10 of 2021 of the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Finance and the State Taxation Administration of the People’s Republic of China, enterprise income tax is exempt for the first two profit-making years, and enterprise income tax is levied at half of the statutory tax rate of 25% for the third to fifth profit-making years.

As assessed by the China Software Industry Association, Yangzhou Hangsheng satisfied the software enterprise assessment standards for the years 2023 to 2025, and for January-April 2026 it is provisionally determined to satisfy the software enterprise assessment standards, thus continuing to qualify as a software enterprise. As at 30 April 2026, Yangzhou Hangsheng’s taxable income was less than zero, and therefore it has not yet actually benefited from the above preferential enterprise income tax policies.

- (6) Chengdu Hangsheng obtained the National High-tech Enterprise Certificate No. GR202251000647 on 2 November 2022, which is valid for three years, and in accordance with the Enterprise Income Tax Law a preferential tax rate of 15% applies for the years 2022 to 2024; it obtained the National High-tech Enterprise Certificate No. GR202551002791 on 8 December 2025, which is valid for three years, and in accordance with the Enterprise Income Tax Law a preferential tax rate of 15% applies for the years 2025 to 2027

Chengdu Hangsheng obtained the Software Enterprise Certificate (certificate No.: Chuan RQ-2020-0294) issued by the Sichuan Provincial Software Industry Association on 28 December 2020. It satisfies the requirements of the Notice on Issues Concerning Preferential Enterprise Income Tax Policies for the Software and Integrated Circuit Industries (Cai Shui [2016] No. 49) and enjoys the preferential enterprise income tax policies for “newly established integrated circuit design enterprises and qualified software enterprises within China”. At the same time, in accordance with the Announcement of the Ministry of Finance, the State Taxation Administration, the National Development and Reform Commission and the Ministry of Industry and Information Technology

(Announcement of the Ministry of Finance and the State Taxation Administration No. 45 of 2020) and Announcement No. 10 of 2021 of the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Finance and the State Taxation Administration of the People's Republic of China, enterprise income tax is exempt for the first two profit-making years, and enterprise income tax is levied at half of the statutory tax rate of 25% for the third to fifth profit-making years.

As assessed by the China Software Industry Association, Chengdu Hangsheng satisfied the software enterprise assessment standards for the years 2023 to 2026, thus continuing to qualify as a software enterprise. As at 30 April 2026, Chengdu Hangsheng's taxable income was less than zero, and therefore it has not yet actually benefited from the above preferential enterprise income tax policies.

- (7) In accordance with the Announcement on the Policy of Additional VAT Deduction for Advanced Manufacturing Enterprises (Announcement of the Ministry of Finance and the State Taxation Administration No. 43 of 2023), from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are permitted to deduct from their VAT payable an additional 5% of the input tax deductible for the current period. Shenzhen Hangsheng, Yongfeng Hangsheng and Jilin Hangsheng have enjoyed the above preferential additional VAT deduction policy since 2023.
- (8) In accordance with the Announcement of the Ministry of Finance and the State Taxation Administration on Tax and Fee Policies for Further Supporting the Development of Small and Micro Enterprises and Individually-owned Businesses (Announcement of the Ministry of Finance and the State Taxation Administration No. 12 of 2023), the policy under which small low-profit enterprises include only 25% of their income in taxable income and pay enterprise income tax at a rate of 20% has been extended to 31 December 2027. Shenzhen Hangsheng Cheyun, Yuebailing, Shanghai Hangsheng, Hangxing Optoelectronics and Hangsheng Autoliv qualify as small low-profit enterprises and enjoyed the preferential tax treatment for small low-profit enterprises from 2023 to 2025, paying enterprise income tax at a rate of 5%; for January-April 2026 they provisionally pay enterprise income tax at the preferential tax rate applicable to small low-profit enterprises.

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Cash on hand	–	25,560.00	2,789.20	4,684.96
Bank deposits	353,218,217.36	693,414,759.05	463,147,398.44	796,910,161.22
Other cash at bank and on hand	78,139,992.72	78,298,789.69	71,163,675.66	81,377,344.54
Total	431,358,210.08	771,739,108.74	534,313,863.30	878,292,190.72
Including: total amount of funds deposited overseas	44,176,551.17	49,440,858.02	61,305,170.49	42,414,801.65

At the end of each period, other cash at bank and on hand mainly comprised bill deposits and frozen bank deposits. For the Company's bill deposits and frozen bank deposits, see Note V.20 "Assets with restricted ownership or right of use".

2. Financial assets held for trading

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Financial assets at fair value through profit or loss	787,417,492.03	332,927,405.46	65,247.00	81,354.00
Including: investments in equity instruments		–	65,247.00	81,354.00
Wealth management products	687,417,492.03	282,927,405.46	–	–
Structured deposits	<u>100,000,000.00</u>	<u>50,000,000.00</u>	<u>–</u>	<u>–</u>
Total	<u>787,417,492.03</u>	<u>332,927,405.46</u>	<u>65,247.00</u>	<u>81,354.00</u>

At the end of each period, the investments in equity instruments were the shares of Zotye Automobile (stock code: 000980) held by the Company.

3. Notes receivable

Type of notes	30 April 2026			31 December 2025		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Bank acceptance notes	5,056,134.31	–	5,056,134.31	8,706,042.33	–	8,706,042.33
Commercial acceptance notes	2,775,502.07	138,775.11	2,636,726.96	1,006,813.75	50,340.69	956,473.06
Total	7,831,636.38	138,775.11	7,692,861.27	9,712,856.08	50,340.69	9,662,515.39

(Continued from the above table)

Type of notes	31 December 2024			31 December 2023		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Bank acceptance notes	6,534,562.49	–	6,534,562.49	50,086,083.98	–	50,086,083.98
Commercial acceptance notes	21,094,420.40	1,054,721.02	20,039,699.38	3,988,879.74	199,443.98	3,789,435.76
Total	27,628,982.89	1,054,721.02	26,574,261.87	54,074,963.72	199,443.98	53,875,519.74

(1) Notes receivable of the Company endorsed or discounted but not yet due at the end of each year (period) of the reporting period

Type	30 April 2026		31 December 2025	
	Amount derecognised at the period end	Amount not derecognised at the period end	Amount derecognised at the period end	Amount not derecognised at the period end
Bank acceptance notes		5,029,944.41		1,878,708.09
Commercial acceptance notes		2,182,266.78		322,266.78
Total		7,212,211.19		2,200,974.87

(Continued from the above table)

Type	31 December 2024		31 December 2023	
	Amount derecognised at the period end	Amount not derecognised at the period end	Amount derecognised at the period end	Amount not derecognised at the period end
Bank acceptance notes		33,601,919.93		3,806,114.70
Commercial acceptance notes		18,015,000.00		1,671,871.55
Total		51,616,919.93		5,477,986.25

(2) *Classified by method of provision for bad debts*

Category	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion	Amount	Expected credit	
		(%)		loss rate (%)	
Provision for bad debts assessed individually					
Provision for bad debts assessed by portfolio	7,831,636.38	100.00	138,775.11	1.77	7,692,861.27
Including:					
Bank acceptance notes	5,056,134.31	64.56	–	–	5,056,134.31
Commercial acceptance notes	2,775,502.07	35.44	138,775.11	5.00	2,636,726.96
Total	7,831,636.38	100.00	138,775.11	1.77	7,692,861.27

(Continued from the above table)

Category	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion	Amount	Expected credit	
		(%)		loss rate (%)	
Provision for bad debts assessed individually					
Provision for bad debts assessed by portfolio	9,712,856.08	100.00	50,340.69	0.52	9,662,515.39
Including:					
Bank acceptance notes	8,706,042.33	89.63	–	–	8,706,042.33
Commercial acceptance notes	1,006,813.75	10.37	50,340.69	5.00	956,473.06
Total	9,712,856.08	100.00	50,340.69	0.52	9,662,515.39

(Continued from the above table)

Category	31 December 2024				
	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually					
Provision for bad debts assessed by portfolio	27,628,982.89	100.00	1,054,721.02	3.82	26,574,261.87
Including:					
Bank acceptance notes	6,534,562.49	23.65	–	–	6,534,562.49
Commercial acceptance notes	21,094,420.40	76.35	1,054,721.02	5.00	20,039,699.38
Total	27,628,982.89	100.00	1,054,721.02	3.82	26,574,261.87

(Continued from the above table)

Category	31 December 2023				
	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually					
Provision for bad debts assessed by portfolio	54,074,963.72	100.00	199,443.98	0.37	53,875,519.74
Including:					
Bank acceptance notes	50,086,083.98	92.62	–	–	50,086,083.98
Commercial acceptance notes	3,988,879.74	7.38	199,443.98	5.00	3,789,435.76
Total	54,074,963.72	100.00	199,443.98	0.37	53,875,519.74

① *Provision for bad debts as at 30 April 2026*

Provision for bad debts assessed by portfolio:

Portfolio item: bank acceptance notes

Name	Notes receivable	30 April 2026	Expected credit loss rate (%)
		Provision for bad debts	
Bank acceptance notes	5,056,134.31	—	—
Total	5,056,134.31	—	—

Portfolio item: commercial acceptance notes

Name	Notes receivable	30 April 2026	Expected credit loss rate (%)
		Provision for bad debts	
Commercial acceptance notes	2,775,502.07	138,775.11	5.00
Total	2,775,502.07	138,775.11	5.00

② *Provision for bad debts as at 31 December 2025*

Provision for bad debts assessed by portfolio:

Portfolio item: bank acceptance notes

Name	Notes receivable	31 December 2025	Expected credit loss rate (%)
		Provision for bad debts	
Bank acceptance notes	8,706,042.33	—	—
Total	8,706,042.33	—	—

Portfolio item: commercial acceptance notes

Name	31 December 2025		
	Notes receivable	Provision for bad debts	Expected credit loss rate (%)
Commercial acceptance notes	1,006,813.75	50,340.69	5.00
Total	1,006,813.75	50,340.69	5.00

③ *Provision for bad debts as at 31 December 2024*

Provision for bad debts assessed by portfolio

Portfolio item: bank acceptance notes

Name	31 December 2024		
	Notes receivable	Provision for bad debts	Expected credit loss rate (%)
Bank acceptance notes	6,534,562.49	—	—
Total	6,534,562.49	—	—

Portfolio item: commercial acceptance notes

Name	31 December 2024		
	Notes receivable	Provision for bad debts	Expected credit loss rate (%)
Commercial acceptance notes	21,094,420.40	1,054,721.02	5.00
Total	21,094,420.40	1,054,721.02	5.00

④ *Provision for bad debts as at 31 December 2023*

Provision for bad debts assessed by portfolio

Portfolio item: bank acceptance notes

Name	31 December 2023		
	Notes receivable	Provision for bad debts	Expected credit loss rate (%)
Bank acceptance notes	50,086,083.98	—	—
Total	50,086,083.98	—	—

Portfolio item: commercial acceptance notes

Name	31 December 2023		
	Notes receivable	Provision for bad debts	Expected credit loss rate (%)
Commercial acceptance notes	3,988,879.74	199,443.98	5.00
Total	3,988,879.74	199,443.98	5.00

(3) *Provision for bad debts made, recovered or reversed in each year (period) of the reporting period*

Provision for bad debts made, recovered or reversed in January-April 2026

Item	Amount of provision for bad debts
31 December 2025	50,340.69
Provision for the current period	88,434.42
Recovery or reversal in the current period	—
Write-off in the current period	
30 April 2026	138,775.11

The amount of provision for bad debts reversed in 2025 was RMB1,004,380.33.

The amount of provision for bad debts made in 2024 was RMB855,277.04.

The amount of provision for bad debts recovered or reversed in 2023 was RMB600,657.11.

4. Accounts receivable

(1) Disclosure by ageing

Ageing	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Within 1 year	892,443,106.74	1,179,039,197.90	1,244,580,727.98	994,776,264.80
1 to 2 years	23,450,612.24	21,365,575.62	3,266,913.35	2,716,888.45
2 to 3 years	661,971.32	45,131.40	1,732,653.25	1,231,843.69
Over 3 years	4,551,730.60	4,415,040.12	5,882,939.82	7,616,367.49
Subtotal	921,107,420.90	1,204,864,945.04	1,255,463,234.40	1,006,341,364.43
Less: Provision for bad debts	69,701,338.45	83,558,556.33	88,183,016.49	58,929,780.24
Total	851,406,082.45	1,121,306,388.71	1,167,280,217.91	947,411,584.19

(2) Disclosure by method of provision for bad debts

Category	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	19,706,176.64	2.14	19,706,176.64	100.00	–
Provision for bad debts assessed by portfolio	901,401,244.26	97.86	49,995,161.81	5.55	851,406,082.45
Including:					
Amounts due from customers	901,401,244.26	97.86	49,995,161.81	5.55	851,406,082.45
Total	921,107,420.90	100.00	69,701,338.45	7.57	851,406,082.45

(Continued from the above table)

Category	31 December 2025				
	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	19,706,176.64	1.64	19,706,176.64	100.00	
Provision for bad debts assessed by portfolio	1,185,158,768.40	98.36	63,852,379.69	5.39	1,121,306,388.71
Including:					
Amounts due from customers	<u>1,185,158,768.40</u>	<u>98.36</u>	<u>63,852,379.69</u>	<u>5.39</u>	<u>1,121,306,388.71</u>
Total	<u>1,204,864,945.04</u>	<u>100.00</u>	<u>83,558,556.33</u>	<u>6.94</u>	<u>1,121,306,388.71</u>

(Continued from the above table)

Category	31 December 2024				
	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	22,267,909.74	1.77	22,267,909.74	100.00	
Provision for bad debts assessed by portfolio	1,233,195,324.66	98.23	65,915,106.75	5.35	1,167,280,217.91
Including:					
Amounts due from customers	<u>1,233,195,324.66</u>	<u>98.23</u>	<u>65,915,106.75</u>	<u>5.35</u>	<u>1,167,280,217.91</u>
Total	<u>1,255,463,234.40</u>	<u>100.00</u>	<u>88,183,016.49</u>	<u>7.02</u>	<u>1,167,280,217.91</u>

(Continued from the above table)

Category	31 December 2023				
	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	4,288,065.06	0.43	4,288,065.06	100.00	
Provision for bad debts assessed by portfolio	1,002,053,299.37	99.57	54,641,715.18	5.45	947,411,584.19
Including:					
Amounts due from customers	<u>1,002,053,299.37</u>	<u>99.57</u>	<u>54,641,715.18</u>	<u>5.45</u>	<u>947,411,584.19</u>
Total	<u>1,006,341,364.43</u>	<u>100.00</u>	<u>58,929,780.24</u>	<u>5.86</u>	<u>947,411,584.19</u>

① *Provision for bad debts as at 30 April 2026*

Provision for bad debts assessed individually

Name	Gross carrying amount	30 April 2026		
		Provision for bad debts	Expected credit loss rate (%)	Basis of provision
Jiangxi Changhe Automobile Co., Ltd.	281,477.42	281,477.42	100.00	Expected to be irrecoverable
Brilliance Auto Group Holdings Co., Ltd.	368.72	368.72	100.00	Expected to be irrecoverable
Hozon New Energy Automobile Co., Ltd.	19,382,930.50	19,382,930.50	100.00	Expected to be irrecoverable
Jinzhou Halla Electrical Equipment Co., Ltd.	41,400.00	41,400.00	100.00	Expected to be irrecoverable
Total	19,706,176.64	19,706,176.64	100.00	/

Provision for bad debts assessed by portfolio

Portfolio item: amounts due from customers

Ageing	30 April 2026		
	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	892,443,106.74	44,622,155.35	5.00
1 to 2 years	4,067,681.74	813,536.34	20.00
2 to 3 years	661,971.32	330,985.66	50.00
Over 3 years	4,228,484.46	4,228,484.46	100.00
Total	901,401,244.26	49,995,161.81	5.55

② Provision for bad debts as at 31 December 2025

Provision for bad debts assessed individually

Name	Gross carrying amount	31 December 2025		Basis of provision
		Provision for bad debts	Expected credit loss rate (%)	
Jiangxi Changhe Automobile Co., Ltd.	281,477.42	281,477.42	100.00	Expected to be irrecoverable
Brilliance Auto Group Holdings Co., Ltd.	368.72	368.72	100.00	Expected to be irrecoverable
Hozon New Energy Automobile Co., Ltd.	19,382,930.50	19,382,930.50	100.00	Expected to be irrecoverable
Jinzhou Halla Electrical Equipment Co., Ltd.	41,400.00	41,400.00	100.00	Expected to be irrecoverable
Total	19,706,176.64	19,706,176.64	100.00	/

Provision for bad debts assessed by portfolio

Portfolio item: amounts due from customers

	31 December 2025		
	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	1,176,880,843.83	58,845,962.85	5.00
1 to 2 years	4,050,714.49	810,142.90	20.00
2 to 3 years	61,872.29	30,936.15	50.00
Over 3 years	4,165,337.79	4,165,337.79	100.00
Total	1,185,158,768.40	63,852,379.69	5.39

③ Provision for bad debts as at 31 December 2024

Provision for bad debts assessed individually

Name	Gross carrying amount	31 December 2024		
		Provision for bad debts	Expected credit loss rate (%)	Basis of provision
Jiangxi Changhe Automobile Co., Ltd.	281,477.42	281,477.42	100.00	Expected to be irrecoverable
Brilliance Auto Group Holdings Co., Ltd.	856,374.24	856,374.24	100.00	Expected to be irrecoverable
Chongqing BAIC Huansu Automobile Sales Co., Ltd.	379,240.98	379,240.98	100.00	Expected to be irrecoverable
BAIC Ruixiang Automobile Co., Ltd.	912,243.53	912,243.53	100.00	Expected to be irrecoverable
Yudo New Energy Automobile Co., Ltd.	417,602.80	417,602.80	100.00	Expected to be irrecoverable
Hozon New Energy Automobile Co., Ltd.	19,379,570.77	19,379,570.77	100.00	Expected to be irrecoverable
Jinzhou Halla Electrical Equipment Co., Ltd.	41,400.00	41,400.00	100.00	Expected to be irrecoverable
Total	22,267,909.74	22,267,909.74	100.00	

Provision for bad debts assessed by portfolio

Portfolio item: amounts due from customers

	31 December 2024		
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	1,225,201,157.21	61,260,057.91	5.00
1 to 2 years	3,266,913.35	653,382.65	20.00
2 to 3 years	1,451,175.83	725,587.92	50.00
Over 3 years	3,276,078.27	3,276,078.27	100.00
Total	1,233,195,324.66	65,915,106.75	5.35

④ *Provision for bad debts as at 31 December 2023*

Provision for bad debts assessed individually

Name	31 December 2023			Basis of provision
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	
Jinzhou Halla Electrical Equipment Co., Ltd.	41,400.00	41,400.00	100.00	Expected to be irrecoverable
Jiangxi Changhe Automobile Co., Ltd.	281,477.42	281,477.42	100.00	Expected to be irrecoverable
Brilliance Auto Group Holdings Co., Ltd.	1,486,090.33	1,486,090.33	100.00	Expected to be irrecoverable
Chongqing BAIC Huansu Automobile Sales Co., Ltd.	379,240.98	379,240.98	100.00	Expected to be irrecoverable
BAIC Ruixiang Automobile Co., Ltd.	1,152,243.53	1,152,243.53	100.00	Expected to be irrecoverable
Yudo New Energy Automobile Co., Ltd.	947,612.80	947,612.80	100.00	Expected to be irrecoverable
Total	4,288,065.06	4,288,065.06	100.00	

Provision for bad debts assessed by portfolio

Portfolio item: amounts due from customers

	31 December 2023		
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	994,776,264.80	49,738,813.25	5.00
1 to 2 years	2,435,411.03	487,082.21	20.00
2 to 3 years	851,607.65	425,803.83	50.00
Over 3 years	3,990,015.89	3,990,015.89	100.00
Total	1,002,053,299.37	54,641,715.18	5.45

(3) Provision for bad debts made, recovered or reversed in each year (period) of the reporting period

Provision for bad debts made, recovered or reversed in January-April 2026:

Item	Amount of provision for bad debts
31 December 2025	83,558,556.33
Provision for the current period	–
Recovery or reversal in the current period	13,839,431.76
Write-off in the current period	
Recovery after write-off in the current period	
Others – translation of foreign currency financial statements	-17,786.12
30 April 2026	69,701,338.45

The amount of provision for bad debts reversed in 2025 was RMB2,595,484.52, and the amount of provision for bad debts written off was RMB2,076,893.55.

The amount of provision for bad debts made in 2024 was RMB27,572,184.88, and the amount of provision for bad debts recovered after write-off was RMB1,720,991.53.

The amount of provision for bad debts made in 2023 was RMB9,504,628.06, and the amount of provision for bad debts written off was RMB4,838,156.51.

(4) Accounts receivable actually written off in each year (period) of the reporting period

Item	Amount written off			
	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Accounts receivable actually written off		2,076,893.55		4,838,156.51

Significant write-offs of accounts receivable in each year (period) of the reporting period

Reporting period	Name of entity	Nature of the accounts receivable	Amount written off	Reason for write-off	Write-off procedures performed	Whether the amount arose from a related party transaction
2023	Evergrande New Energy Vehicle (Tianjin) Co., Ltd.	Payment for goods	525,360.14	Bankruptcy liquidation	Internal approval	No
2023	Brilliance Auto Group Holdings Co., Ltd.	Payment for goods	513,562.34	Bankruptcy liquidation	Internal approval	No
2023	Jiangxi Yiwei Automobile Manufacturing Co., Ltd.	Payment for goods	669,801.63	Clearance of dormant balances	Internal approval	No
2023	Sono Motors GmbH	Payment for goods	728,475.55	Clearance of dormant balances	Internal approval	No
2023	Kramer AR provision	Payment for goods	1,729,070.05	Clearance of dormant balances	Internal approval	No
2025	BAIC Ruixiang Automobile Co., Ltd.	Payment for goods	905,537.07	Bankruptcy liquidation	Internal approval	No
2025	Brilliance Auto Group Holdings Co., Ltd.	Payment for goods	792,115.50	Bankruptcy liquidation	Internal approval	No
Total	/	/	<u>5,863,922.28</u>	/	/	/

(5) Top five debtors by closing balance of accounts receivable at the end of each year (period) of the reporting period

As at 30 April 2026, the top five closing balances of accounts receivable by debtor

Name of entity	Closing balance of accounts receivable	Proportion of the closing balance of accounts receivable %	Closing balance of provision for bad debts for accounts receivable
Dongfeng Nissan Passenger Vehicle Company of Dongfeng Motor Co., Ltd.	171,880,927.62	18.66	8,594,046.38
Honda Automobile Accessories (Guangdong) Co., Ltd.	106,640,487.28	11.58	5,332,024.36
GAC Toyota Motor Co., Ltd.	57,901,744.10	6.29	2,895,087.21
Volkswagen (Anhui) Co., Ltd.	54,142,715.69	5.88	2,707,135.78
GAC Aion New Energy Automobile Co., Ltd.	51,017,397.19	5.54	2,550,869.86
Total	441,583,271.88	47.95	22,079,163.59

Top five debtors by closing balance of accounts receivable as at 31 December 2025

Name of entity	Closing balance of accounts receivable	Proportion of the closing balance of accounts receivable %	Closing balance of provision for bad debts for accounts receivable
Dongfeng Nissan Passenger Vehicle Company of Dongfeng Motor Co., Ltd.	158,058,255.30	13.12	7,902,912.77
Honda Automobile Accessories (Guangdong) Co., Ltd.	156,549,106.44	12.99	7,827,455.32
Zhaoqing XPeng New Energy Investment Co., Ltd. Guangzhou Branch	147,506,331.68	12.24	7,375,316.58
Beijing Li Auto Co., Ltd. Changzhou Branch	96,165,365.01	7.98	4,808,268.25
GAC Toyota Motor Co., Ltd.	67,613,426.20	5.61	3,380,671.31
Total	625,892,484.63	51.94	31,294,624.23

Top five debtors by closing balance of accounts receivable as at 31 December 2024

Name of entity	Closing balance of accounts receivable	Proportion of the closing balance of accounts receivable %	Closing balance of provision for bad debts for accounts receivable
Zhaoqing XPeng New Energy Investment Co., Ltd. Guangzhou Branch	297,227,186.39	23.67	14,861,359.32
Dongfeng Nissan Passenger Vehicle Company of Dongfeng Motor Co., Ltd.	196,495,867.23	15.65	9,824,793.36
Beijing Li Auto Co., Ltd. Changzhou Branch	127,739,715.12	10.17	6,386,985.76
GAC Toyota Motor Co., Ltd.	87,086,882.13	6.94	4,354,344.11
GAC Aion New Energy Automobile Co., Ltd.	84,366,219.77	6.72	4,218,310.99
Total	792,915,870.64	63.15	39,645,793.54

Top five debtors by closing balance of accounts receivable as at 31 December 2023

Name of entity	Closing balance of accounts receivable	Proportion of the closing balance of accounts receivable %	Closing balance of provision for bad debts for accounts receivable
Dongfeng Nissan Passenger Vehicle Company of Dongfeng Motor Co., Ltd.	270,091,675.32	26.84	13,504,583.77
Beijing Li Auto Co., Ltd. Changzhou Branch	94,454,367.54	9.39	4,722,718.38
GAC Toyota Motor Co., Ltd.	69,533,262.30	6.91	3,476,663.12
Marelli (Guangzhou) Co., Ltd.	38,580,326.98	3.83	1,955,341.39
FAW Toyota Motor Co., Ltd.	37,946,993.54	3.77	1,897,349.68
Total	510,606,625.68	50.74	25,556,656.34

5. Receivables financing

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Notes receivable	69,474,488.92	108,672,021.01	128,990,816.80	80,175,290.35
Subtotal	69,474,488.92	108,672,021.01	128,990,816.80	80,175,290.35
Less: Other comprehensive income				
– changes in fair value	–	–	–	–
Closing fair value	69,474,488.92	108,672,021.01	128,990,816.80	80,175,290.35

The Company and certain of its subsidiaries discount and endorse part of their bank acceptance notes in light of the needs of their day-to-day funds management. Accordingly, the bank acceptance notes held by the Company and its subsidiaries are classified as financial assets at fair value through other comprehensive income.

The Company has no bank acceptance notes for which provision for impairment is individually assessed. As at 30 April 2026, the Company considers that the bank acceptance notes it holds are not subject to significant credit risk and will not result in material losses arising from default by banks.

(1) Notes receivable of the Company endorsed or discounted but not yet due at the end of each year (period) of the reporting period

Type	30 April 2026		31 December 2025	
	Amount derecognised at the period end	Amount not derecognised at the period end	Amount derecognised at the period end	Amount not derecognised at the period end
Bank acceptance notes	360,811,178.18		307,070,066.21	
Commercial acceptance notes	–		–	
Total	360,811,178.18		307,070,066.21	

(Continued from the above table)

Type	31 December 2024		31 December 2023	
	Amount derecognised at the period end	Amount not derecognised at the period end	Amount derecognised at the period end	Amount not derecognised at the period end
Bank acceptance notes	49,919,445.84		47,934,863.38	
Commercial acceptance notes	—		—	
Total	49,919,445.84		47,934,863.38	

The bank acceptance notes used for discounting are accepted by banks with relatively high credit ratings, and the credit risk and the risk of deferred payment are minimal. In addition, the interest rate risk relating to the bills has been transferred to the banks. It can therefore be determined that substantially all the risks and rewards of ownership of the bills have been transferred, and the bills are accordingly derecognised.

6. Prepayments

(1) Prepayments disclosed by ageing

Ageing	30 April 2026		31 December 2025	
	Amount	Proportion %	Amount	Proportion %
Within 1 year	6,184,222.60	61.38	19,962,123.60	91.05
1 to 2 years	3,745,774.79	37.18	1,934,064.55	8.82
2 to 3 years	136,779.41	1.36	5,951.07	0.03
Over 3 years	9,000.00	0.08	22,000.00	0.10
Total	10,075,776.80	100.00	21,924,139.22	100.00

(Continued from the above table)

Ageing	31 December 2024		31 December 2023	
	Amount	Proportion %	Amount	Proportion %
Within 1 year	65,055,809.30	99.68	9,185,059.54	92.45
1 to 2 years	107,395.54	0.16	346,828.16	3.49
2 to 3 years	105,800.00	0.16	403,654.30	4.06
Over 3 years	—	—	—	—
Total	65,269,004.84	100.00	9,935,542.00	100.00

(2) Top five payees by closing balance of prepayments as at the end of each year (period) of the reporting period

Top five payees by closing balance of prepayments as at 30 April 2026

Name of entity	Closing balance of prepayments	Proportion of the total closing balance of prepayments %
AVNET ASIA PTE LTD., TAIWAN BRANCH	1,337,712.34	13.28
Shenzhen Junzhiyuan Electronics Co., Ltd.	892,938.62	8.86
State Grid Jiangxi Electric Power Co., Ltd.	868,166.51	8.62
Yangzhou Zhongfazhan Information Valley Technology Services Co., Ltd.	459,159.65	4.56
China Zheshang Bank, Shenzhen Branch	450,416.66	4.47
Total	4,008,393.78	39.79

Top five payees by closing balance of prepayments as at 31 December 2025

Name of entity	Closing balance of prepayments	Proportion of the total closing balance of prepayments %
QUALCOMM CDMA Technologies Asia-Pac Xiaoshijian (Guangdong) Cloud Information Technology Co., Ltd.	13,315,065.15	60.73
CHN Energy Jilin Jiangnan Thermal Power Co., Ltd.	624,950.00	2.85
Varitronix (Heyuan) Display Technology Co., Ltd.	614,575.18	2.80
Changshu Power Supply Company	422,491.00	1.93
	407,146.89	1.86
Total	15,384,228.22	70.17

Top five payees by closing balance of prepayments as at 31 December 2024

Name of entity	Closing balance of prepayments	Proportion of the total closing balance of prepayments %
NVIDIA SINGAPORE PTE LTD	55,817,696.40	85.52
Ji'an Weier Auto Parts Manufacturing Co., Ltd.	3,166,777.92	4.85
State Grid Jiangxi Electric Power Co., Ltd.	900,886.53	1.38
Shenzhen Junzhiyuan Electronics Co., Ltd.	704,259.38	1.08
CHN Energy Jilin Jiangnan Thermal Power Co., Ltd.	614,575.18	0.94
Total	61,204,195.41	93.77

Top five payees by closing balance of prepayments as at 31 December 2023

Name of entity	Closing balance of prepayments	Proportion of the total closing balance of prepayments %
Ji'an Weier Auto Parts Manufacturing Co., Ltd.	2,637,599.12	26.55
Shenzhen Junzhiyuan Electronics Co., Ltd.	904,259.38	9.10
Suzhou (Anhui) Daheima Digital Technology Co., Ltd.	900,000.00	9.06
CHN Energy Jilin Jiangnan Heating Co., Ltd.	689,508.65	6.94
Shenzhen Qinkong Purification Environmental Technology Co., Ltd.	520,800.00	5.24
Total	5,652,167.15	56.89

7. Other receivables

Type	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Interest receivable		—	—	—
Dividends receivable		—	—	—
Other receivables	<u>9,934,008.56</u>	<u>10,039,376.57</u>	<u>10,974,813.65</u>	<u>59,898,078.27</u>
Total	<u>9,934,008.56</u>	<u>10,039,376.57</u>	<u>10,974,813.65</u>	<u>59,898,078.27</u>

(1) Other receivables

① Disclosure by ageing

Ageing	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Within 1 year	7,312,364.15	6,502,621.10	7,444,661.50	55,708,621.10
1 to 2 years	2,079,983.90	2,333,375.87	1,289,708.97	1,438,583.46
2 to 3 years	1,636,289.72	473,795.33	1,237,809.81	2,500,174.57
Over 3 years	945,474.90	2,793,332.59	3,059,728.24	559,774.09
Subtotal	11,974,112.67	12,103,124.89	13,031,908.52	60,207,153.22
Less: Provision for bad debts	<u>2,040,104.11</u>	<u>2,063,748.32</u>	<u>2,057,094.87</u>	<u>309,074.95</u>
Total	<u>9,934,008.56</u>	<u>10,039,376.57</u>	<u>10,974,813.65</u>	<u>59,898,078.27</u>

② Disclosure by nature of the amounts

Item	30 April 2026			31 December 2025		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Imprest funds	913,286.39	45,664.33	867,622.06	107,382.97	5,369.15	102,013.82
Deposits and security deposits	4,033,456.05	20,167.26	4,013,288.79	3,651,376.73	18,256.91	3,633,119.82
Current account balances	4,952,208.10	247,610.38	4,704,597.72	6,555,129.73	327,756.49	6,227,373.24
Others	<u>2,075,162.13</u>	<u>1,726,662.14</u>	<u>348,499.99</u>	<u>1,789,235.46</u>	<u>1,712,365.77</u>	<u>76,869.69</u>
Total	<u>11,974,112.67</u>	<u>2,040,104.11</u>	<u>9,934,008.56</u>	<u>12,103,124.89</u>	<u>2,063,748.32</u>	<u>10,039,376.57</u>

(Continued from the above table)

Item	31 December 2024			31 December 2023		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Imprest funds	192,581.31	9,629.06	182,952.25	461,970.23	23,098.51	438,871.72
Deposits and security deposits	4,831,212.01	24,156.03	4,807,055.98	54,472,950.39	22,364.80	54,450,585.59
Current account balances	6,207,929.84	310,396.51	5,897,533.33	4,767,801.36	238,390.08	4,529,411.28
Others	1,800,185.36	1,712,913.27	87,272.09	504,431.24	25,221.56	479,209.68
Total	13,031,908.52	2,057,094.87	10,974,813.65	60,207,153.22	309,074.95	59,898,078.27

③ *Provision for bad debts made as at the end of each year (period) of the reporting period*

Provision for bad debts in Stage 1 as at 30 April 2026

Category	Gross carrying amount	Expected credit loss rate over the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually				
Provision for bad debts assessed by portfolio	10,265,792.67	3.23	331,784.11	9,934,008.56
Imprest funds	913,286.39	5.00	45,664.33	867,622.06
Deposits and security deposits	4,033,456.05	0.50	20,167.26	4,013,288.79
Current account balances	4,952,208.10	5.00	247,610.38	4,704,597.72
Others	366,842.13	5.00	18,342.14	348,499.99
Total	10,265,792.67	3.23	331,784.11	9,934,008.56

As at 30 April 2026, the Company had no interest receivable, dividends receivable or other receivables in Stage 2.

Provision for bad debts in Stage 3 as at 30 April 2026

Category	Gross carrying amount	Lifetime expected credit loss rate (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	1,708,320.00	100.00	1,708,320.00	
Other receivables that are not individually significant but for which provision for bad debts is individually assessed	<u>1,708,320.00</u>	<u>100.00</u>	<u>1,708,320.00</u>	
Total	<u>1,708,320.00</u>	<u>100.00</u>	<u>1,708,320.00</u>	

Provision for bad debts in Stage 1 as at 31 December 2025

Category	Gross carrying amount	Expected credit loss rate over the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually				
Provision for bad debts assessed by portfolio	10,394,804.89	3.42	355,428.32	10,039,376.57
Imprest funds	107,382.97	5.00	5,369.15	102,013.82
Deposits and security deposits	3,651,376.73	0.50	18,256.91	3,633,119.82
Current account balances	6,555,129.73	5.00	327,756.49	6,227,373.24
Others	<u>80,915.46</u>	<u>5.00</u>	<u>4,045.77</u>	<u>76,869.69</u>
Total	<u>10,394,804.89</u>	<u>3.42</u>	<u>355,428.32</u>	<u>10,039,376.57</u>

As at 31 December 2025, the Company had no interest receivable, dividends receivable or other receivables in Stage 2.

Provision for bad debts in Stage 3 as at 31 December 2025

Category	Gross carrying amount	Lifetime expected credit loss rate (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	1,708,320.00	100.00	1,708,320.00	—
Other receivables that are not individually significant but for which provision for bad debts is individually assessed	1,708,320.00	100.00	1,708,320.00	—
Total	1,708,320.00	100.00	1,708,320.00	—

Provision for bad debts in Stage 1 as at 31 December 2024

Category	Gross carrying amount	Expected credit loss rate over the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually				
Provision for bad debts assessed by portfolio	11,323,588.52	3.08	348,774.87	10,974,813.65
Imprest funds	192,581.31	5.00	9,629.06	182,952.25
Deposits and security deposits	4,831,212.01	0.50	24,156.03	4,807,055.98
Current account balances	6,207,929.84	5.00	310,396.51	5,897,533.33
Others	91,865.36	5.00	4,593.27	87,272.09
Total	11,323,588.52	3.08	348,774.87	10,974,813.65

As at 31 December 2024, the Company had no interest receivable, dividends receivable or other receivables in Stage 2.

Provision for bad debts in Stage 3 as at 31 December 2024

Category	Gross carrying amount	Lifetime expected credit loss rate (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	1,708,320.00	100.00	1,708,320.00	—
Other receivables that are not individually significant but for which provision for bad debts is individually assessed	1,708,320.00	100.00	1,708,320.00	—
Total	1,708,320.00	100.00	1,708,320.00	—

Provision for bad debts in Stage 1 as at 31 December 2023

Category	Gross carrying amount	Expected credit loss rate over the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	50,000,000.00			50,000,000.00
Provision for bad debts assessed by portfolio	10,207,153.22	3.03	309,074.95	9,898,078.27
Imprest funds	461,970.23	5.00	23,098.51	438,871.72
Deposits and security deposits	4,472,950.39	0.50	22,364.80	4,450,585.59
Current account balances	4,767,801.36	5.00	238,390.08	4,529,411.28
Others	504,431.24	5.00	25,221.56	479,209.68
Total	60,207,153.22	0.51	309,074.95	59,898,078.27

As at 31 December 2023, the Company had no interest receivable, dividends receivable or other receivables in Stage 2.

As at 31 December 2023, the Company had no provision for bad debts in stage 3.

④ *Provision for bad debts made, recovered or reversed in each year (period) of the reporting period*

	Stage 1	Stage 2	Stage 3	
		Lifetime	Lifetime	
	12-month	expected	expected	
Provision for bad debts	expected	credit losses	credit losses	Total
	credit losses	(not credit-impaired)	(credit-impaired)	
Balance at 31 December 2025	355,428.32	–	1,708,320.00	2,063,748.32
Movements during the				
current period	355,428.32	–	1,708,320.00	2,063,748.32
– Transfer to stage 2				
– Transfer to stage 3				
– Transfer back to stage 2				
– Transfer back to stage 1				
Provision for the current period	–			–
Reversal in the current period	23,463.13			23,463.13
Write-off in the current period				
Recovery after write-off				
in the current period				
Others – translation of foreign				
currency financial statements	-181.08			-181.08
Balance at 30 April 2026	331,784.11	–	1,708,320.00	2,040,104.11

(Continued from the above table)

Provision for bad debts	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Balance at 31 December 2024	348,774.87	–	1,708,320.00	2,057,094.87
Movements during the current period	348,774.87	–	1,708,320.00	2,057,094.87
– Transfer to stage 2				
– Transfer to stage 3				
– Transfer back to stage 2				
– Transfer back to stage 1				
Provision for the current period	9,190.28			9,190.28
Reversal in the current period				–
Write-off in the current period	11,682.29			11,682.29
Recovery after write-off in the current period				–
Others – translation of foreign currency financial statements	9,145.46			9,145.46
Balance at 31 December 2025	355,428.32	–	1,708,320.00	2,063,748.32

(Continued from the above table)

Provision for bad debts	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Balance at 31 December 2023	309,074.95	–	–	309,074.95
Movements during the current period	309,074.95	–	–	309,074.95
– Transfer to stage 2				
– Transfer to stage 3				
– Transfer back to stage 2				
– Transfer back to stage 1				
Provision for the current period	39,701.31		1,708,320.00	1,748,021.31
Reversal in the current period				–
Write-off in the current period				–
Recovery after write-off in the current period				–
Others – translation of foreign currency financial statements	-1.39			-1.39
Balance at 31 December 2024	348,774.87	–	1,708,320.00	2,057,094.87

(Continued from the above table)

Provision for bad debts	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Balance at 31 December 2022	712,407.64	–	–	712,407.64
Movements during the current period	–	–	–	–
– Transfer to stage 2				
– Transfer to stage 3				
– Transfer back to stage 2				
– Transfer back to stage 1				
Provision for the current period				–
Reversal in the current period	447,985.21			447,985.21
Write-off in the current period				–
Recovery after write-off in the current period	44,559.34			44,559.34
Others – translation of foreign currency financial statements	93.18			93.18
Balance at 31 December 2023	309,074.95	–	–	309,074.95

⑤ *Top five debtors by closing balance of other receivables as at the end of each year (period) of the reporting period*

Top five debtors by closing balance of other receivables as at 30 April 2026

Name of entity	Nature of the amount	Closing balance of other receivables	Ageing	Proportion of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Social insurance and housing provident fund	Current account balances	4,418,606.30	Within 1 year	36.90	220,930.32
Yiyang Industrial (Shenzhen) Co., Ltd.	Asset payments	1,230,000.00	1 to 2 years	10.27	1,230,000.00
Beijing Li Auto Co., Ltd. Changzhou Branch	Deposits and security deposits	1,044,591.45	Within 1 year	8.72	5,222.96
Chongqing Sokon Auto Parts Co., Ltd.	Deposits and security deposits	961,000.00	Over 3 years	8.03	4,805.00
Shenzhen Ruiyang Technology Co., Ltd.	Current account balances	478,320.00	1 to 2 years	3.99	478,320.00
Total	-	<u>8,132,517.75</u>	-	<u>67.91</u>	<u>1,939,278.28</u>

Top five debtors by closing balance of other receivables as at 31 December 2025

Name of entity	Nature of the amount	Closing balance of other receivables	Ageing	Proportion of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Social insurance and housing provident fund	Current account balances	4,587,881.16	Within 1 year	37.91	229,394.06
Yiyang Industrial (Shenzhen) Co., Ltd.	Asset payments	1,230,000.00	1 to 2 years	10.16	1,230,000.00
Shanghai Hangsheng Industrial Co., Ltd.	Current account balances	1,000,000.00	Over 3 years	8.26	50,000.00
Chongqing Sokon Auto Parts Co., Ltd.	Deposits and security deposits	961,000.00	Over 3 years	7.94	4,805.00
Suzhou Tongjin Precision Industry Co., Ltd.	Current account balances	864,000.00	Within 1 year	7.14	43,200.00
Total	-	8,642,881.16	-	71.41	1,557,399.06

Top five debtors by closing balance of other receivables as at 31 December 2024

Name of entity	Nature of the amount	Closing balance of other receivables	Ageing	Proportion of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Social insurance and housing provident fund	Current account balances	4,697,581.81	Within 1 year	36.05	234,879.09
Yiyang Industrial (Shenzhen) Co., Ltd.	Asset payments	1,230,000.00	Within 1 year	9.44	1,230,000.00
Shanghai Hangsheng Industrial Co., Ltd.	Current account balances	1,000,000.00	Over 3 years	7.67	50,000.00
Chongqing Sokon Auto Parts Co., Ltd.	Deposits and security deposits	961,000.00	Over 3 years	7.37	4,805.00
Yudo New Energy Automobile Co., Ltd.	Deposits and security deposits	722,484.95	2 to 3 years	5.54	3,612.42
Total	-	8,611,066.76	-	66.07	1,523,296.51

Top five debtors by closing balance of other receivables as at 31 December 2023

Name of entity	Nature of the amount	Closing balance of other receivables	Ageing	Proportion of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Bixi Sub-district Finance and Asset Administration Bureau of Changshu City	Security deposits	50,000,000.00	Within 1 year	83.05	–
Social insurance and housing provident fund	Current account balances	2,677,043.65	Within 1 year	4.45	133,852.18
Shanghai Hangsheng Industrial Co., Ltd.	Current account balances	1,000,000.00	2 to 3 years	1.66	50,000.00
Chongqing Sokon Auto Parts Co., Ltd.	Deposits and security deposits	961,000.00	2 to 3 years	1.60	4,805.00
Yudo New Energy Automobile Co., Ltd.	Deposits and security deposits	722,484.95	1 to 2 years	1.20	3,612.42
Total	–	<u>55,360,528.60</u>	–	<u>91.96</u>	<u>192,269.60</u>

8. Inventories

(1) Categories of inventories

Category of inventories	30 April 2026			31 December 2025		
	Gross carrying amount	Provision for decline in value/provision for impairment of contract fulfilment costs	Carrying amount	Gross carrying amount	Provision for decline in value/provision for impairment of contract fulfilment costs	Carrying amount
Raw materials	346,791,684.19	17,280,688.66	329,510,995.53	302,860,234.02	16,634,577.65	286,225,656.37
Finished goods	227,325,600.87	28,324,780.21	199,000,820.66	207,999,248.02	30,982,659.61	177,016,588.41
Work in progress	42,907,371.00	3,565,812.21	39,341,558.79	42,679,696.47	4,943,458.24	37,736,238.23
Goods shipped	25,840,015.44	1,200,507.50	24,639,507.94	45,092,327.26	790,333.69	44,301,993.57
Materials for consigned processing	7,870,007.10	355,086.10	7,514,921.00	5,891,645.47	322,026.92	5,569,618.55
Contract fulfilment costs	11,326,368.65		11,326,368.65	15,495,583.29	–	15,495,583.29
Total	662,061,047.25	50,726,874.68	611,334,172.57	620,018,734.53	53,673,056.11	566,345,678.42

(Continued from the above table)

Category of inventories	31 December 2024			31 December 2023		
	Gross carrying amount	Provision for decline in value/provision for impairment of contract fulfilment costs	Carrying amount	Gross carrying amount	Provision for decline in value/provision for impairment of contract fulfilment costs	Carrying amount
Raw materials	222,959,214.84	16,749,324.41	206,209,890.43	221,275,916.33	17,779,781.32	203,496,135.01
Finished goods	144,054,763.61	20,925,100.77	123,129,662.84	152,342,317.35	23,796,167.35	128,546,150.00
Work in progress	33,300,989.40	4,028,481.69	29,272,507.71	21,066,380.76	158,315.73	20,908,065.03
Goods shipped	34,575,554.90	2,424,300.79	32,151,254.11	75,206,298.22	3,022,376.44	72,183,921.78
Materials for consigned processing	7,076,263.64	1,041,531.99	6,034,731.65	19,521,352.11	972,649.24	18,548,702.87
Contract fulfilment costs	12,557,127.46	–	12,557,127.46	12,614,232.30	–	12,614,232.30
Total	454,523,913.85	45,168,739.65	409,355,174.20	502,026,497.07	45,729,290.08	456,297,206.99

(2) Provision for decline in value of inventories and provision for impairment of contract fulfilment costs as at the end of each year (period) of the reporting period

Item	31 December 2025	Increase in the current period		Decrease in the current period		30 April 2026
		Provision made	Others	Reversal or write-off	Others	
Raw materials	16,634,577.65	5,500,048.32		4,853,937.31		17,280,688.66
Finished goods	30,982,659.61	10,253,228.69	-160,945.43	12,750,162.66		28,324,780.21
Work in progress	4,943,458.24	2,125,240.26		3,502,886.29		3,565,812.21
Goods shipped	790,333.69	1,061,918.48		651,744.67		1,200,507.50
Materials for consigned processing	322,026.92	93,759.46		60,700.28		355,086.10
Total	53,673,056.11	19,034,195.21	-160,945.43	21,819,431.21		50,726,874.68

(Continued from the above table)

Item	Specific basis for determining the net realisable value/the remaining consideration and the costs to be incurred	Reasons for the reversal or write-off of the provision for decline in value of inventories in January-April 2026
Raw materials	The estimated selling price of the inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the related taxes	Requisitioned for use
Finished goods		Sold
Work in progress		Requisitioned for use
Goods shipped		Sold
Materials for consigned processing		Requisitioned for use

(Continued from the above table)

Item	31 December 2024	Increase in the current period		Decrease in the current period		31 December 2025
		Provision made	Others	Reversal or write-off	Others	
Raw materials	16,749,324.41	9,989,275.08		10,104,021.84		16,634,577.65
Finished goods	20,925,100.77	18,570,608.66	-214,602.24	8,298,447.58		30,982,659.61
Work in progress	4,028,481.69	2,929,828.21		2,014,851.66		4,943,458.24
Goods shipped	2,424,300.79			1,633,967.10		790,333.69
Materials for consigned processing	1,041,531.99	229,678.94		949,184.01		322,026.92
Total	45,168,739.65	31,719,390.89	-214,602.24	23,000,472.19	-	53,673,056.11

(Continued from the above table)

Item	Specific basis for determining the net realisable value/the remaining consideration and the costs to be incurred	Reasons for the reversal or write-off of the provision for decline in value of inventories in 2025
Raw materials	The estimated selling price of the inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the related taxes	Requisitioned for use
Finished goods		Sold
Work in progress		Requisitioned for use
Goods shipped		Sold
Materials for consigned processing		Requisitioned for use

(Continued from the above table)

Item	31 December 2023	Increase in the current period		Decrease in the current period		31 December 2024
		Provision made	Others	Reversal or write-off	Others	
Raw materials	17,779,781.32	7,586,790.49	–	8,617,247.40	–	16,749,324.41
Finished goods	23,796,167.35	16,345,443.47	81,056.08	19,297,566.13	–	20,925,100.77
Work in progress	158,315.73	4,457,608.39		587,442.43		4,028,481.69
Goods shipped	3,022,376.44	1,245,546.32		1,843,621.97		2,424,300.79
Materials for consigned processing	972,649.24	908,523.07		839,640.32		1,041,531.99
Total	45,729,290.08	30,543,911.74	81,056.08	31,185,518.25	–	45,168,739.65

(Continued from the above table)

Item	Specific basis for determining the net realisable value/the remaining consideration and the costs to be incurred	Reasons for the reversal or write-off of the provision for decline in value of inventories in 2024
Raw materials	The estimated selling price of the inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the related taxes	Requisitioned for use
Finished goods		Sold
Work in progress		Requisitioned for use
Goods shipped		Sold
Materials for consigned processing		Requisitioned for use

(Continued from the above table)

Item	31 December 2022	Increase in the current period		Decrease in the current period		31 December 2023
		Provision made	Others	Reversal or write-off	Others	
Raw materials	30,878,648.56	9,282,493.96	–	22,381,361.20	–	17,779,781.32
Finished goods	91,358,977.47	11,097,204.51	-345,774.94	78,314,239.69	–	23,796,167.35
Work in progress	433,851.94	311,412.58		586,948.79		158,315.73
Goods shipped	1,642,436.64	2,657,587.11		1,277,647.31		3,022,376.44
Materials for consigned processing	903,629.01	528,352.16		459,331.93		972,649.24
Total	125,217,543.62	23,877,050.32	-345,774.94	103,019,528.92	–	45,729,290.08

(Continued from the above table)

Item	Specific basis for determining the net realisable value/the remaining consideration and the costs to be incurred	Reasons for the reversal or write-off of the provision for decline in value of inventories in 2023
Raw materials	The estimated selling price of the inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the related taxes	Requisitioned for use
Finished goods		Sold
Work in progress		Requisitioned for use
Goods shipped		Sold
Materials for consigned processing		Requisitioned for use

9. Other current assets

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
VAT withheld and paid on behalf of others		573,169.08	–	–
Input VAT to be deducted	59,655,233.25	37,687,966.06	28,354,277.59	3,253,685.91
Large-denomination certificates of deposit	10,036,666.67	20,045,527.78	130,163,166.67	–
Prepaid income tax	3,921,919.52	4,028,220.83	36,392.52	–
Total	73,613,819.44	62,334,883.75	158,553,836.78	3,253,685.91

10. Long-term equity investments

Investee	Movements in the current period						
	Investment income or loss	Investment recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Cash dividends or profits declared	Provision for impairment	Others
	31 December 2025 (Carrying amount)	Opening balance of provision for impairment	Additional/new investments	Decrease in investments			30 April 2026 (Carrying amount)
							Closing balance of provision for impairment
Associates							
Shenzhen Hangsheng Circuit Technology Co., Ltd.	7,770,288.58				-637,698.16		7,132,590.42
Zhixin Control System Co., Ltd.	17,574,042.01				788,700.83		18,362,742.84
Subtotal	25,344,330.59				151,002.67		25,495,333.26
Total	25,344,330.59				151,002.67		25,495,333.26

(Continued from the above table)

Investee	Movements in the current period						
	31 December 2024 (Carrying amount)	Opening balance of provision for impairment	Additional/ new investments	Decrease in investments	Investment income or loss recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity
						Cash dividends or profits declared	Provision for impairment Others
Associates							
Shenzhen Hangsheng Circuit Technology Co., Ltd.	9,823,067.15				-2,052,778.57		7,770,288.58
Zhixin Control System Co., Ltd.	11,592,701.53				5,981,340.48		17,574,042.01
Subtotal	21,415,768.68				3,928,561.91		25,344,330.59
Total	21,415,768.68				3,928,561.91		25,344,330.59

(Continued from the above table)

Investee	31 December 2023 (Carrying amount)	Movements in the current period							31 December 2024 (Carrying amount)	Closing balance of provision for impairment
		Opening balance of provision for impairment	Additional/ new investments	Decrease in investments	Investment income or loss recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Cash dividends or profits declared	Provision for impairment	Others
Associates										
Shenzhen Hangsheng Circuit Technology Co., Ltd.	9,399,352.60				423,714.55				9,823,067.15	
Zhixin Control System Co., Ltd.	10,557,070.71				1,035,630.82				11,592,701.53	
Subtotal	19,956,423.31				1,459,345.37				21,415,768.68	
Total	19,956,423.31				1,459,345.37				21,415,768.68	

(Continued from the above table)

Investee	31 December 2022 (Carrying amount)	Movements in the current period						31 December 2023 (Carrying amount)	Closing balance of provision for impairment
		Investment income or loss recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Cash dividends or profits declared	Provision for impairment	Others		
Associates									
Shenzhen Hangsheng Circuit Technology Co., Ltd.	8,292,714.19	1,106,638.41						9,399,352.60	
Zhixin Control System Co., Ltd.	10,221,946.99	335,123.72						10,557,070.71	
Subtotal	18,514,661.18	1,441,762.13						19,956,423.31	
Total	18,514,661.18	1,441,762.13						19,956,423.31	

11. Investments in other equity instruments

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Suzhou Toly Optonics Co., Ltd.	9,359,807.31	9,361,429.84	8,703,777.09	8,449,528.12
Jiangsu Mingyue Intelligent Technology Co., Ltd.	483,068.42	493,704.50	262,305.66	41,155.15
Total	9,842,875.73	9,855,134.34	8,966,082.75	8,490,683.27

As at 30 April 2026, the Company held a 1.33% equity interest in Suzhou Toly Optonics Co., Ltd. ("Toly Optonics") and a 4.05% equity interest in Jiangsu Mingyue Intelligent Technology Co., Ltd. ("Mingyue Intelligent"). The Company intends to hold the above equity investments on a long-term basis rather than for trading purposes, and it holds no seat on the board of directors of either company and does not have significant influence over them. Accordingly, in accordance with the Accounting Standards for Business Enterprises, these investments are accounted for as investments in other equity instruments and are subsequently measured at fair value.

12. Fixed assets

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Fixed assets	1,000,746,985.38	1,014,121,024.13	829,832,590.41	791,277,451.97
Disposal of fixed assets				
Total	1,000,746,985.38	1,014,121,024.13	829,832,590.41	791,277,451.97

(1) Fixed assets**① Details of fixed assets**

Item	Buildings and structures	Transportation equipment	Machinery and equipment	Testing instruments	Moulds	Electronic and other equipment	Total
I. Cost:							
1. 31 December 2025	879,316,596.06	11,789,170.01	464,349,626.36	89,540,176.00	104,691,841.95	70,086,608.05	1,619,774,018.43
2. Increase in the current period	–	38,938.05	7,466,912.64	2,182,511.10	852,022.13	2,756,166.77	13,296,550.69
(1) Purchases	–	–	7,208,328.57	1,244,773.44	529,579.65	1,920,740.92	10,903,422.58
(2) Transfers from construction in progress	–	38,938.05	258,584.07	937,737.66	322,442.48	852,095.15	2,409,797.41
(3) Others – translation of foreign currency financial statements	–	–	–	–	–	-16,669.30	-16,669.30
3. Decrease in the current period	–	2,098,761.24	595,585.49	76,089.99	563,387.01	503,801.85	3,837,625.58
(1) Disposal or retirement	–	2,098,761.24	595,585.49	76,089.99	563,387.01	503,801.85	3,837,625.58
(2) Other decreases	–	–	–	–	–	–	–
(3) Others – translation of foreign currency financial statements	–	–	–	–	–	–	–
4. 30 April 2026	879,316,596.06	9,729,346.82	471,220,953.51	91,646,597.11	104,980,477.07	72,338,972.97	1,629,232,943.54

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Item	Buildings and structures	Transportation equipment	Machinery and equipment	Testing instruments	Moulds	Electronic and other equipment	Total
II. Accumulated depreciation							
1. 31 December 2025	181,858,017.01	6,483,460.03	207,782,661.49	61,757,300.96	93,985,819.84	52,708,491.61	604,575,750.94
2. Increase in the current period	7,068,169.87	445,265.38	12,283,554.46	2,580,639.27	1,686,029.38	2,390,228.24	26,453,886.60
(1) Charge for the period	7,068,169.87	445,265.38	12,283,554.46	2,580,639.27	1,686,029.38	2,402,070.70	26,465,729.06
(2) Other increases							
(3) Others – translation of foreign currency financial statements						-11,842.46	-11,842.46
3. Decrease in the current period	–	1,993,823.18	543,367.65	74,520.50	519,345.71	477,703.22	3,608,760.26
(1) Disposal or retirement	–	1,993,823.18	543,367.65	74,520.50	519,345.71	477,703.22	3,608,760.26
(2) Other decreases							
4. 30 April 2026	188,926,186.88	4,934,902.23	219,522,848.30	64,263,419.73	95,152,503.51	54,621,016.63	627,420,877.28
III. Provision for impairment							
1. 31 December 2025	–	–	918,766.89	98,030.93	31,239.06	29,206.48	1,077,243.36
2. Increase in the current period							
(1) Provision made							
(2) Other increases							
3. Decrease in the current period	–	–	1,292.33	–	7,813.90	3,056.25	12,162.48
(1) Disposal or retirement	–	–	1,292.33	–	7,813.90	3,056.25	12,162.48
(2) Other decreases							
4. 30 April 2026	–	–	917,474.56	98,030.93	23,425.16	26,150.23	1,065,080.88
IV. Carrying amount							
1. Carrying amount at 30 April 2026	690,390,409.18	4,794,444.59	250,780,630.65	27,285,146.45	9,804,548.40	17,691,806.11	1,000,746,985.38
2. Carrying amount at 31 December 2025	697,458,579.05	5,305,709.98	255,648,197.98	27,684,844.11	10,674,783.05	17,348,909.96	1,014,121,024.13

(Continued from the above table)

Item	Buildings and structures	Transportation equipment	Machinery and equipment	Testing instruments	Moulds	Electronic and other equipment	Total
I. Cost:							
1. 31 December 2024	680,541,070.05	10,890,154.50	423,562,980.06	84,523,478.56	102,516,039.57	65,126,201.84	1,367,159,924.58
2. Increase in the current period	199,032,295.23	1,846,864.11	50,023,794.76	10,604,312.48	2,479,477.60	5,946,254.35	269,932,998.53
(1) Purchases	512,881.44	1,846,864.11	40,617,910.95	9,280,327.55	1,567,840.43	4,774,558.86	58,600,383.34
(2) Transfers from construction in progress	198,519,413.79	–	9,405,883.81	1,323,984.93	911,637.17	1,158,136.28	211,319,055.98
(3) Others – translation of foreign currency financial statements	–	–	–	–	–	13,559.21	13,559.21
3. Decrease in the current period	256,769.22	947,848.60	9,237,148.46	5,587,615.04	303,675.22	985,848.14	17,318,904.68
(1) Disposal or retirement	256,769.22	947,848.60	9,237,148.46	5,587,615.04	303,675.22	985,848.14	17,318,904.68
(2) Other decreases	–	–	–	–	–	–	–
(3) Others – translation of foreign currency financial statements	–	–	–	–	–	–	–
4. 31 December 2025	879,316,596.06	11,789,170.01	464,349,626.36	89,540,176.00	104,691,841.95	70,086,608.05	1,619,774,018.43

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Item	Buildings and structures	Transportation equipment	Machinery and equipment	Testing instruments	Moulds	Electronic and other equipment	Total
II. Accumulated depreciation							
1. 31 December 2024	164,718,301.94	6,060,665.10	178,372,328.67	57,177,311.56	86,867,893.91	44,130,832.99	537,327,334.17
2. Increase in the current period	17,166,649.13	1,221,903.83	35,137,468.59	7,609,160.81	7,350,842.39	9,297,530.13	77,783,554.88
(1) Charge for the period	17,166,649.13	1,221,903.83	34,549,538.14	7,609,160.81	7,350,842.39	9,281,168.18	77,179,262.48
(2) Other increases	–	–	587,930.45	–	–	1,953.10	589,883.55
(3) Others – translation of foreign currency financial statements						14,408.85	14,408.85
3. Decrease in the current period	26,934.06	799,108.90	5,727,135.77	3,029,171.41	232,916.46	719,871.51	10,535,138.11
(1) Disposal or retirement	26,934.06	799,108.90	5,727,135.77	3,029,171.41	232,916.46	719,871.51	10,535,138.11
(2) Other decreases	–	–	–	–	–	–	–
4. 31 December 2025	181,858,017.01	6,483,460.03	207,782,661.49	61,757,300.96	93,985,819.84	52,708,491.61	604,575,750.94
III. Provision for impairment							
1. 31 December 2024	–	–	–	–	–	–	–
2. Increase in the current period	–	–	918,766.89	98,030.93	31,239.06	29,206.48	1,077,243.36
(1) Provision made	–	–	918,766.89	98,030.93	31,239.06	29,206.48	1,077,243.36
(2) Other increases	–	–	–	–	–	–	–
3. Decrease in the current period	–	–	–	–	–	–	–
(1) Disposal or retirement	–	–	–	–	–	–	–
(2) Other decreases	–	–	–	–	–	–	–
4. 31 December 2025	–	–	918,766.89	98,030.93	31,239.06	29,206.48	1,077,243.36
IV. Carrying amount							
1. Carrying amount at 31 December 2025	697,458,579.05	5,305,709.98	255,648,197.98	27,684,844.11	10,674,783.05	17,348,909.96	1,014,121,024.13
2. Carrying amount at 31 December 2024	515,822,768.11	4,829,489.40	245,190,651.39	27,346,167.00	15,648,145.66	20,995,368.85	829,832,590.41

(Continued from the above table)

Item	Buildings and structures	Transportation equipment	Machinery and equipment	Testing instruments	Moulds	Electronic and other equipment	Total
I. Cost:							
1. 31 December 2023	680,541,070.05	9,346,671.49	350,627,438.92	71,254,282.30	103,149,478.49	55,428,914.77	1,270,347,856.02
2. Increase in the current period	–	3,192,422.40	88,155,956.40	15,720,596.76	3,086,046.80	11,452,954.57	121,607,976.93
(1) Purchases	–	3,192,422.40	71,178,497.09	15,720,596.76	3,086,046.80	10,814,426.15	103,991,989.20
(2) Transfers from construction in progress	–	–	16,977,459.31	–	–	649,085.78	17,626,545.09
(3) Others – translation of foreign currency financial statements	–	–	–	–	–	-10,557.36	-10,557.36
3. Decrease in the current period	–	1,648,939.39	15,220,415.26	2,451,400.50	3,719,485.72	1,755,667.50	24,795,908.37
(1) Disposal or retirement	–	1,648,939.39	15,220,415.26	2,451,400.50	3,719,485.72	1,755,667.50	24,795,908.37
(2) Other decreases	–	–	–	–	–	–	–
(3) Others – translation of foreign currency financial statements	–	–	–	–	–	–	–
4. 31 December 2024	680,541,070.05	10,890,154.50	423,562,980.06	84,523,478.56	102,516,039.57	65,126,201.84	1,367,159,924.58

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Item	Buildings and structures	Transportation equipment	Machinery and equipment	Testing instruments	Moulds	Electronic and other equipment	Total
II. Accumulated depreciation							
1. 31 December 2023	148,345,128.83	6,610,379.40	155,327,847.88	53,083,359.74	77,637,202.35	38,066,485.85	479,070,404.05
2. Increase in the current period	16,373,173.11	954,210.42	29,356,637.26	6,388,611.42	9,862,529.46	7,645,749.39	70,580,911.06
(1) Charge for the period	16,373,173.11	954,210.42	29,356,637.26	6,388,611.42	9,862,529.46	7,653,737.02	70,588,898.69
(2) Other increases	–	–	–	–	–	–	–
(3) Others – translation of foreign currency financial statements						-7,987.63	-7,987.63
3. Decrease in the current period	–	1,503,924.72	6,312,156.47	2,294,659.60	631,837.90	1,581,402.25	12,323,980.94
(1) Disposal or retirement	–	1,503,924.72	6,312,156.47	2,294,659.60	631,837.90	1,581,402.25	12,323,980.94
(2) Other decreases	–	–	–	–	–	–	–
4. 31 December 2024	164,718,301.94	6,060,665.10	178,372,328.67	57,177,311.56	86,867,893.91	44,130,832.99	537,327,334.17
III. Provision for impairment							
1. 31 December 2023	–	–	–	–	–	–	–
2. Increase in the current period	–	–	–				–
(1) Provision made	–	–	–	–	–	–	–
(2) Other increases	–	–	–	–	–	–	–
3. Decrease in the current period	–	–	–				–
(1) Disposal or retirement	–	–	–	–	–	–	–
(2) Other decreases	–	–	–	–	–	–	–
4. 31 December 2024	–	–	–	–	–	–	–
IV. Carrying amount							
1. Carrying amount at 31 December 2024	515,822,768.11	4,829,489.40	245,190,651.39	27,346,167.00	15,648,145.66	20,995,368.85	829,832,590.41
2. Carrying amount at 31 December 2023	532,195,941.22	2,736,292.09	195,299,591.04	18,170,922.56	25,512,276.14	17,362,428.92	791,277,451.97

(Continued from the above table)

Item	Buildings and structures	Transportation equipment	Machinery and equipment	Testing instruments	Moulds	Electronic and other equipment	Total
I. Cost:							
1. 31 December 2022	671,612,400.52	8,774,708.90	316,200,181.07	70,216,785.42	99,828,027.34	51,227,859.68	1,217,859,962.93
2. Increase in the current period	8,928,669.53	1,449,835.22	50,237,746.40	5,215,265.43	7,127,428.42	13,072,485.95	86,031,430.95
(1) Purchases	22,935.78	1,449,835.22	37,162,462.49	5,215,265.43	7,127,428.42	12,940,033.49	63,917,960.83
(2) Transfers from construction in progress	8,905,733.75	–	13,075,283.91	–	–	120,567.24	22,101,584.90
(3) Others – translation of foreign currency financial statements	–	–	–	–	–	11,885.22	11,885.22
3. Decrease in the current period	–	877,872.63	15,810,488.55	4,177,768.55	3,805,977.27	8,871,430.86	33,543,537.86
(1) Disposal or retirement	–	877,872.63	15,810,488.55	4,177,768.55	3,805,977.27	8,871,430.86	33,543,537.86
(2) Other decreases	–	–	–	–	–	–	–
(3) Others – translation of foreign currency financial statements	–	–	–	–	–	–	–
4. 31 December 2023	680,541,070.05	9,346,671.49	350,627,438.92	71,254,282.30	103,149,478.49	55,428,914.77	1,270,347,856.02

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Item	Buildings and structures	Transportation equipment	Machinery and equipment	Testing instruments	Moulds	Electronic and other equipment	Total
II. Accumulated depreciation							
1. 31 December 2022	132,013,584.37	6,588,900.71	130,725,016.97	50,911,829.89	68,552,400.21	40,505,533.83	429,297,265.98
2. Increase in the current period	16,331,544.46	766,601.44	27,758,456.64	5,884,290.96	12,051,312.78	5,384,543.24	68,176,749.52
(1) Charge for the period	16,331,544.46	766,601.44	27,758,456.64	5,884,290.96	12,051,312.78	5,372,560.80	68,164,767.08
(2) Other increases	–	–	–	–	–	–	–
(3) Others – translation of foreign currency financial statements						11,982.44	11,982.44
3. Decrease in the current period	–	745,122.75	3,155,625.73	3,712,761.11	2,966,510.64	7,823,591.22	18,403,611.45
(1) Disposal or retirement	–	745,122.75	3,155,625.73	3,712,761.11	2,966,510.64	7,823,591.22	18,403,611.45
(2) Other decreases	–	–	–	–	–	–	–
4. 31 December 2023	148,345,128.83	6,610,379.40	155,327,847.88	53,083,359.74	77,637,202.35	38,066,485.85	479,070,404.05
III. Provision for impairment							
1. 31 December 2022	–	–	–	–	–	–	–
2. Increase in the current period	–	–	–				–
(1) Provision made	–	–	–	–	–	–	–
(2) Other increases	–	–	–	–	–	–	–
3. Decrease in the current period	–	–	–				–
(1) Disposal or retirement	–	–	–	–	–	–	–
(2) Other decreases	–	–	–	–	–	–	–
4. 31 December 2023	–	–	–	–	–	–	–
IV. Carrying amount							
1. Carrying amount at 31 December 2023	532,195,941.22	2,736,292.09	195,299,591.04	18,170,922.56	25,512,276.14	17,362,428.92	791,277,451.97
2. Carrying amount at 31 December 2022	539,598,816.15	2,185,808.19	185,475,164.10	19,304,955.53	31,275,627.13	10,722,325.85	788,562,696.95

② *Fixed assets temporarily idle in each year (period) of the reporting period*

As at the end of each period, the Company had no temporarily idle fixed assets.

③ *Fixed assets leased out under operating leases in each year (period) of the reporting period*

Item	Carrying amount			
	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Buildings and structures	<u>144,457,738.14</u>	<u>146,113,099.28</u>	<u>151,079,182.66</u>	<u>156,045,266.03</u>
Total	<u>144,457,738.14</u>	<u>146,113,099.28</u>	<u>151,079,182.66</u>	<u>156,045,266.03</u>

④ *Fixed assets for which title certificates had not been obtained as at the end of each year (period) of the reporting period*

In 2022, Jilin Hangsheng additionally constructed Plant No. 15 (2,875.19 m²) and Warehouse No. 16 (356.31 m²) within the project with an annual output of 50 million automotive electro-acoustic and electronic units (the project with an annual output of 20 million vehicle-mounted digital power amplifier audio system components). All requisite construction compliance approvals, including the construction works planning permit, the construction permit and the notice of verification of completion planning conditions, have been obtained for both buildings, and were completed, accepted and put into operation in December 2024. As explained by Jilin Hangsheng, because the newly added above-ground buildings resulted in a change of planning, when applying for the immovable property title certificates for the new buildings, the immovable property title certificates for the existing buildings must be altered and reissued at the same time. As the relevant immovable properties have all currently been mortgaged to banks, the certificates can only be reissued after the relevant mortgages have been cancelled. Therefore, the immovable property title certificates for Plant No. 15 and Warehouse No. 16 had not yet been obtained. Prior to the date of approval for issue of this audit report, the Company obtained the Immovable Property Title Certificates for Plant No. 15 and Warehouse No. 16 on 29 July 2026.

⑤ *Government grants related to fixed assets accounted for on a net basis in each year (period) of the reporting period*

As at the end of each period, the Company had no government grants related to fixed assets accounted for on a net basis.

13. Construction in progress

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Construction in progress	58,006,213.48	32,915,563.31	162,223,541.25	10,511,933.82
Construction materials				
Total	58,006,213.48	32,915,563.31	162,223,541.25	10,511,933.82

(1) Construction in progress**① Details of construction in progress**

Item	30 April 2026			31 December 2025		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
XPeng XCCP assembly line	8,156,159.59		8,156,159.59	6,908,584.37		6,908,584.37
Clean-room fit-out project for the electronics workshop on 2F of Plant Building B	6,927,109.97		6,927,109.97	2,601,977.86		2,601,977.86
Woofer automatic production line equipment	3,182,300.91		3,182,300.91	3,119,292.06		3,119,292.06
5.0 mid-bass speaker automated production line	3,005,309.73		3,005,309.73			
Laboratory project	7,475,179.06		7,475,179.06	2,998,275.09		2,998,275.09
Others	29,260,154.22		29,260,154.22	17,287,433.93		17,287,433.93
Total	58,006,213.48	-	58,006,213.48	32,915,563.31	-	32,915,563.31

(Continued from the above table)

Item	31 December 2024			31 December 2023		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
XPeng XCCP assembly line			-			
Fit-out project for Plant C (Plant No. 6) of Phase I of the electro-acoustic project	8,718,379.25		8,718,379.25			
Hangsheng New Energy East China Headquarters Base Project	141,004,372.03		141,004,372.03	724,811.56		724,811.56
Others	12,500,789.97		12,500,789.97	9,787,122.26		9,787,122.26
Total	162,223,541.25	-	162,223,541.25	10,511,933.82	-	10,511,933.82

② *Changes in significant construction in progress projects in each year (period) of the reporting period*

Project name	31 December 2024	Increase in the current period	Transfers to fixed assets	Other decreases	Accumulated capitalised interest	Including: interest	Interest capitalisation rate for the period %	31 December 2025
						capitalised in the current period		
Hangsheng New Energy East China Headquarters Base Project	141,004,372.03	58,595,997.51	199,600,369.54		4,046,583.65	2,916,992.69	3.2% for January- February 2025 and 2.6% for March- October 2025	-
Total	141,004,372.03	58,595,997.51	199,600,369.54	-	4,046,583.65	2,916,992.69	-	-

(Continued from the above table)

Project name	31 December 2023	Increase in the current period	Transfers to fixed assets	Other decreases	Accumulated capitalised interest	Including: interest capitalised in the current period	Interest capitalisation rate for the period %	31 December 2024
Hangsheng New Energy East China Headquarters Base Project	724,811.56	140,279,560.47	—	—	1,129,590.96	1,129,590.96	3.20	141,004,372.03
Total	724,811.56	140,279,560.47	—	—	1,129,590.96	1,129,590.96	—	141,004,372.03

(Continued from the above table)

Project name	31 December 2022	Increase in the current period	Transfers to fixed assets	Other decreases	Accumulated capitalised interest	Including: interest capitalised in the current period	Interest capitalisation rate for the period %	31 December 2023
Hangsheng New Energy East China Headquarters Base Project	—	724,811.56	—	—	—	—	—	724,811.56
Total	—	724,811.56	—	—	—	—	—	724,811.56

Changes in significant construction in progress projects as at the end of each reporting period
(continued):

Project name	Budget	Source of funds	31 December 2025	
			Accumulated investment to budget (%)	Project progress
Hangsheng New Energy East China Headquarters Base Project	210,550,000.00	Self-raised funds	94.80%	100%
Total	210,550,000.00	—	—	—

(Continued from the above table)

Project name	31 December 2024		31 December 2023	
	Accumulated investment to budget (%)	Project progress	Accumulated investment to budget (%)	Project progress
Hangsheng New Energy East China Headquarters Base Project	66.97%	66.97%	0.34%	0.34%
Total	—	—	—	—

14. Right-of-use assets

Item	Buildings and structures	Total
I. Cost:		
1. 31 December 2025	9,118,921.08	9,118,921.08
2. Increase in the current period	—	—
(1) Leased in	—	—
(2) Adjustments to lease liabilities	—	—
3. Decrease in the current period	463,845.30	463,845.30
(1) Subleases classified as finance leases	—	—
(2) Transferred or held for sale	—	—
(3) Other decreases	463,845.30	463,845.30
4. 30 April 2026	8,655,075.78	8,655,075.78
II. Accumulated depreciation		
1. 31 December 2025	5,498,334.16	5,498,334.16
2. Increase in the current period	1,072,146.55	1,072,146.55
(1) Charge for the period	1,072,146.55	1,072,146.55
(2) Other increases	—	—
3. Decrease in the current period	—	—
(1) Subleases classified as finance leases	—	—
(2) Transferred or held for sale	—	—
(3) Other decreases	—	—
4. 30 April 2026	6,570,480.71	6,570,480.71
III. Provision for impairment		
1. 31 December 2025		
2. Increase in the current period		
(1) Provision made		
(2) Other increases		
3. Decrease in the current period		
(1) Subleases classified as finance leases		
(2) Transferred or held for sale		
(3) Other decreases		
4. 30 April 2026		
IV. Carrying amount		
1. Carrying amount at 30 April 2026	2,084,595.07	2,084,595.07
2. Carrying amount at 31 December 2025	3,620,586.92	3,620,586.92

As at 30 April 2026, the lease expenses recognised by the Company in relation to short-term leases and leases of low-value assets are set out in Note V.58.

Item	Buildings and structures	Total
I. Cost:		
1. 31 December 2024	11,534,766.10	11,534,766.10
2. Increase in the current period	3,970,469.59	3,970,469.59
(1) Leased in	4,789,409.42	4,789,409.42
(2) Adjustments to lease liabilities	-818,939.83	-818,939.83
3. Decrease in the current period	6,386,314.61	6,386,314.61
(1) Subleases classified as finance leases	—	—
(2) Transferred or held for sale	6,386,314.61	6,386,314.61
(3) Other decreases	—	—
4. 31 December 2025	9,118,921.08	9,118,921.08
II. Accumulated depreciation		
1. 31 December 2024	4,389,247.55	4,389,247.55
2. Increase in the current period	7,745,262.52	7,745,262.52
(1) Charge for the period	7,745,262.52	7,745,262.52
(2) Other increases	—	—
3. Decrease in the current period	6,636,175.91	6,636,175.91
(1) Subleases classified as finance leases	—	—
(2) Transferred or held for sale	6,636,175.91	6,636,175.91
(3) Other decreases	—	—
4. 31 December 2025	5,498,334.16	5,498,334.16
III. Provision for impairment		
1. 31 December 2024	—	—
2. Increase in the current period	—	—
(1) Provision made	—	—
(2) Other increases	—	—
3. Decrease in the current period	—	—
(1) Subleases classified as finance leases	—	—
(2) Transferred or held for sale	—	—
(3) Other decreases	—	—
4. 31 December 2025	—	—
IV. Carrying amount		
1. Carrying amount at 31 December 2025	3,620,586.92	3,620,586.92
2. Carrying amount at 31 December 2024	7,145,518.55	7,145,518.55

As at 31 December 2025, the lease expenses recognised by the Company in relation to short-term leases and leases of low-value assets are set out in Note V.58.

Item	Buildings and structures	Total
I. Cost:		
1. 31 December 2023	20,513,851.49	20,513,851.49
2. Increase in the current period	8,932,368.34	8,932,368.34
(1) Leased in	8,932,368.34	8,932,368.34
(2) Adjustments to lease liabilities	—	—
3. Decrease in the current period	17,911,453.73	17,911,453.73
(1) Subleases classified as finance leases	—	—
(2) Transferred or held for sale	17,911,453.73	17,911,453.73
(3) Other decreases	—	—
4. 31 December 2024	11,534,766.10	11,534,766.10
II. Accumulated depreciation		
1. 31 December 2023	12,453,924.11	12,453,924.11
2. Increase in the current period	8,449,741.17	8,449,741.17
(1) Charge for the period	8,449,741.17	8,449,741.17
(2) Other increases	—	—
3. Decrease in the current period	16,514,417.73	16,514,417.73
(1) Subleases classified as finance leases	—	—
(2) Transferred or held for sale	16,514,417.73	16,514,417.73
(3) Other decreases	—	—
4. 31 December 2024	4,389,247.55	4,389,247.55
III. Provision for impairment		
1. 31 December 2023	—	—
2. Increase in the current period	—	—
(1) Provision made	—	—
(2) Other increases	—	—
3. Decrease in the current period	—	—
(1) Subleases classified as finance leases	—	—
(2) Transferred or held for sale	—	—
(3) Other decreases	—	—
4. 31 December 2024	—	—
IV. Carrying amount		
1. Carrying amount at 31 December 2024	7,145,518.55	7,145,518.55
2. Carrying amount at 31 December 2023	8,059,927.38	8,059,927.38

As at 31 December 2024, the lease expenses recognised by the Company in relation to short-term leases and leases of low-value assets are set out in Note V.58.

Item	Buildings and structures	Total
I. Cost:		
1. 31 December 2022	12,472,224.63	12,472,224.63
2. Increase in the current period	11,620,406.90	11,620,406.90
(1) Leased in	11,620,406.90	11,620,406.90
(2) Adjustments to lease liabilities	—	—
3. Decrease in the current period	3,578,780.04	3,578,780.04
(1) Subleases classified as finance leases	—	—
(2) Transferred or held for sale	3,578,780.04	3,578,780.04
(3) Other decreases	—	—
4. 31 December 2023	20,513,851.49	20,513,851.49
II. Accumulated depreciation		
1. 31 December 2022	6,726,274.60	6,726,274.60
2. Increase in the current period	9,306,429.50	9,306,429.50
(1) Charge for the period	9,306,429.50	9,306,429.50
(2) Other increases	—	—
3. Decrease in the current period	3,578,779.99	3,578,779.99
(1) Subleases classified as finance leases	—	—
(2) Transferred or held for sale	3,578,779.99	3,578,779.99
(3) Other decreases	—	—
4. 31 December 2023	12,453,924.11	12,453,924.11
III. Provision for impairment		
1. 31 December 2022	—	—
2. Increase in the current period	—	—
(1) Provision made	—	—
(2) Other increases	—	—
3. Decrease in the current period	—	—
(1) Subleases classified as finance leases	—	—
(2) Transferred or held for sale	—	—
(3) Other decreases	—	—
4. 31 December 2023	—	—
IV. Carrying amount		
1. Carrying amount at 31 December 2023	8,059,927.38	8,059,927.38
2. Carrying amount at 31 December 2022	5,745,950.03	5,745,950.03

As at 31 December 2023, the lease expenses recognised by the Company in relation to short-term leases and leases of low-value assets are set out in Note V.58.

15. Intangible assets

(1) Details of intangible assets

Item	Land use rights	Software use rights	Total
I. Cost			
1. 31 December 2025	104,500,450.31	89,744,761.82	194,245,212.13
2. Increase in the current period	3,592,100.00	2,201,394.56	5,793,494.56
(1) Purchases	3,592,100.00	2,203,991.52	5,796,091.52
(2) Internal research and development	—	—	—
(3) Increases from business combinations	—	—	—
(4) Others – translation of foreign currency financial statements	—	-2,596.96	-2,596.96
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Portion expired and derecognised	—	—	—
(3) Other decreases	—	—	—
4. 30 April 2026	108,092,550.31	91,946,156.38	200,038,706.69
II. Accumulated amortisation			—
1. 31 December 2025	15,242,534.70	65,889,343.29	81,131,877.99
2. Increase in the current period	729,954.38	3,227,140.77	3,957,095.15
(1) Charge for the period	729,954.38	3,229,718.50	3,959,672.88
(2) Others – translation of foreign currency financial statements	—	-2,577.73	-2,577.73
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Portion expired and derecognised	—	—	—
(3) Other decreases	—	—	—
4. 30 April 2026	15,972,489.08	69,116,484.06	85,088,973.14
III. Provision for impairment			—
1. 31 December 2025	—	—	—
2. Increase in the current period	—	—	—
(1) Provision made	—	—	—
(2) Other increases	—	—	—
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Other decreases	—	—	—
4. 30 April 2026	—	—	—
IV. Carrying amount			—
1. Carrying amount at 30 April 2026	92,120,061.23	22,829,672.32	114,949,733.55
2. Carrying amount at 31 December 2025	89,257,915.61	23,855,418.53	113,113,334.14

(Continued from the above table)

Item	Land use rights	Software use rights	Total
I. Cost			
1. 31 December 2024	104,500,450.31	80,460,095.38	184,960,545.69
2. Increase in the current period	—	9,284,666.44	9,284,666.44
(1) Purchases	—	9,276,645.01	9,276,645.01
(2) Internal research and development	—	—	—
(3) Increases from business combinations	—	—	—
(4) Others – translation of foreign currency financial statements	—	8,021.43	8,021.43
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Portion expired and derecognised	—	—	—
(3) Other decreases	—	—	—
4. 31 December 2025	104,500,450.31	89,744,761.82	194,245,212.13
II. Accumulated amortisation			—
1. 31 December 2024	13,124,513.52	57,786,359.74	70,910,873.26
2. Increase in the current period	2,118,021.18	8,102,983.55	10,221,004.73
(1) Charge for the period	2,118,021.18	8,095,535.70	10,213,556.88
(2) Others – translation of foreign currency financial statements	—	7,447.85	7,447.85
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Portion expired and derecognised	—	—	—
(3) Other decreases	—	—	—
4. 31 December 2025	15,242,534.70	65,889,343.29	81,131,877.99
III. Provision for impairment			—
1. 31 December 2024	—	—	—
2. Increase in the current period	—	—	—
(1) Provision made	—	—	—
(2) Other increases	—	—	—
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Other decreases	—	—	—
4. 31 December 2025	—	—	—
IV. Carrying amount			—
1. Carrying amount at 31 December 2025	89,257,915.61	23,855,418.53	113,113,334.14
2. Carrying amount at 31 December 2024	91,375,936.79	22,673,735.64	114,049,672.43

(Continued from the above table)

Item	Land use rights	Software use rights	Total
I. Cost			
1. 31 December 2023	48,352,452.90	74,148,169.90	122,500,622.80
2. Increase in the current period	56,147,997.41	6,311,925.48	62,459,922.89
(1) Purchases	56,147,997.41	6,315,694.35	62,463,691.76
(2) Internal research and development	—	—	—
(3) Increases from business combinations	—	—	—
(4) Others – translation of foreign currency financial statements	—	-3,768.87	-3,768.87
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Portion expired and derecognised	—	—	—
(3) Other decreases	—	—	—
4. 31 December 2024	104,500,450.31	80,460,095.38	184,960,545.69
II. Accumulated amortisation			—
1. 31 December 2023	11,006,492.33	49,590,871.95	60,597,364.28
2. Increase in the current period	2,118,021.19	8,195,487.79	10,313,508.98
(1) Charge for the period	2,118,021.19	8,198,820.93	10,316,842.12
(2) Others – translation of foreign currency financial statements	—	-3,333.14	-3,333.14
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Portion expired and derecognised	—	—	—
(3) Other decreases	—	—	—
4. 31 December 2024	13,124,513.52	57,786,359.74	70,910,873.26
III. Provision for impairment			—
1. 31 December 2023	—	—	—
2. Increase in the current period	—	—	—
(1) Provision made	—	—	—
(2) Other increases	—	—	—
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Other decreases	—	—	—
4. 31 December 2024	—	—	—
IV. Carrying amount			—
1. Carrying amount at 31 December 2024	91,375,936.79	22,673,735.64	114,049,672.43
2. Carrying amount at 31 December 2023	37,345,960.57	24,557,297.95	61,903,258.52

(Continued from the above table)

Item	Land use rights	Software use rights	Total
I. Cost			
1. 31 December 2022	48,352,452.90	62,076,992.64	110,429,445.54
2. Increase in the current period	—	12,071,177.26	12,071,177.26
(1) Purchases	—	12,066,246.65	12,066,246.65
(2) Internal research and development	—	—	—
(3) Increases from business combinations	—	—	—
(4) Others – translation of foreign currency financial statements	—	4,930.61	4,930.61
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Portion expired and derecognised	—	—	—
(3) Other decreases	—	—	—
4. 31 December 2023	48,352,452.90	74,148,169.90	122,500,622.80
II. Accumulated amortisation			—
1. 31 December 2022	10,011,431.10	40,437,529.07	50,448,960.17
2. Increase in the current period	995,061.23	9,153,342.88	10,148,404.11
(1) Charge for the period	995,061.23	9,149,381.92	10,144,443.15
(2) Others – translation of foreign currency financial statements	—	3,960.96	3,960.96
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Portion expired and derecognised	—	—	—
(3) Other decreases	—	—	—
4. 31 December 2023	11,006,492.33	49,590,871.95	60,597,364.28
III. Provision for impairment			—
1. 31 December 2022	—	—	—
2. Increase in the current period	—	—	—
(1) Provision made	—	—	—
(2) Other increases	—	—	—
3. Decrease in the current period	—	—	—
(1) Disposal	—	—	—
(2) Other decreases	—	—	—
4. 31 December 2023	—	—	—
IV. Carrying amount			—
1. Carrying amount at 31 December 2023	37,345,960.57	24,557,297.95	61,903,258.52
2. Carrying amount at 31 December 2022	38,341,021.80	21,639,463.57	59,980,485.37

For intangible assets pledged or used as security, see Note V.20 Assets with restricted ownership or right of use

16. Goodwill

(1) Gross carrying amount of goodwill

Name of investee	31 December 2025	Increase in the current period Arising from		Decrease in the current period		30 April 2026
		business combinations	Others	Disposal	Others	
Jilin Hangsheng Electronics Co., Ltd.	7,039,618.99					7,039,618.99
Total	7,039,618.99					7,039,618.99

(Continued from the above table)

Name of investee	31 December 2024	Increase in the current period Arising from		Decrease in the current period		31 December 2025
		business combinations	Others	Disposal	Others	
Jilin Hangsheng Electronics Co., Ltd.	7,039,618.99					7,039,618.99
Total	7,039,618.99					7,039,618.99

(Continued from the above table)

Name of investee	31 December 2023	Increase in the current period Arising from		Decrease in the current period		31 December 2024
		business combinations	Others	Disposal	Others	
Jilin Hangsheng Electronics Co., Ltd.	7,039,618.99					7,039,618.99
Total	7,039,618.99					7,039,618.99

(Continued from the above table)

Name of investee	31 December 2022	Increase in the current period Arising from		Decrease in the current period		31 December 2023
		business combinations	Others	Disposal	Others	
Jilin Hangsheng Electronics Co., Ltd.	7,039,618.99					7,039,618.99
Total	7,039,618.99					7,039,618.99

(2) Provision for impairment of goodwill

Name of investee	31 December 2025	Increase in the current period Provision		Decrease in the current period		30 April 2026
		made	Others	Disposal	Others	
Jilin Hangsheng Electronics Co., Ltd.	7,039,618.99					7,039,618.99
Total	7,039,618.99					7,039,618.99

(Continued from the above table)

Name of investee	31 December 2024	Increase in the current period Provision		Decrease in the current period		31 December 2025
		made	Others	Disposal	Others	
Jilin Hangsheng Electronics Co., Ltd.	7,039,618.99					7,039,618.99
Total	7,039,618.99					7,039,618.99

(Continued from the above table)

Name of investee	31 December 2023	Increase in the current period		Decrease in the current period		31 December 2024
		Provision made	Others	Disposal	Others	
Jilin Hangsheng Electronics Co., Ltd.	7,039,618.99					7,039,618.99
Total	7,039,618.99					7,039,618.99

(Continued from the above table)

Name of investee	31 December 2022	Increase in the current period		Decrease in the current period		31 December 2023
		Provision made	Others	Disposal	Others	
Jilin Hangsheng Electronics Co., Ltd.	7,039,618.99					7,039,618.99
Total	7,039,618.99					7,039,618.99

17. Long-term prepaid expenses

Item	31 December 2025	Increase in the current period	Decrease in the current period		30 April 2026
			Amortisation for the current period	Other decreases	
Leasehold improvement costs	30,554,135.31	1,237,832.64	3,417,491.96	346,534.65	28,027,941.34
Software amortisation	62,856.90	61,913.51	123,198.08	–	1,572.33
Total	30,616,992.21	1,299,746.15	3,540,690.04	346,534.65	28,029,513.67

(Continued from the above table)

Item	31 December 2024	Increase in the current period	Decrease in the current period		31 December 2025
			Amortisation for the current period	Other decreases	
Leasehold improvement costs	26,249,569.01	14,840,695.66	10,536,129.36	–	30,554,135.31
Software amortisation	60,615.21	81,243.43	79,001.74	–	62,856.90
Total	26,310,184.22	14,921,939.09	10,615,131.10	–	30,616,992.21

(Continued from the above table)

Item	31 December 2023	Increase in the current period	Decrease in the current period		31 December 2024
			Amortisation for the current period	Other decreases	
Leasehold improvement costs	27,080,307.25	8,474,664.46	9,305,402.70	–	26,249,569.01
Platform licensing fees	16,901,000.00		16,901,000.00	–	–
Software amortisation	–	128,844.54	68,229.33	–	60,615.21
Total	43,981,307.25	8,603,509.00	26,274,632.03	–	26,310,184.22

(Continued from the above table)

Item	31 December 2022	Increase in the current period	Decrease in the current period		31 December 2023
			Amortisation for the current period	Other decreases	
Leasehold improvement costs	25,378,601.75	10,466,229.42	8,764,523.92	–	27,080,307.25
Platform licensing fees	–	33,802,000.00	16,901,000.00	–	16,901,000.00
Total	25,378,601.75	44,268,229.42	25,665,523.92	–	43,981,307.25

18. Deferred tax assets and deferred tax liabilities**(1) Deferred tax assets and deferred tax liabilities before offsetting as at the end of each year (period) of the reporting period**

Item	30 April 2026		31 December 2025	
	Deductible/ taxable temporary differences	Deferred tax assets/liabilities	Deductible/ taxable temporary differences	Deferred tax assets/liabilities
Deferred tax assets:				
Provision for asset impairment	26,083,384.11	3,964,398.87	29,147,965.13	4,433,668.46
Provision for decline in value of inventories	15,866,310.67	3,335,491.38	19,058,680.14	3,189,338.55
Provision for impairment of long-term assets	500,619.67	120,634.90	511,489.82	122,265.42
Deductible tax losses	4,810,485.76	721,572.86	4,810,485.76	721,572.87
Deferred income	22,680,003.98	4,086,887.23	23,236,577.94	4,214,239.93
Lease liabilities	1,789,337.06	434,925.38	1,389,273.21	717,553.01
Changes in fair value of financial assets held for trading				
Subtotal	71,730,141.25	12,663,910.62	78,154,472.00	13,398,638.24
Deferred tax liabilities:				
Right-of-use assets	2,084,595.07	438,618.50	3,620,586.92	721,015.46
Changes in fair value of investments in other equity instruments	4,142,875.72	621,431.36	4,155,134.33	623,270.15
Subtotal	6,227,470.79	1,060,049.86	7,775,721.25	1,344,285.61

(Continued from the above table)

Item	31 December 2024		31 December 2023	
	Deductible/ taxable temporary differences	Deferred tax assets/liabilities	Deductible/ taxable temporary differences	Deferred tax assets/liabilities
Deferred tax assets:				
Provision for asset impairment	30,857,478.39	4,721,743.95	10,165,026.71	1,620,144.62
Provision for decline in value of inventories	16,757,462.57	2,902,762.69	7,018,336.84	1,231,799.81
Deductible tax losses	2,934,553.07	440,182.96	2,627,770.88	394,165.63
Deferred income	22,175,210.74	3,747,128.08	20,674,673.95	3,304,976.18
Lease liabilities	3,086,409.57	1,330,163.41	3,399,041.81	658,813.43
Changes in fair value of financial assets held for trading	51,051.00	7,657.65	34,944.00	5,241.60
Subtotal	75,862,165.34	13,149,638.74	43,919,794.19	7,215,141.27
Deferred tax liabilities:				
Right-of-use assets	7,145,518.55	1,330,163.41	8,577,572.84	660,110.37
Changes in fair value of investments in other equity instruments	3,266,082.73	489,912.41	2,790,683.27	418,602.49
Subtotal	10,411,601.28	1,820,075.82	11,368,256.11	1,078,712.86

(2) *Deferred tax assets or liabilities presented at the net amount after offsetting as at the end of each year (period) of the reporting period*

Item	30 April 2026		31 December 2025	
	Amount of deferred tax assets and liabilities offset against each other	Closing balance of deferred tax assets or liabilities after offsetting	Amount of deferred tax assets and liabilities offset against each other	Closing balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	438,618.50	12,225,292.12	721,015.46	12,677,622.78
Deferred tax liabilities	438,618.50	621,431.36	721,015.46	623,270.15

(Continued from the above table)

Item	31 December 2024		31 December 2023	
	Amount of deferred tax assets and liabilities offset against each other	Closing balance of deferred tax assets or liabilities after offsetting	Amount of deferred tax assets and liabilities offset against each other	Closing balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	1,330,163.41	11,819,475.33	660,110.37	6,555,030.90
Deferred tax liabilities	1,330,163.41	489,912.42	660,110.37	418,602.49

(3) Details of deductible temporary differences and deductible tax losses for which no deferred tax assets were recognised as at the end of each year (period) of the reporting period

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Deductible tax losses	2,147,767,940.29	2,168,253,735.20	2,107,740,188.00	1,935,719,687.48
Deductible temporary differences	<u>93,491,925.38</u>	<u>96,225,794.24</u>	<u>91,902,126.10</u>	<u>93,426,620.04</u>
Total	<u>2,241,259,865.67</u>	<u>2,264,479,529.44</u>	<u>2,199,642,314.10</u>	<u>2,029,146,307.52</u>

(4) Deductible tax losses for which no deferred tax assets were recognised as at the end of each year (period) of the reporting period will expire in the following years

Year	30 April 2026	31 December 2025	31 December 2024	31 December 2023	Remarks
2024	—	—	—	6,971,457.42	
2025	—	—	27,794,308.28	27,794,308.28	
2026	9,100,456.44	22,620,999.77	22,620,999.77	22,620,999.77	
2027	13,002,473.58	14,159,384.29	14,159,384.29	14,159,384.29	
2028	67,971,688.74	97,717,900.89	97,717,900.89	97,717,900.89	
2029	940,909,513.20	940,909,513.20	940,909,513.20	940,909,513.20	
2030	629,185,802.74	629,192,292.95	629,192,292.95	629,192,292.95	
2031	35,358,785.56	23,326,427.93	23,326,427.93	23,326,427.93	
2032	111,340,582.48	111,340,582.48	111,340,582.48	111,340,582.48	
2033	61,686,820.27	61,686,820.27	61,686,820.27	61,686,820.27	
2034	178,991,957.94	178,991,957.94	178,991,957.94	—	
2035	88,307,855.48	88,307,855.48	—	—	
2036	11,912,003.86				
Total	2,147,767,940.29	2,168,253,735.20	2,107,740,188.00	1,935,719,687.48	

19. Other non-current assets

Item	30 April 2026			31 December 2025		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Prepayments for equipment	13,252,299.96		13,252,299.96	13,951,535.11		13,951,535.11
Prepayments for construction	54,127.00		54,127.00	291,280.00		291,280.00
Total	13,306,426.96		13,306,426.96	14,242,815.11		14,242,815.11

(Continued from the above table)

Item	31 December 2024			31 December 2023		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Prepayments for equipment	9,765,687.75		9,765,687.75	13,321,329.46		13,321,329.46
Prepayments for construction	5,277,123.71		5,277,123.71	235,800.00		235,800.00
Total	15,042,811.46		15,042,811.46	13,557,129.46		13,557,129.46

20. Assets with restricted ownership or right of use

Item	30 April 2026			
	Gross carrying amount	Carrying amount	Type of restriction	Details of restriction
Cash at bank and on hand	77,855,273.15	77,855,273.15	Deposits for notes	Deposits for notes
Cash at bank and on hand	162,187.56	162,187.56	Credit card deposits	Credit card deposits
Cash at bank and on hand	45,589,793.42	45,589,793.42	Frozen bank deposits	Judicial freezing
Cash at bank and on hand	10,244.86	10,244.86	Frozen bank deposits	Account subject to bank control (no deposits or withdrawals permitted)
Cash at bank and on hand	20,000,000.00	20,000,000.00	Frozen bank deposits	Frozen wealth management products
Intangible assets	75,841,085.12	68,272,119.09	Mortgage	Mortgage borrowings
Fixed assets	84,810,041.10	63,697,006.12	Mortgage	Mortgage borrowings
Total	304,268,625.21	275,586,624.20	/	/

(Continued from the above table)

31 December 2025				
Item	Gross carrying amount	Carrying amount	Type of restriction	Details of restriction
Cash at bank and on hand	78,131,946.59	78,131,946.59	Deposits for notes	Deposits for notes
Cash at bank and on hand	45,474,320.53	45,474,320.53	Frozen bank deposits	Judicial freezing
Cash at bank and on hand	2,118.86	2,118.86	Account subject to bank control (no deposits or withdrawals permitted)	Account subject to bank control (no deposits or withdrawals permitted)
Cash at bank and on hand	166,843.08	166,843.08	Credit card deposits	Credit card deposits
Cash at bank and on hand	78,750,000.00	78,750,000.00	Frozen bank deposits	Frozen wealth management products
Other current assets	20,045,527.78	20,045,527.78	Pledge	Deposits for notes
Intangible assets	75,841,085.12	68,780,405.67	Mortgage	Mortgage borrowings
Fixed assets	84,810,041.10	64,384,758.84	Mortgage	Mortgage borrowings
Total	383,221,883.06	355,735,921.35	/	/

(Continued from the above table)

31 December 2024				
Item	Gross carrying amount	Carrying amount	Type of restriction	Details of restriction
Cash at bank and on hand	71,010,797.09	71,010,797.09	Deposits for notes	Deposits for notes
Cash at bank and on hand	2,117.34	2,117.34	Account subject to bank control (no deposits or withdrawals permitted)	Account subject to bank control (no deposits or withdrawals permitted)
Cash at bank and on hand	152,141.13	152,141.13	Credit card deposits	Credit card deposits
Intangible assets	99,098,664.31	86,604,359.39	Mortgage	Mortgage borrowings
Fixed assets	260,899,040.28	179,314,853.41	Mortgage	Mortgage borrowings
Total	431,162,760.15	337,084,268.36	/	/

(Continued from the above table)

Item	31 December 2023			
	Gross carrying amount	Carrying amount	Type of restriction	Details of restriction
Cash at bank and on hand	81,138,133.74	81,138,133.74	Deposits for notes	Deposits for notes
Cash at bank and on hand	239,159.78	239,159.78	Credit card deposits	Credit card deposits
Intangible assets	42,950,666.90	32,466,347.41	Mortgage	Mortgage borrowings
Fixed assets	492,796,464.40	363,856,882.69	Mortgage	Mortgage borrowings
Total	617,124,424.82	477,700,523.62	/	/

Note: On 21 February 2025, due to a dispute over an equity transfer between the Company and Guangdong Weier Technology Co., Ltd., Guangdong Weier Technology Co., Ltd. applied to the court to freeze RMB45,474,320.53 in the Company's Bank of China account. As at the date of approval for issue of the financial statements, the arbitration proceedings in this case remained pending.

21. Short-term borrowings

(1) Categories of short-term borrowings

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Unsecured borrowings	60,038,333.33	50,039,722.22	–	–
Notes payable discounted but not yet due at the end of the period	185,171,458.77	150,100,000.00	25,050,000.00	–
Total	245,209,792.10	200,139,722.22	25,050,000.00	–

22. Notes payable

Type	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Bank acceptance notes	323,404,725.23	218,307,558.92	228,384,177.51	324,936,131.36
Letters of credit	–	80,000,000.00	25,050,000.00	–
Total	323,404,725.23	298,307,558.92	253,434,177.51	324,936,131.36

There were no notes payable that were due but unpaid at the end of each period.

23. Accounts payable

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Payables related to purchases of goods and expenses	1,187,185,146.66	1,448,018,481.89	1,397,139,928.50	1,300,010,616.77
Payables related to long-term assets	9,508,668.87	25,740,183.51	63,169,573.44	17,247,182.63
Total	1,196,693,815.53	1,473,758,665.40	1,460,309,501.94	1,317,257,799.40

24. Receipts in advance

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Rent received in advance	589,157.69	366,655.25	325,425.64	186,789.75
Total	589,157.69	366,655.25	325,425.64	186,789.75

25. Contract liabilities

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Payment for goods	22,483,065.74	31,563,274.39	37,380,526.77	28,878,714.81
Total	22,483,065.74	31,563,274.39	37,380,526.77	28,878,714.81

26. Employee benefits payable

Item	31 December 2025	Increase in the current period	Decrease in the current period	30 April 2026
Short-term employee benefits	86,661,731.77	166,471,676.07	212,195,932.43	40,937,475.41
Post-employment benefits – defined contribution plans	159,703.99	18,253,634.83	18,412,291.11	1,047.71
Termination benefits	141,850.03	602,665.03	590,230.06	154,285.00
Total	86,963,285.79	185,327,975.93	231,198,453.60	41,092,808.12

(Continued from the above table)

Item	31 December 2024	Increase in the current period	Decrease in the current period	31 December 2025
Short-term employee benefits	54,809,130.33	540,456,223.92	508,603,622.48	86,661,731.77
Post-employment benefits – defined contribution plans	260,344.78	54,071,697.06	54,172,337.85	159,703.99
Termination benefits	4,988,005.42	7,795,901.87	12,642,057.26	141,850.03
Total	60,057,480.53	602,323,822.85	575,418,017.59	86,963,285.79

(Continued from the above table)

Item	31 December 2023	Increase in the current period	Decrease in the current period	31 December 2024
Short-term employee benefits	84,143,084.63	543,974,520.60	573,308,474.90	54,809,130.33
Post-employment benefits – defined contribution plans	437,836.16	54,816,218.05	54,993,709.43	260,344.78
Termination benefits	–	31,336,652.37	26,348,646.95	4,988,005.42
Total	84,580,920.79	630,127,391.02	654,650,831.28	60,057,480.53

(Continued from the above table)

Item	31 December 2022	Increase in the current period	Decrease in the current period	31 December 2023
Short-term employee benefits	71,818,516.63	523,714,651.90	511,390,083.90	84,143,084.63
Post-employment benefits – defined contribution plans	979,346.11	44,477,548.31	45,019,058.26	437,836.16
Termination benefits	1,546,404.44	2,421,580.98	3,967,985.42	–
Total	74,344,267.18	570,613,781.19	560,377,127.58	84,580,920.79

(1) Short-term employee benefits

Item	31 December 2025	Increase in the current period	Decrease in the current period	30 April 2026
Wages, bonuses, allowances and subsidies	83,788,886.64	145,466,896.58	190,430,988.07	38,824,795.15
Employee welfare expenses	753,898.84	4,165,066.81	4,916,039.41	2,926.24
Social insurance premiums	–	7,354,467.02	7,354,467.02	–
Including: 1. Medical insurance premiums	–	6,507,200.98	6,507,200.98	–
2. Work-related injury insurance premiums	–	515,381.16	515,381.16	–
3. Maternity insurance premiums	–	331,884.88	331,884.88	–
Housing provident fund	–	8,991,290.24	8,991,290.24	–
Labour union funds and employee education funds	2,118,946.29	493,955.42	503,147.69	2,109,754.02
Total	86,661,731.77	166,471,676.07	212,195,932.43	40,937,475.41

(Continued from the above table)

Item	31 December 2024	Increase in the current period	Decrease in the current period	31 December 2025
Wages, bonuses, allowances and subsidies	52,703,220.24	480,526,395.55	449,440,729.15	83,788,886.64
Employee welfare expenses	3,254.12	12,099,635.35	11,348,990.63	753,898.84
Social insurance premiums	3,889.48	19,944,419.32	19,948,308.80	–
Including: 1. Medical insurance premiums	3,165.05	17,553,955.37	17,557,120.42	–
2. Work-related injury insurance premiums	724.43	1,508,151.27	1,508,875.70	–
3. Maternity insurance premiums	–	882,312.68	882,312.68	–
Housing provident fund	24.00	27,311,334.82	27,311,358.82	–
Labour union funds and employee education funds	2,098,742.49	574,438.88	554,235.08	2,118,946.29
Total	54,809,130.33	540,456,223.92	508,603,622.48	86,661,731.77

APPENDIX II**ACCOUNTANTS' REPORT ON THE
HANGSHENG ELECTRONICS GROUP**

(Continued from the above table)

Item	31 December 2023	Increase in the current period	Decrease in the current period	31 December 2024
Wages, bonuses, allowances and subsidies	82,003,097.04	476,716,760.31	506,016,637.11	52,703,220.24
Employee welfare expenses	–	16,066,711.04	16,063,456.92	3,254.12
Social insurance premiums	32,997.57	20,585,500.17	20,614,608.26	3,889.48
Including: 1. Medical insurance premiums	9,085.43	18,256,874.69	18,262,795.07	3,165.05
2. Work-related injury insurance premiums	6,886.53	1,333,518.57	1,339,680.67	724.43
3. Maternity insurance premiums	17,025.61	995,106.91	1,012,132.52	–
Housing provident fund	–	29,352,678.82	29,352,654.82	24.00
Labour union funds and employee education funds	2,106,990.02	1,252,870.26	1,261,117.79	2,098,742.49
Total	84,143,084.63	543,974,520.60	573,308,474.90	54,809,130.33

(Continued from the above table)

Item	31 December 2022	Increase in the current period	Decrease in the current period	31 December 2023
Wages, bonuses, allowances and subsidies	69,287,787.19	466,023,399.03	453,308,089.18	82,003,097.04
Employee welfare expenses	–	13,486,925.50	13,486,925.50	–
Social insurance premiums	26,128.97	18,156,543.84	18,149,675.24	32,997.57
Including: 1. Medical insurance premiums	7,636.14	16,272,395.11	16,270,945.82	9,085.43
2. Work-related injury insurance premiums	18,492.83	946,542.68	958,148.98	6,886.53
3. Maternity insurance premiums	–	937,606.05	920,580.44	17,025.61
Housing provident fund	276,070.00	25,149,211.00	25,425,281.00	–
Labour union funds and employee education funds	2,228,530.47	898,572.53	1,020,112.98	2,106,990.02
Total	71,818,516.63	523,714,651.90	511,390,083.90	84,143,084.63

(2) Defined contribution plans

Item	31 December 2025	Increase in the current period	Decrease in the current period	30 April 2026
Post-employment benefits				
Including: 1. Basic pension				
insurance premiums	159,703.99	17,483,690.66	17,642,346.94	1,047.71
2. Unemployment				
insurance premiums	–	769,944.17	769,944.17	–
Total	159,703.99	18,253,634.83	18,412,291.11	1,047.71

(Continued from the above table)

Item	31 December 2024	Increase in the current period	Decrease in the current period	31 December 2025
Post-employment benefits				
Including: 1. Basic pension				
insurance premiums	259,438.90	51,898,778.82	51,998,513.73	159,703.99
2. Unemployment				
insurance premiums	905.88	2,172,918.24	2,173,824.12	–
Total	260,344.78	54,071,697.06	54,172,337.85	159,703.99

(Continued from the above table)

Item	31 December 2023	Increase in the current period	Decrease in the current period	31 December 2024
Post-employment benefits				
Including: 1. Basic pension				
insurance premiums	424,663.01	52,605,983.44	52,771,207.55	259,438.90
2. Unemployment				
insurance premiums	13,173.15	2,210,234.61	2,222,501.88	905.88
Total	437,836.16	54,816,218.05	54,993,709.43	260,344.78

(Continued from the above table)

Item	31 December 2022	Increase in the current period	Decrease in the current period	31 December 2023
Post-employment benefits				
Including: 1. Basic pension				
insurance premiums	955,865.01	43,412,019.21	43,943,221.21	424,663.01
2. Unemployment				
insurance premiums	23,481.10	1,065,529.10	1,075,837.05	13,173.15
Total	979,346.11	44,477,548.31	45,019,058.26	437,836.16

27. Taxes payable

Tax item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Value-added tax	3,441,128.45	4,206,379.13	4,027,531.28	18,579,383.12
Enterprise income tax	4,820,487.73	5,460,041.45	4,370,745.30	13,918,589.00
Individual income tax	4,598,991.10	2,134,404.54	2,320,186.62	2,142,756.08
Urban maintenance and construction tax	644,899.75	140,583.80	197,218.39	266,629.35
Education surcharge	276,802.63	60,907.43	85,211.75	114,316.78
Local education surcharge	184,535.09	40,604.94	56,807.82	76,211.18
Property tax	644,817.08	805,706.75	471,591.07	468,260.72
Land use tax	199,525.52	287,478.84	287,478.80	186,666.30
Stamp duty	133,532.44	1,468,302.39	779,370.49	1,004,858.18
Other taxes and surcharges	12,662.24	31,743.28	200,453.80	136,349.19
Total	14,957,382.03	14,636,152.55	12,796,595.32	36,894,019.90

28. Other payables

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Interest payable				
Dividends payable				
Other payables	20,279,141.30	17,231,610.33	12,580,448.56	15,546,925.18
Total	20,279,141.30	17,231,610.33	12,580,448.56	15,546,925.18

(1) Other payables

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Deposits and security deposits	9,452,996.99	8,837,804.96	9,502,816.02	10,389,593.56
Accrued but unpaid expenses	6,932,662.89	5,025,433.35	883,030.32	1,656,275.06
Current account balances	1,016,223.61	1,105,022.66	961,396.19	1,265,077.60
Others	2,877,257.81	2,263,349.36	1,233,206.03	2,235,978.96
Total	20,279,141.30	17,231,610.33	12,580,448.56	15,546,925.18

29. Non-current liabilities due within one year

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Long-term borrowings due within one year	15,134,716.79	3,879,234.94	–	–
Lease liabilities due within one year	1,375,442.19	2,050,417.89	3,651,514.58	4,374,927.22
Total	16,510,158.98	5,929,652.83	3,651,514.58	4,374,927.22

30. Other current liabilities

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Notes receivable endorsed but not yet due at the end of the period	7,212,211.19	2,200,974.87	51,616,919.93	5,477,986.25
Output VAT to be transferred	1,895,311.81	2,900,391.64	2,418,110.10	2,645,900.09
Total	9,107,523.00	5,101,366.51	54,035,030.03	8,123,886.34

31. Long-term borrowings

Item	30 April 2026	Interest rate range
Mortgage borrowings	196,308,019.21	3.1%-3.5%
Subtotal	196,308,019.21	
Less: Long-term borrowings due within one year	15,134,716.79	
Total	181,173,302.42	

(Continued from the above table)

Item	31 December 2025	Interest rate range	31 December 2024	Interest rate range
Mortgage borrowings	181,160,841.02	1 January 2025-19 February 2025: 3.2%; 20 February 2025-31 December 2025: 2.6%	93,775,060.18	3.20%
Subtotal	181,160,841.02	1 January 2025-19 February 2025: 3.2%; 20 February 2025-31 December 2025: 2.6%	93,775,060.18	3.20%
Less: Long-term borrowings due within one year	3,879,234.94		—	
Total	177,281,606.08		93,775,060.18	

32. Lease liabilities

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Buildings and structures	1,789,337.06	3,181,749.19	9,009,017.73	7,442,947.50
Subtotal	1,789,337.06	3,181,749.19	9,009,017.73	7,442,947.50
Less: Lease liabilities due within one year	1,375,442.19	2,050,417.89	3,651,514.58	4,374,927.22
Total	413,894.87	1,131,331.30	5,357,503.15	3,068,020.28

- (1) The amount recognised in finance costs – interest expense for January-April 2026 was RMB54,697.98.
- (2) The amount recognised in finance costs – interest expense for 2025 was RMB238,386.30.
- (3) The amount recognised in finance costs – interest expense for 2024 was RMB334,734.91.
- (4) The amount recognised in finance costs – interest expense for 2023 was RMB570,010.41.

33. Provisions

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023	Reason for recognition
Pending litigation	–	234,234.12	–	–	Litigation
Product quality warranties	19,766,557.36	25,814,297.69	25,345,916.35	29,797,965.63	Product warranties
Total	19,766,557.36	26,048,531.81	25,345,916.35	29,797,965.63	–

34. Deferred income

Item	31 December 2025	Increase in the current period	Decrease in the current period	30 April 2026	Reason for recognition
Government grants	41,008,013.76	–	1,849,480.69	39,158,533.07	Government grant funds
Total	41,008,013.76	–	1,849,480.69	39,158,533.07	/

(Continued from the above table)

Item	31 December 2024	Increase in the current period	Decrease in the current period	31 December 2025	Reason for recognition
Government grants	30,152,476.07	17,015,756.00	6,160,218.31	41,008,013.76	Government grant funds
Total	30,152,476.07	17,015,756.00	6,160,218.31	41,008,013.76	/

(Continued from the above table)

Item	31 December 2023	Increase in the current period	Decrease in the current period	31 December 2024	Reason for recognition
Government grants	30,645,862.38	4,800,000.00	5,293,386.31	30,152,476.07	Government grant funds
Total	30,645,862.38	4,800,000.00	5,293,386.31	30,152,476.07	/

(Continued from the above table)

Item	31 December 2022	Increase in the current period	Decrease in the current period	31 December 2023	Reason for recognition
Government grants	24,069,046.59	16,540,000.00	9,963,184.21	30,645,862.38	Government grant funds
Total	24,069,046.59	16,540,000.00	9,963,184.21	30,645,862.38	/

For details of the government grants recognised in deferred income, please refer to Note VIII “Government grants”.

35. Share capital (Unit: 10,000 shares)

Name of shareholder	31 December 2025		Increase in the current period	Decrease in the current period	30 April 2026	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Huajian Jiachuang Enterprise Management Consulting Partnership (Limited Partnership)	3,829.40	11.96			3,829.40	11.96
Yang Hong	3,166.35	9.89			3,166.35	9.89
AVIC Airborne Systems Co., Ltd.	2,000.00	6.24			2,000.00	6.24
Shenzhen Jinshi Zhongtou Smart Sensor Industry Private Equity Fund Partnership (Limited Partnership)	1,816.00	5.67			1,816.00	5.67
Shenzhen Hangsheng Investment Co., Ltd.	1,550.05	4.84			1,550.05	4.84

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Name of shareholder	31 December 2025		Increase in the current period	Decrease in the current period	30 April 2026	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Dongfeng Nanfang Industrial Group Co., Ltd.	1,250.00	3.90			1,250.00	3.90
China Internet Investment Fund (Limited Partnership)	1,150.00	3.59			1,150.00	3.59
Hefei Huadeng II Integrated Circuit Industry Investment Partnership (Limited Partnership)	1,133.52	3.54			1,133.52	3.54
Hangzhou Huaxin Yunkai Equity Investment Partnership (Limited Partnership)	1,047.12	3.27			1,047.12	3.27
Shenzhen Nanhang Electronics Industry Co., Ltd.	845.00	2.64			845.00	2.64
Hangzhou Xinhangsheng Equity Investment Partnership (Limited Partnership)	819.36	2.56			819.36	2.56
Shenzhen Bohuasheng Investment Partners Enterprise (Limited Partnership)	518.00	1.62			518.00	1.62
Shouheng Zhiming (Jinjiang) Equity Investment Partnership (Limited Partnership)	500.00	1.56			500.00	1.56
Xiamen Huiyou Haojia Equity Investment Partnership (Limited Partnership)	500.00	1.56			500.00	1.56
Shenzhen Bohuahang Investment Partners Enterprise (Limited Partnership)	482.00	1.51			482.00	1.51
Shenzhen Mingjin Investment Partnership (Limited Partnership)	429.00	1.34			429.00	1.34
Shenzhen Shengrun Investment Partnership (Limited Partnership)	400.00	1.25			400.00	1.25
Guangdong Yuecai Industrial Investment Fund Partnership (Limited Partnership)	387.56	1.21			387.56	1.21
Ma'anshan Huachun Baoxin Zhixin Equity Investment Partnership (Limited Partnership)	350.00	1.09			350.00	1.09
Shenzhen Hi-Tech Investment and Venture Capital Co., Ltd.	340.00	1.06			340.00	1.06

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Name of shareholder	31 December 2025		Increase in the current period	Decrease in the current period	30 April 2026	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Bohua Shengjing Investment Partners Enterprise (Limited Partnership)	305.00	0.95			305.00	0.95
Shouheng Zhimao (Jinjiang) Equity Investment Partnership (Limited Partnership)	300.00	0.94			300.00	0.94
Shenzhen Baoteng Lianxiang Investment Enterprise (Limited Partnership)	300.00	0.94			300.00	0.94
Runwu Holding Co., Ltd.	300.00	0.94			300.00	0.94
Changzhou Shengdao Equity Investment Partnership Enterprise (Limited Partnership)	300.00	0.94			300.00	0.94
Shenzhen Bohua Hangzhi Investment Partners Enterprise (Limited Partnership)	295.00	0.92			295.00	0.92
Shenzhen Pengyuan Jishi Private Equity Investment Fund Partnership (Limited Partnership)	290.00	0.92			290.00	0.92
Xiamen Huiqiao New Energy Vehicle Investment Partnership (Limited Partnership)	250.00	0.78			250.00	0.78
Beijing Jingguochuang Advantage Industry Fund (Limited Partnership)	250.00	0.78			250.00	0.78
Shouheng Zhisheng (Jinjiang) Equity Investment Partnership (Limited Partnership)	220.00	0.69			220.00	0.69
CITIC Securities Investment Co., Ltd.	200.00	0.62			200.00	0.62
Shenzhen Xunjiexing Technology Co., Ltd.	200.00	0.62			200.00	0.62
Ningbo Huachun Investment Management Partnership (Limited Partnership)	200.00	0.62			200.00	0.62
Jinan Gangtong No. 1 Investment Partnership (Limited Partnership)	200.00	0.62			200.00	0.62
Guangxi Guangshen United Venture Capital Co., Ltd.	200.00	0.62			200.00	0.62

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Name of shareholder	31 December 2025		Increase in the current period	Decrease in the current period	30 April 2026	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Foshan Hongtao Chengxuan Equity Investment Partnership (Limited Partnership)	200.00	0.62			200.00	0.62
Shaanxi Dechuang Intelligent Vehicle Venture Capital Fund Partnership (Limited Partnership)	150.00	0.47			150.00	0.47
Langfang Guochuang Langti Equity Investment Partnership (Limited Partnership)	140.00	0.44			140.00	0.44
Wuxi Guolian Tongze Venture Capital Partnership (Limited Partnership)	130.00	0.41			130.00	0.41
Gongqingcheng Shengtai Investment Partnership (Limited Partnership)	120.00	0.38			120.00	0.38
Shenzhen Ganshang United Investment Co., Ltd.	100.00	0.31			100.00	0.31
Shenzhen Capital Investment Co., Ltd.	100.00	0.31			100.00	0.31
Shenzhen Capital Group Co., Ltd.	100.00	0.31			100.00	0.31
Shenzhen Huachuang Duoying No. 1 Industrial Investment Partnership (Limited Partnership)	100.00	0.31			100.00	0.31
Xiamen Hufeng Chunhe Investment Partnership (Limited Partnership)	100.00	0.31			100.00	0.31
Avary Holding Investment (Shenzhen) Co., Ltd.	100.00	0.31			100.00	0.31
HAXC Holdings (Beijing) Co., Ltd.	100.00	0.31			100.00	0.31
Shenzhen Hi-Tech Investment Yun Capital Equity Investment Fund Partnership (Limited Partnership)	94.32	0.29			94.32	0.29
Shenzhen Hi-Tech Investment Zhiyuan Phase I Equity Investment Fund Partnership (Limited Partnership)	54.98	0.17			54.98	0.17
Shenzhen Xiaohe Venture Capital Partnership (Limited Partnership)	10.70	0.03			10.70	0.03
Guangdong Qinghe No. 2 Venture Capital Partnership (Limited Partnership)	10.70	0.03			10.70	0.03
Guangdong Qinghe No. 1 Venture Capital Partnership (Limited Partnership)	10.30	0.03			10.30	0.03

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Name of shareholder	31 December 2025		Increase in the current period	Decrease in the current period	30 April 2026	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Zhuoyuehui Innovation Development (Shenzhen) Co., Ltd.	10.00	0.03			10.00	0.03
Guangzhou Chuangying Jianke Investment Partnership (Limited Partnership)	2.44	0.01			2.44	0.01
57 natural persons in total, including Xu Shutian and Dong Li	4,073.20	12.72			4,073.20	12.72
Total	32,030.00	100.00			32,030.00	100.00

(Continued from the above table)

Name of shareholder	31 December 2024		Increase in the current period	Decrease in the current period	31 December 2025	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Huajian Jiachuang Enterprise Management Consulting Partnership (Limited Partnership)	3,829.40	11.96	–	–	3,829.40	11.96
Yang Hong	2,845.70	8.88	320.65	–	3,166.35	9.89
AVIC Airborne Systems Co., Ltd.	2,000.00	6.24	–	–	2,000.00	6.24
Shenzhen Jinshi Zhongtong Smart Sensor Industry Private Equity Fund Partnership (Limited Partnership)	–	–	1,816.00	–	1,816.00	5.67
Shenzhen Hangsheng Investment Co., Ltd.	3,296.05	10.29	–	1,746.00	1,550.05	4.84
Shenzhen Dongfeng Nanfang Industrial Group Co., Ltd.	1,250.00	3.90	–	–	1,250.00	3.90
China Internet Investment Fund (Limited Partnership)	1,150.00	3.59	–	–	1,150.00	3.59
Hefei Huadeng II Integrated Circuit Industry Investment Partnership (Limited Partnership)	1,133.52	3.54	–	–	1,133.52	3.54
Hangzhou Huaxin Yunkai Equity Investment Partnership (Limited Partnership)	1,047.12	3.27	–	–	1,047.12	3.27
Shenzhen Nanhang Electronics Industry Co., Ltd.	845.00	2.64	–	–	845.00	2.64

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Name of shareholder	31 December 2024		Increase in the current period	Decrease in the current period	31 December 2025	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Hangzhou Xinhangsheng Equity Investment Partnership (Limited Partnership)	819.36	2.56	–	–	819.36	2.56
Shenzhen Bohuasheng Investment Partners Enterprise (Limited Partnership)	518.00	1.62	–	–	518.00	1.62
Shouheng Zhiming (Jinjiang) Equity Investment Partnership (Limited Partnership)	500.00	1.56	–	–	500.00	1.56
Xiamen Huiyou Haojia Equity Investment Partnership (Limited Partnership)	500.00	1.56	–	–	500.00	1.56
Shenzhen Bohuahang Investment Partners Enterprise (Limited Partnership)	482.00	1.51	–	–	482.00	1.51
Shenzhen Mingjin Investment Partnership (Limited Partnership)	429.00	1.34	–	–	429.00	1.34
Shenzhen Shengrun Investment Partnership (Limited Partnership)	400.00	1.25	–	–	400.00	1.25
Guangdong Yuecai Industrial Investment Fund Partnership (Limited Partnership)	387.56	1.21	–	–	387.56	1.21
Ma'anshan Huachun Baoxin Zhixin Equity Investment Partnership (Limited Partnership)	350.00	1.09	–	–	350.00	1.09
Shenzhen Hi-Tech Investment and Venture Capital Co., Ltd.	340.00	1.06	–	–	340.00	1.06
Shenzhen Bohua Shengjing Investment Partners Enterprise (Limited Partnership)	305.00	0.95	–	–	305.00	0.95
Shouheng Zhimao (Jinjiang) Equity Investment Partnership (Limited Partnership)	300.00	0.94	–	–	300.00	0.94
Shenzhen Baoteng Lianxiang Investment Enterprise (Limited Partnership)	300.00	0.94	–	–	300.00	0.94
Runwu Holding Co., Ltd.	300.00	0.94	–	–	300.00	0.94

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Name of shareholder	31 December 2024		Increase in the current period	Decrease in the current period	31 December 2025	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Changzhou Shengdao Equity Investment Partnership Enterprise (Limited Partnership)	300.00	0.94	–	–	300.00	0.94
Shenzhen Bohua Hangzhi Investment Partners Enterprise (Limited Partnership)	295.00	0.92	–	–	295.00	0.92
Shenzhen Pengyuan Jishi Private Equity Investment Fund Partnership (Limited Partnership)	290.00	0.92	–	–	290.00	0.92
Xiamen Huiqiao New Energy Vehicle Investment Partnership (Limited Partnership)	250.00	0.78	–	–	250.00	0.78
Beijing Jingguochuang Advantage Industry Fund (Limited Partnership)	250.00	0.78	–	–	250.00	0.78
Shouheng Zhisheng (Jinjiang) Equity Investment Partnership (Limited Partnership)	220.00	0.69	–	–	220.00	0.69
CITIC Securities Investment Co., Ltd.	200.00	0.62	–	–	200.00	0.62
Shenzhen Xunjiexing Technology Co., Ltd.	200.00	0.62	–	–	200.00	0.62
Ningbo Huachun Investment Management Partnership (Limited Partnership)	200.00	0.62	–	–	200.00	0.62
Jinan Gangtong No. 1 Investment Partnership (Limited Partnership)	200.00	0.62	–	–	200.00	0.62
Guangxi Guangshen United Venture Capital Co., Ltd.	200.00	0.62	–	–	200.00	0.62
Foshan Hongtao Chengxuan Equity Investment Partnership (Limited Partnership)	200.00	0.62	–	–	200.00	0.62
Shaanxi Dechuang Intelligent Vehicle Venture Capital Fund Partnership (Limited Partnership)	150.00	0.47	–	–	150.00	0.47
Langfang Guochuang Langti Equity Investment Partnership (Limited Partnership)	140.00	0.44	–	–	140.00	0.44
Wuxi Guolian Tongze Venture Capital Partnership (Limited Partnership)	130.00	0.41	–	–	130.00	0.41

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Name of shareholder	31 December 2024		Increase in the current period	Decrease in the current period	31 December 2025	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Gongqingcheng Shengtai Investment Partnership (Limited Partnership)	120.00	0.38	–	–	120.00	0.38
Shenzhen Ganshang United Investment Co., Ltd.	100.00	0.31	–	–	100.00	0.31
Shenzhen Capital Investment Co., Ltd.	100.00	0.31	–	–	100.00	0.31
Shenzhen Capital Group Co., Ltd.	100.00	0.31	–	–	100.00	0.31
Shenzhen Huachuang Duoying No. 1 Industrial Investment Partnership (Limited Partnership)	100.00	0.31	–	–	100.00	0.31
Xiamen Hufeng Chunhe Investment Partnership (Limited Partnership)	100.00	0.31	–	–	100.00	0.31
Avary Holding Investment (Shenzhen) Co., Ltd.	100.00	0.31	–	–	100.00	0.31
HAXC Holdings (Beijing) Co., Ltd.	100.00	0.31	–	–	100.00	0.31
Shenzhen Hi-Tech Investment Yun Capital Equity Investment Fund Partnership (Limited Partnership)	94.32	0.29	–	–	94.32	0.29
Shenzhen Hi-Tech Investment Zhiyuan Phase I Equity Investment Fund Partnership (Limited Partnership)	54.98	0.17	–	–	54.98	0.17
Shenzhen Xiaohe Venture Capital Partnership (Limited Partnership)	10.70	0.03	–	–	10.70	0.03
Guangdong Qinghe No. 2 Venture Capital Partnership (Limited Partnership)	10.70	0.03	–	–	10.70	0.03
Guangdong Qinghe No. 1 Venture Capital Partnership (Limited Partnership)	10.30	0.03	–	–	10.30	0.03
Zhuoyuehui Innovation Development (Shenzhen) Co., Ltd.	10.00	0.03	–	–	10.00	0.03
Guangzhou Chuangying Jianke Investment Partnership (Limited Partnership)	2.44	0.01	–	–	2.44	0.01
57 natural persons in total, including Xu Shutian and Dong Li	4,463.85	13.95	70.00	460.65	4,073.20	12.72
Total	32,030.00	100.00	2,206.65	2,206.65	32,030.00	100.00

(Continued from the above table)

Name of shareholder	31 December 2023		Increase in the current period	Decrease in the current period	31 December 2024	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Huajian Jiachuang Enterprise Management Consulting Partnership (Limited Partnership)	3,829.40	11.96	–	–	3,829.40	11.96
Yang Hong	2,274.27	7.10	571.43	–	2,845.70	8.88
AVIC Airborne Systems Co., Ltd.	2,000.00	6.24	–	–	2,000.00	6.24
Shenzhen Hangsheng Investment Co., Ltd.	3,046.05	9.51	250.00	–	3,296.05	10.29
Shenzhen Dongfeng Nanfang Industrial Group Co., Ltd.	1,250.00	3.90	–	–	1,250.00	3.90
China Internet Investment Fund (Limited Partnership)	1,150.00	3.59	–	–	1,150.00	3.59
Hefei Huadeng II Integrated Circuit Industry Investment Partnership (Limited Partnership)	1,133.52	3.54	0.0047	–	1,133.52	3.54
Hangzhou Huaxin Yunkai Equity Investment Partnership (Limited Partnership)	1,047.12	3.27	–	–	1,047.12	3.27
Shenzhen Nanhong Electronics Industry Co., Ltd.	845.00	2.64	–	–	845.00	2.64
Hangzhou Xinhangsheng Equity Investment Partnership (Limited Partnership)	819.36	2.56	–	0.0047	819.36	2.56
Shenzhen Bohuasheng Investment Partners Enterprise (Limited Partnership)	518.00	1.62	–	–	518.00	1.62
Shouheng Zhiming (Jinjiang) Equity Investment Partnership (Limited Partnership)	500.00	1.56	–	–	500.00	1.56
Xiamen Huiyou Haojia Equity Investment Partnership (Limited Partnership)	500.00	1.56	–	–	500.00	1.56
Shenzhen Bohuahang Investment Partners Enterprise (Limited Partnership)	482.00	1.51	–	–	482.00	1.51
Shenzhen Mingjin Investment Partnership (Limited Partnership)	429.00	1.34	–	–	429.00	1.34

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Name of shareholder	31 December 2023		Increase in the current period	Decrease in the current period	31 December 2024	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Shengrun Investment Partnership (Limited Partnership)	400.00	1.25	–	–	400.00	1.25
Guangdong Yuecai Industrial Investment Fund Partnership (Limited Partnership)	387.56	1.21	0.0036	–	387.56	1.21
Ma'anshan Huachun Baoxin Zhixin Equity Investment Partnership (Limited Partnership)	350.00	1.09	–	–	350.00	1.09
Shenzhen Hi-Tech Investment and Venture Capital Co., Ltd.	340.00	1.06	–	–	340.00	1.06
Shenzhen Bohua Shengjing Investment Partners Enterprise (Limited Partnership)	305.00	0.95	–	–	305.00	0.95
Shouheng Zhimao (Jinjiang) Equity Investment Partnership (Limited Partnership)	300.00	0.94	–	–	300.00	0.94
Shenzhen Baoteng Lianxiang Investment Enterprise (Limited Partnership)	300.00	0.94	–	–	300.00	0.94
Runwu Holding Co., Ltd.	300.00	0.94	–	–	300.00	0.94
Changzhou Shengdao Equity Investment Partnership Enterprise (Limited Partnership)	300.00	0.94	–	–	300.00	0.94
Shenzhen Bohua Hangzhi Investment Partners Enterprise (Limited Partnership)	295.00	0.92	–	–	295.00	0.92
Shenzhen Pengyuan Jishi Private Equity Investment Fund Partnership (Limited Partnership)	290.00	0.92	–	–	290.00	0.92
Xiamen Huiqiao New Energy Vehicle Investment Partnership (Limited Partnership)	250.00	0.78	–	–	250.00	0.78
Beijing Jingguochuang Advantage Industry Fund (Limited Partnership)	250.00	0.78	–	–	250.00	0.78
Shouheng Zhisheng (Jinjiang) Equity Investment Partnership (Limited Partnership)	220.00	0.69	–	–	220.00	0.69
CITIC Securities Investment Co., Ltd.	200.00	0.62	–	–	200.00	0.62

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Name of shareholder	31 December 2023		Increase in the current period	Decrease in the current period	31 December 2024	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Xunjiexing Technology Co., Ltd.	200.00	0.62	–	–	200.00	0.62
Ningbo Huachun Investment Management Partnership (Limited Partnership)	200.00	0.62	–	–	200.00	0.62
Jinan Gangtong No. 1 Investment Partnership (Limited Partnership)	200.00	0.62	–	–	200.00	0.62
Guangxi Guangshen United Venture Capital Co., Ltd.	200.00	0.62	–	–	200.00	0.62
Foshan Hongtao Chengxuan Equity Investment Partnership (Limited Partnership)	200.00	0.62	–	–	200.00	0.62
Shaanxi Dechuang Intelligent Vehicle Venture Capital Fund Partnership (Limited Partnership)	150.00	0.47	–	–	150.00	0.47
Langfang Guochuang Langti Equity Investment Partnership (Limited Partnership)	140.00	0.44	–	–	140.00	0.44
Wuxi Guolian Tongze Venture Capital Partnership (Limited Partnership)	60.00	0.19	70.00	–	130.00	0.41
Gongqingcheng Shengtai Investment Partnership (Limited Partnership)	120.00	0.38	–	–	120.00	0.38
Shenzhen Ganshang United Investment Co., Ltd.	100.00	0.31	–	–	100.00	0.31
Shenzhen Capital Investment Co., Ltd.	100.00	0.31	–	–	100.00	0.31
Shenzhen Capital Group Co., Ltd.	100.00	0.31	–	–	100.00	0.31
Shenzhen Huachuang Duoying No. 1 Industrial Investment Partnership (Limited Partnership)	100.00	0.31	–	–	100.00	0.31
Xiamen Hufeng Chunhe Investment Partnership (Limited Partnership)	100.00	0.31	–	–	100.00	0.31
Avary Holding Investment (Shenzhen) Co., Ltd.	100.00	0.31	–	–	100.00	0.31
HAXC Holdings (Beijing) Co., Ltd.	100.00	0.31	–	–	100.00	0.31
Shenzhen Hi-Tech Investment Yun Capital Equity Investment Fund Partnership (Limited Partnership)	94.32	0.29	–	0.0040	94.32	0.29

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Name of shareholder	31 December 2023		Increase in the current period	Decrease in the current period	31 December 2024	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Hi-Tech Investment Zhiyuan Phase I Equity Investment Fund Partnership (Limited Partnership)	54.98	0.17	0.0040	–	54.98	0.17
Shenzhen Xiaohu Venture Capital Partnership (Limited Partnership)	10.70	0.03	–	–	10.70	0.03
Guangdong Qinghe No. 2 Venture Capital Partnership (Limited Partnership)	10.70	0.03	–	–	10.70	0.03
Guangdong Qinghe No. 1 Venture Capital Partnership (Limited Partnership)	10.30	0.03	–	–	10.30	0.03
Zhuoyuehui Innovation Development (Shenzhen) Co., Ltd.	10.00	0.03	–	–	10.00	0.03
Guangzhou Chuangying Jianke Investment Partnership (Limited Partnership)	2.44	0.01	–	0.00	2.44	0.01
Guangzhou Zhongbao Hande Venture Capital Investment Partnership (Limited Partnership)	70.00	0.22	–	70.00	–	–
57 natural persons in total, including Xu Shutian and Dong Li	5,285.28	16.51	10.00	831.43	4,463.85	13.95
Total	32,030.00	100.00	901.44	901.44	32,030.00	100.00

(Continued from the above table)

Name of shareholder	31 December 2022		Increase in the current period	Decrease in the current period	31 December 2023	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Huajian Jiachuang Enterprise Management Consulting Partnership (Limited Partnership)	3,829.40	12.85	–	–	3,829.40	11.96
Yang Hong	2,274.27	7.63	–	–	2,274.27	7.10
AVIC Airborne Systems Co., Ltd.	2,000.00	6.71	–	–	2,000.00	6.24
Shenzhen Hangsheng Investment Co., Ltd.	3,046.05	10.22	–	–	3,046.05	9.51
Shenzhen Dongfeng Nanfang Industrial Group Co., Ltd.	1,250.00	4.19	–	–	1,250.00	3.90
China Internet Investment Fund (Limited Partnership)	–	–	1,150.00	–	1,150.00	3.59
Hefei Huadeng II Integrated Circuit Industry Investment Partnership (Limited Partnership)	1,133.52	3.80	–	–	1,133.52	3.54
Hangzhou Huaxin Yunkai Equity Investment Partnership (Limited Partnership)	1,047.12	3.51	–	–	1,047.12	3.27
Shenzhen Nanhong Electronics Industry Co., Ltd.	845.00	2.84	–	–	845.00	2.64
Hangzhou Xinhangsheng Equity Investment Partnership (Limited Partnership)	819.36	2.75	–	–	819.36	2.56
Shenzhen Bohuasheng Investment Partners Enterprise (Limited Partnership)	538.00	1.81	–	20.00	518.00	1.62
Shouheng Zhiming (Jinjiang) Equity Investment Partnership (Limited Partnership)	500.00	1.68	–	–	500.00	1.56
Xiamen Huiyou Haojia Equity Investment Partnership (Limited Partnership)	500.00	1.68	–	–	500.00	1.56
Shenzhen Bohuahan Investment Partners Enterprise (Limited Partnership)	462.00	1.54	20.00	–	482.00	1.51
Shenzhen Mingjin Investment Partnership (Limited Partnership)	429.00	1.44	–	–	429.00	1.34

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Name of shareholder	31 December 2022		Increase in the current period	Decrease in the current period	31 December 2023	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Shengrun Investment Partnership (Limited Partnership)	400.00	1.34	–	–	400.00	1.25
Guangdong Yuecai Industrial Investment Fund Partnership (Limited Partnership)	149.08	0.50	238.48	–	387.56	1.21
Ma'anshan Huachun Baoxin Zhixin Equity Investment Partnership (Limited Partnership)	–	–	350.00	–	350.00	1.09
Shenzhen Hi-Tech Investment and Venture Capital Co., Ltd.	340.00	1.14	–	–	340.00	1.06
Shenzhen Bohua Shengjing Investment Partners Enterprise (Limited Partnership)	305.00	1.02	–	–	305.00	0.95
Shouheng Zhimao (Jinjiang) Equity Investment Partnership (Limited Partnership)	300.00	1.01	–	–	300.00	0.94
Shenzhen Baoteng Lianxiang Investment Enterprise (Limited Partnership)	300.00	1.01	–	–	300.00	0.94
Runwu Holding Co., Ltd.	300.00	1.01	–	–	300.00	0.94
Changzhou Shengdao Equity Investment Partnership Enterprise (Limited Partnership)	–	–	300.00	–	300.00	0.94
Shenzhen Bohua Hangzhi Investment Partners Enterprise (Limited Partnership)	295.00	0.99	–	–	295.00	0.92
Shenzhen Pengyuan Jishi Private Equity Investment Fund Partnership (Limited Partnership)	–	–	290.00	–	290.00	0.92
Xiamen Huiqiao New Energy Vehicle Investment Partnership (Limited Partnership)	–	–	250.00	–	250.00	0.78
Beijing Jingguochuang Advantage Industry Fund (Limited Partnership)	–	–	250.00	–	250.00	0.78
Shouheng Zhisheng (Jinjiang) Equity Investment Partnership (Limited Partnership)	–	–	220.00	–	220.00	0.69
CITIC Securities Investment Co., Ltd.	200.00	0.67	–	–	200.00	0.62

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HANGSHENG ELECTRONICS GROUP**

Name of shareholder	31 December 2022		Increase in the current period	Decrease in the current period	31 December 2023	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Xunjiexing Technology Co., Ltd.	–	–	200.00	–	200.00	0.62
Ningbo Huachun Investment Management Partnership (Limited Partnership)	–	–	200.00	–	200.00	0.62
Jinan Gangtong No. 1 Investment Partnership (Limited Partnership)	200.00	0.67	–	–	200.00	0.62
Guangxi Guangshen United Venture Capital Co., Ltd.	–	–	200.00	–	200.00	0.62
Foshan Hongtao Chengxuan Equity Investment Partnership (Limited Partnership)	200.00	0.67	–	–	200.00	0.62
Shaanxi Dechuang Intelligent Vehicle Venture Capital Fund Partnership (Limited Partnership)	–	–	150.00	–	150.00	0.47
Langfang Guochuang Langti Equity Investment Partnership (Limited Partnership)	–	–	140.00	–	140.00	0.44
Wuxi Guolian Tongze Venture Capital Partnership (Limited Partnership)	–	–	60.00	–	60.00	0.19
Gongqingcheng Shengtai Investment Partnership (Limited Partnership)	–	–	120.00	–	120.00	0.38
Shenzhen Ganshang United Investment Co., Ltd.	100.00	0.34	–	–	100.00	0.31
Shenzhen Capital Investment Co., Ltd.	100.00	0.34	–	–	100.00	0.31
Shenzhen Capital Group Co., Ltd.	100.00	0.34	–	–	100.00	0.31
Shenzhen Huachuang Duoying No. 1 Industrial Investment Partnership (Limited Partnership)	100.00	0.34	–	–	100.00	0.31
Xiamen Hufeng Chunhe Investment Partnership (Limited Partnership)	100.00	0.34	–	–	100.00	0.31
Avary Holding Investment (Shenzhen) Co., Ltd.	100.00	0.34	–	–	100.00	0.31
HAXC Holdings (Beijing) Co., Ltd.	–	–	100.00	–	100.00	0.31
Shenzhen Hi-Tech Investment Yun Capital Equity Investment Fund Partnership (Limited Partnership)	94.32	0.32	–	–	94.32	0.29

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Name of shareholder	31 December 2022		Increase in the current period	Decrease in the current period	31 December 2023	
	Amount of share capital	Proportion %			Amount of share capital	Proportion %
Shenzhen Hi-Tech Investment Zhiyuan Phase I Equity Investment Fund Partnership (Limited Partnership)	54.98	0.18	–	–	54.98	0.17
Shenzhen Xiaohu Venture Capital Partnership (Limited Partnership)	10.70	0.04	–	–	10.70	0.03
Guangdong Qinghe No. 2 Venture Capital Partnership (Limited Partnership)	21.00	0.07	–	10.30	10.70	0.03
Guangdong Qinghe No. 1 Venture Capital Partnership (Limited Partnership)	–	–	10.30	–	10.30	0.03
Zhuoyuehui Innovation Development (Shenzhen) Co., Ltd.	10.00	0.03	–	–	10.00	0.03
Guangzhou Chuangying Jianke Investment Partnership (Limited Partnership)	0.92	0.00	1.52	–	2.44	0.01
Hangtong Yuhua (Shenzhen) Airborne Systems Industry Investment Partnership (Limited Partnership)	2,000.00	6.71	–	2,000.00	–	–
Guangzhou Zhongbao Hande Venture Capital Investment Partnership (Limited Partnership)	70.00	0.23	–	–	70.00	0.22
57 natural persons in total, including Xu Shutian and Dong Li	5,275.28	17.70	243.00	233.00	5,285.28	16.51
Total	29,800.00	100.00	4,493.30	2,263.30	32,030.00	100.00

36. Capital reserve

Item	31 December 2025	Increase in the current period	Decrease in the current period	30 April 2026
Share premium	1,165,448,085.74	–	–	1,165,448,085.74
Other capital reserve	106,337,522.23	7,976,062.24	–	114,313,584.47
Total	1,271,785,607.97	7,976,062.24	–	1,279,761,670.21

(Continued from the above table)

Item	31 December 2024	Increase in the current period	Decrease in the current period	31 December 2025
Share premium	1,452,938,980.55	–	287,490,894.81	1,165,448,085.74
Other capital reserve	89,329,449.80	17,008,072.43	–	106,337,522.23
Total	1,542,268,430.35	17,008,072.43	287,490,894.81	1,271,785,607.97

(Continued from the above table)

Item	31 December 2023	Increase in the current period	Decrease in the current period	31 December 2024
Share premium	1,463,803,862.97	-10,864,882.42	–	1,452,938,980.55
Other capital reserve	72,218,752.94	17,110,696.86	–	89,329,449.80
Total	1,536,022,615.91	6,245,814.44	–	1,542,268,430.35

(Continued from the above table)

Item	31 December 2022	Increase in the current period	Decrease in the current period	31 December 2023
Share premium	1,107,003,862.97	356,800,000.00	–	1,463,803,862.97
Other capital reserve	52,504,467.23	19,714,285.71	–	72,218,752.94
Total	1,159,508,330.20	376,514,285.71	–	1,536,022,615.91

- (1) In 2023, the increase in share premium resulted from the capital contribution of new shareholders, with the portion of the contribution exceeding the share capital being recognised in share premium; the increase in other capital reserve resulted from the Company's recognition of share-based payment expenses for the period.
- (2) In 2024, the decrease in share premium resulted from the acquisition of a 20% equity interest in the subsidiary Shenzhen Hangsheng New Energy Co., Ltd., whereby the difference between the long-term equity investment newly obtained through the acquisition of the non-controlling interest and the share of the subsidiary's net assets continuously calculated from the acquisition date or the combination date based on the newly increased shareholding percentage was adjusted against share premium; the increase in other capital reserve resulted from the Company's recognition of share-based payment expenses for the period;
- (3) In 2025, the decrease in share premium arose because, on 4 August 2025, Shenzhen Hangsheng Electronics Co., Ltd. convened its second extraordinary general meeting of shareholders for 2025, at which the "Proposal on Offsetting Losses against Reserves" was approved, resulting in a decrease in share premium in 2025; the increase in other capital reserve resulted from the Company's recognition of share-based payment expenses for the period;
- (4) For January-April 2026, the increase in other capital reserve resulted from the Company's recognition of share-based payment expenses for the period.

37. Other comprehensive income

Other comprehensive income attributable to owners of the parent presented in the balance sheet:

Item	31 December 2025 ⁽¹⁾	Amount incurred in the current period		30 April 2026 ^{(4) = (1) + (2) - (3)}
		Attributable to the parent company, after tax ⁽²⁾	Less: Amounts previously recognised in other comprehensive income transferred to retained earnings in the current period ⁽³⁾	
I. Other comprehensive income that cannot be reclassified to profit or loss				
1. Other comprehensive income that cannot be reclassified to profit or loss under the equity method	3,531,864.19	-10,419.82	–	3,521,444.37
II. Other comprehensive income that will be reclassified to profit or loss				
1. Translation differences arising from translation of foreign currency financial statements	-286,475.23	3,156,386.08	–	2,869,910.85
Total other comprehensive income	3,245,388.96	3,145,966.26	–	6,391,355.22

(Continued from the above table)

Item	31 December 2024 ⁽¹⁾	Amount incurred in the current period		31 December 2025 ^{(4) = (1) + (2) - (3)}
		Attributable to the parent company, after tax ⁽²⁾	Less: Amounts previously recognised in other comprehensive income transferred to retained earnings in the current period ⁽³⁾	
I. Other comprehensive income that cannot be reclassified to profit or loss				
1. Other comprehensive income that cannot be transferred to profit or loss under the equity method	2,776,170.34	755,693.85	–	3,531,864.19
II. Other comprehensive income that will be reclassified to profit or loss				
1. Translation differences arising from translation of foreign currency financial statements	2,130,166.99	-2,416,642.22	–	-286,475.23
Total other comprehensive income	4,906,337.33	-1,660,948.37	–	3,245,388.96

(Continued from the above table)

Item	31 December 2023 ⁽¹⁾	Amount incurred in the current period		31 December 2024 ^{(4) = (1) + (2) - (3)}
		Attributable to the parent company, after tax ⁽²⁾	Less: Amounts previously recognised in other comprehensive income transferred to retained earnings in the current period ⁽³⁾	
I. Other comprehensive income that cannot be reclassified to profit or loss				
1. Other comprehensive income that cannot be transferred to profit or loss under the equity method	2,372,080.78	404,089.56	–	2,776,170.34
II. Other comprehensive income that will be reclassified to profit or loss				
1. Translation differences arising from translation of foreign currency financial statements	2,179,450.92	-49,283.93	–	2,130,166.99
Total other comprehensive income	4,551,531.70	354,805.63	–	4,906,337.33

(Continued from the above table)

Item	31 December 2022 ⁽¹⁾	Amount incurred in the current period		31 December 2023 ^{(4) = (1) + (2) - (3)}
		Attributable to the parent company, after tax ⁽²⁾	Less: Amounts previously recognised in other comprehensive income transferred to retained earnings in the current period ⁽³⁾	
I. Other comprehensive income that cannot be reclassified to profit or loss				
1. Other comprehensive income that cannot be transferred to profit or loss under the equity method	–	2,372,080.78	–	2,372,080.78
II. Other comprehensive income that will be reclassified to profit or loss				
1. Translation differences arising from translation of foreign currency financial statements	1,756,331.78	423,119.14	–	2,179,450.92
Total other comprehensive income	1,756,331.78	2,795,199.92	–	4,551,531.70

For the period from January to April 2026, the net-of-tax amount of other comprehensive income incurred was RMB3,145,966.26. Of this, the net-of-tax amount of other comprehensive income attributable to shareholders of the parent company was RMB3,145,966.26.

In 2025, the net-of-tax amount of other comprehensive income incurred was RMB-1,660,948.37. Of this, the net-of-tax amount of other comprehensive income attributable to shareholders of the parent company was RMB-1,660,948.37.

In 2024, the net-of-tax amount of other comprehensive income incurred was RMB354,805.63. Of this, the net-of-tax amount of other comprehensive income attributable to shareholders of the parent company was RMB354,805.63.

In 2023, the net-of-tax amount of other comprehensive income incurred was RMB2,795,199.92. Of this, the net-of-tax amount of other comprehensive income attributable to shareholders of the parent company was RMB2,795,199.92.

38. Surplus reserve

Item	31 December 2025	Increase in the current period	Decrease in the current period	30 April 2026
Statutory surplus reserve	16,809,710.53	–	–	16,809,710.53
Total	16,809,710.53	–	–	16,809,710.53

(Continued from the above table)

Item	31 December 2024	Increase in the current period	Decrease in the current period	31 December 2025
Statutory surplus reserve	75,507,477.85	16,990,043.18	75,687,810.50	16,809,710.53
Total	75,507,477.85	16,990,043.18	75,687,810.50	16,809,710.53

(Continued from the above table)

Item	31 December 2023	Increase in the current period	Decrease in the current period	31 December 2024
Statutory surplus reserve	75,507,477.85	–	–	75,507,477.85
Total	75,507,477.85	–	–	75,507,477.85

(Continued from the above table)

Item	31 December 2022	Increase in the current period	Decrease in the current period	31 December 2023
Statutory surplus reserve	75,507,477.85	–	–	75,507,477.85
Total	75,507,477.85	–	–	75,507,477.85

Note:

Reason for the movement in 2025: the shareholders' meeting approved the offsetting of losses against reserves, resulting in a decrease in surplus reserve of RMB75,687,810.50 in 2025.

39. Retained earnings

In accordance with the Company's articles of association, profit after income tax is appropriated in the following order:

- (i) Offsetting losses of prior years;
- (ii) Appropriation of 10% to the statutory surplus reserve;
- (iii) Appropriation to the discretionary surplus reserve;
- (iv) Payment of dividends on ordinary shares.

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Undistributed profits at the end of the prior year, before adjustment	270,766,098.25	-317,771,958.60	-367,370,397.95	-553,192,940.95
Total adjustments to undistributed profits at the beginning of the year (increase +, decrease -)		363,178,705.31	—	
Undistributed profits at the beginning of the year, after adjustment	270,766,098.25	45,406,746.71	-367,370,397.95	-553,192,940.95
Add: Net profit for the year attributable to shareholders of the parent company	92,644,776.18	242,349,394.72	49,598,439.35	185,822,543.00
Less: Appropriation to statutory surplus reserve	—	16,990,043.18	—	—
Appropriation to discretionary surplus reserve		—		—
Appropriation to general risk reserve		—	—	—
Dividends payable on ordinary shares		—	—	
Dividends payable to other equity instrument holders		—	—	—
Dividends on ordinary shares converted into share capital		—	—	—
Undistributed profits at the end of the year	363,410,874.43	270,766,098.25	-317,771,958.60	-367,370,397.95
Including: Surplus reserve appropriated by subsidiaries during the year attributable to the parent company		—	—	—

40. Revenue and Operating Costs**(1) Revenue and Operating Costs**

Item	January-April 2026		The year 2025	
	Revenue	Cost	Revenue	Cost
Principal operations	1,296,808,396.34	1,060,149,723.44	4,766,491,406.22	3,957,384,685.22
Other operations	33,915,722.77	15,311,983.48	68,624,289.00	28,367,105.01

(Continued from the above table)

Item	The year 2024		The year 2023	
	Revenue	Cost	Revenue	Cost
Principal operations	3,980,493,595.68	3,244,259,846.40	4,037,412,136.20	3,299,837,429.49
Other operations	79,103,747.61	46,746,915.13	94,615,629.73	42,968,807.62

(2) Revenue and Operating Costs by product type

Major product types	January-April 2026		The year 2025	
	Revenue	Cost	Revenue	Cost
Smart cockpit solutions	992,608,647.80	795,650,301.51	3,314,526,426.40	2,657,121,442.68
Intelligent driving solutions	131,628,745.20	124,662,211.27	839,443,229.94	803,751,149.32
Automotive acoustic solutions	152,718,913.71	124,410,579.37	560,533,739.53	457,300,126.16
Others	53,767,812.40	30,738,614.77	120,612,299.35	67,579,072.07
Total	<u>1,330,724,119.11</u>	<u>1,075,461,706.92</u>	<u>4,835,115,695.22</u>	<u>3,985,751,790.23</u>

(Continued from the above table)

Major product types	The year 2024		The year 2023	
	Revenue	Cost	Revenue	Cost
Smart cockpit solutions	2,898,524,555.77	2,322,690,060.48	3,260,893,739.63	2,673,521,232.17
Intelligent driving solutions	453,992,912.53	422,761,194.26	239,695,597.72	217,631,779.64
Automotive acoustic solutions	574,109,362.31	453,368,236.05	479,679,074.77	364,805,632.43
Others	132,970,512.68	92,187,270.74	151,759,353.81	86,847,592.87
Total	<u>4,059,597,343.29</u>	<u>3,291,006,761.53</u>	<u>4,132,027,765.93</u>	<u>3,342,806,237.11</u>

(3) Revenue and Operating Costs by geographical region

Major operating regions	January-April 2026		The year 2025	
	Revenue	Cost	Revenue	Cost
Domestic	1,186,378,976.02	957,199,534.91	4,368,121,440.45	3,602,878,808.82
Overseas	<u>144,345,143.09</u>	<u>118,262,172.01</u>	<u>466,994,254.77</u>	<u>382,872,981.41</u>
Subtotal	<u>1,330,724,119.11</u>	<u>1,075,461,706.92</u>	<u>4,835,115,695.22</u>	<u>3,985,751,790.23</u>

(Continued from the above table)

Major operating regions	The year 2024		The year 2023	
	Revenue	Cost	Revenue	Cost
Domestic	3,586,755,082.38	2,873,121,722.46	3,618,852,856.30	2,868,428,167.40
Overseas	<u>472,842,260.91</u>	<u>417,885,039.07</u>	<u>513,174,909.63</u>	<u>474,378,069.71</u>
Subtotal	<u>4,059,597,343.29</u>	<u>3,291,006,761.53</u>	<u>4,132,027,765.93</u>	<u>3,342,806,237.11</u>

41. Taxes and surcharges

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Urban maintenance and construction tax	1,861,008.60	3,791,291.34	5,210,106.01	4,645,483.30
Education surcharge	802,895.90	1,768,337.20	2,467,614.79	2,011,497.44
Local education surcharge	535,263.94	1,172,999.10	1,636,170.92	1,341,339.54
Property tax	2,535,448.78	5,933,539.52	5,597,652.53	5,566,214.78
Land use tax	589,100.38	1,767,301.12	1,733,696.91	1,364,051.11
Vehicle and vessel use tax	69.60	9,539.83	11,709.80	8,829.60
Stamp duty	1,441,630.70	6,083,712.81	5,577,990.99	4,378,381.16
Others	<u>51,954.43</u>	<u>690,225.68</u>	<u>786,939.38</u>	<u>542,318.00</u>
Total	<u>7,817,372.33</u>	<u>21,216,946.60</u>	<u>23,021,881.33</u>	<u>19,858,114.93</u>

Note: For the basis of assessment and payment of each item of taxes and surcharges, please refer to Note IV "Taxation".

42. Selling expenses

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Employee benefits	11,279,257.47	35,894,362.82	35,313,440.49	32,392,975.37
After-sales service expenses	3,103,372.33	14,433,050.43	11,256,685.77	10,274,937.71
Entertainment expenses	2,504,853.31	11,295,650.45	11,550,903.30	13,414,189.10
Travel expenses	919,640.84	4,566,255.05	4,837,277.14	4,854,108.86
Lease expenses	463,052.86	2,134,105.28	1,950,881.83	1,284,199.72
Advertising and promotion expenses	866,784.72	1,534,007.14	2,270,031.92	493,977.89
Depreciation and amortisation	302,611.24	1,063,068.81	665,771.23	279,919.37
Office expenses	56,272.12	415,691.38	626,144.85	2,009,061.78
Others	1,280,776.42	4,284,404.67	2,618,855.98	4,404,630.30
Total	20,776,621.31	75,620,596.03	71,089,992.51	69,408,000.10

43. Administrative expenses

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Employee benefits	33,123,498.94	111,373,649.11	121,035,069.47	96,142,497.88
Depreciation and amortisation expenses	9,853,155.47	24,172,786.00	21,788,187.95	22,826,096.50
Office expenses	1,751,919.26	14,989,578.57	18,489,206.92	22,780,938.03
Business entertainment expenses	2,119,440.87	6,253,491.60	6,523,010.32	8,186,415.45
Intermediary agency fees	1,389,082.78	4,561,699.73	6,730,412.74	5,409,212.23
Rent, water and electricity	1,408,017.81	4,894,561.63	6,040,955.62	5,889,088.52
Travel expenses	1,159,989.27	3,577,456.65	4,949,263.58	6,218,202.31
Share-based payment	7,976,062.24	17,008,072.43	17,110,696.86	19,714,285.71
Others	5,467,079.01	13,211,625.02	10,947,164.44	5,827,887.20
Total	64,248,245.65	200,042,920.74	213,613,967.90	192,994,623.83

44. Research and development expenses

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Employee benefits	73,470,470.46	220,727,786.51	278,403,700.70	224,507,417.32
Outsourced research and development expenses	2,321,319.42	24,977,809.92	48,922,493.62	35,936,555.06
Consumption of materials and fuel	8,568,627.92	35,612,708.90	37,209,181.55	23,419,795.70
Royalties	6,003,386.05	38,717,846.05	26,115,047.17	23,787,389.42
Depreciation and amortisation	4,854,095.44	11,849,102.86	11,920,175.44	9,386,217.25
Travel expenses	1,719,837.58	7,650,539.31	14,783,674.85	19,585,935.31
Lease expenses	952,355.70	3,071,077.23	7,546,345.48	1,142,775.52
Certification fees	305,647.58	4,801,495.73	5,338,064.02	3,482,548.84
Water and electricity charges	1,072,946.39	2,307,074.87	2,189,973.77	2,200,919.21
Trial production and experiment expenses	758,943.97	1,980,190.63	4,544,989.26	8,035,548.59
Consulting and technical service fees	463,108.89	1,476,096.85	6,621,626.14	4,759,939.90
Testing fees	2,400.00	1,285,387.64	1,469,588.25	1,361,545.00
Others	951,430.14	3,660,682.66	3,825,480.02	1,266,449.90
Total	101,444,569.54	358,117,799.16	448,890,340.27	358,873,037.02

45. Finance costs

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Interest expenses	2,839,699.37	6,558,417.82	107,235.46	11,607,544.92
Less: Capitalised interest	–	2,916,992.69	1,129,590.96	–
Interest income	753,107.68	4,859,089.26	7,530,860.16	4,801,128.52
Exchange gains or losses	-7,103,303.41	5,209,539.97	10,865,617.43	-2,436,702.96
Less: Capitalised exchange gains or losses				
Handling charges and others	440,790.10	1,108,990.98	1,096,456.87	1,192,301.70
Total	-4,575,921.62	5,100,866.82	3,408,858.64	5,562,015.14

46. Other income

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Government grants	19,768,132.12	48,233,142.24	65,521,667.83	90,505,583.55
Additional deduction of input VAT	7,895,147.09	25,556,943.63	35,218,473.25	9,438,005.21
Refund of handling fees for withholding individual income tax	281,348.31	481,105.51	141,683.76	486,788.63
Total	27,944,627.52	74,271,191.38	100,881,824.84	100,430,377.39

For details of government grants, please refer to Note VIII “Government grants”.

47. Investment income

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Investment income from long-term equity investments accounted for using the equity method	151,002.67	3,928,561.91	1,459,345.37	1,441,762.13
Investment income from financial assets held for trading during the holding period	3,805,241.07	5,087,103.35	2,080,061.11	385,347.94
Investment income from disposal of financial assets held for trading (Note V.48 (Note 1))		35,189.41	—	—
Others		—	—	-70,607.68
Total	3,956,243.74	9,050,854.67	3,539,406.48	1,756,502.39

48. Gains from changes in fair value

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Financial assets held for trading (Note 1)		465,587.78	-16,107.00	-34,944.00
Total		465,587.78	-16,107.00	-34,944.00

Note 1: Details of gains from changes in fair value of financial assets held for trading are as follows:

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Equity instruments held for trading – stock investments		465,587.78	-16,107.00	-34,944.00
Equity instruments held for trading – wealth management products				
Total		465,587.78	-16,107.00	-34,944.00

49. Credit impairment losses (losses are presented as negative amounts)

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Bad debt losses on notes receivable	-88,434.42	1,004,380.33	-855,277.04	600,657.11
Bad debt losses on accounts receivable	13,839,431.76	2,595,484.52	-27,572,184.88	-9,504,628.06
Bad debt losses on other receivables	23,463.13	-9,190.28	-1,748,021.31	447,985.21
Total	13,774,460.47	3,590,674.57	-30,175,483.23	-8,455,985.74

50. Asset impairment losses (losses are presented as negative amounts)

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Losses from decline in value of inventories	-17,360,860.83	-29,994,015.11	-30,624,967.82	-23,531,275.38
Impairment losses on fixed assets	—	-1,077,243.36	—	—
Total	-17,360,860.83	-31,071,258.47	-30,624,967.82	-23,531,275.38

51. Gains on disposal of assets

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Gains on disposal of fixed assets (losses are presented as negative amounts)	130,359.57	16,759.73	940,259.17	443,139.16
Total	130,359.57	16,759.73	940,259.17	443,139.16

52. Non-operating income

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Insurance compensation		3,014,374.23	—	—
Penalty income		770,704.95	1,540,315.53	720,525.93
Others	154,676.68	599,835.90	780,054.25	376,733.47
Total	154,676.68	4,384,915.08	2,320,369.78	1,097,259.40

Including: amount recognised in non-recurring profit or loss

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Insurance compensation		3,014,374.23	–	–
Penalty income		770,704.95	1,540,315.53	720,525.93
Others	154,676.68	599,835.90	780,054.25	376,733.47
Total	154,676.68	4,384,915.08	2,320,369.78	1,097,259.40

53. Non-operating expenses

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Penalties and late payment surcharges	32,047.13	-48,671.02	1,091,802.18	117,103.39
Losses on damage and scrapping of inventories		3,266.05		2,845,976.28
Losses on damage and scrapping of non-current assets	93,445.77	1,454,768.30	618,474.48	2,373,761.78
Litigation compensation		1,454,081.41	248,040.00	–
Others	11,843.01	247,584.77	210,283.56	308,608.10
Total	137,335.91	3,111,029.51	2,168,600.22	5,645,449.55

Including: amount recognised in non-recurring profit or loss

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Penalties and late payment surcharges	32,047.13	-48,671.02	1,091,802.18	117,103.39
Losses on damage and scrapping of inventories		3,266.05		2,845,976.28
Losses on damage and scrapping of non-current assets	93,445.77	1,454,768.30	618,474.48	2,373,761.78
Litigation compensation		1,454,081.41	248,040.00	–
Others	11,843.01	247,584.77	210,283.56	308,608.10
Total	137,335.91	3,111,029.51	2,168,600.22	5,645,449.55

54. Income tax expense**(1) Details of income tax expense**

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Current income tax calculated in accordance with tax laws and relevant regulations	519,025.03	5,140,831.25	9,857,750.16	17,940,101.10
Adjustments to deferred tax	452,330.66	-858,147.45	-5,264,444.43	-1,075,394.92
Total	971,355.69	4,282,683.80	4,593,305.73	16,864,706.18

(2) The reconciliation between income tax expense and total profit is presented as follows:

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Total profit	94,013,696.22	246,862,470.87	53,262,243.11	208,585,361.47
Income tax expense calculated at the statutory (or applicable) tax rate (total profit * 25%)	23,503,424.05	61,715,617.72	13,315,560.78	52,146,340.37
Effect of different tax rates applicable to certain subsidiaries	-13,147,908.61	-26,839,202.10	-13,045,014.48	-16,178,058.56
Adjustments to current income tax of prior periods				
Share of profit or loss of joint ventures and associates accounted for using the equity method	-101,520.49	-1,187,418.33	-322,464.89	-249,776.69
Non-deductible costs, expenses and losses	637,217.98	35,115.85	891,209.78	872,651.16
Effect of changes in tax rates on the opening balance of deferred tax	–			
Tax effect of utilisation of previously unrecognised deductible tax losses and deductible temporary differences (presented as negative amounts)	-5,302,512.98	-650,541.34		-970,972.24
Tax effect of unrecognised deductible tax losses and deductible temporary differences	10,583,499.90	35,113,093.24	58,002,251.28	24,569,839.87
Tax effect of additional deduction of research and development expenses (presented as negative amounts)	-15,200,844.16	-63,903,981.24	-54,248,236.74	-43,325,317.73
Others	–			
Income tax expense	971,355.69	4,282,683.80	4,593,305.73	16,864,706.18

55. Notes to items of the cash flow statement

(1) Other cash received relating to operating activities

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Government grants	5,509,093.30	40,511,075.25	47,253,009.44	82,374,380.89
Finance costs – interest income	753,107.68	4,859,089.26	9,080,860.16	4,801,128.52
Security deposits	615,192.03	1,179,835.28	49,641,738.38	968,774.69
Current accounts and others	3,379,455.47	10,361,660.80	8,365,133.62	12,215,459.16
Total	10,256,848.48	56,911,660.59	114,340,741.60	100,359,743.26

(2) Other cash paid relating to operating activities

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Cash payments of expenses	66,860,268.86	241,767,313.45	308,408,578.84	249,912,351.99
Handling charges	440,790.10	1,108,990.98	1,096,456.87	1,192,301.70
Deposits and security deposits	382,079.32	665,011.06	886,777.54	48,011,496.13
Current accounts and others	12,833,477.55	464,913.74	6,062,527.41	11,668,806.79
Frozen bank deposits	491,420.69	45,474,320.53		
Total	81,008,036.52	289,480,549.76	316,454,340.66	310,784,956.61

(3) Other cash paid relating to investing activities

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Deposits for wealth management products	20,000,000.00	78,750,000.00	–	–
Total	20,000,000.00	78,750,000.00	–	–

(4) Other cash received relating to financing activities

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Borrowings from discounting of notes	61,912,932.84	86,842,582.21	—	—
Total	61,912,932.84	86,842,582.21	—	—

(5) Other cash paid relating to financing activities

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Lease expenses	928,566.83	10,285,985.73	6,303,997.02	10,410,816.29
Deposits for notes	62,360,677.03	11,812,932.84	24,474,349.11	—
Total	63,289,243.86	22,098,918.57	30,778,346.13	10,410,816.29

56. Supplementary information to the cash flow statement**(1) Supplementary information to the cash flow statement**

Supplementary information	January-April 2026	The year 2025	The year 2024	The year 2023
1. Reconciliation of net profit to cash flows from operating activities:				
Net profit	93,042,340.53	242,579,787.07	48,668,937.38	191,720,655.30
Add: Impairment losses on assets	17,360,860.83	31,071,258.47	30,624,967.82	23,531,275.38
Credit impairment losses	-13,774,460.47	-3,590,674.57	30,175,483.23	8,455,985.74
Depreciation of fixed assets	26,465,729.06	77,179,262.48	70,588,898.69	68,164,767.08
Depreciation of right-of-use assets	1,072,146.55	7,745,262.52	8,449,741.17	9,306,429.50
Amortisation of intangible assets	3,959,672.88	10,221,004.73	10,313,508.98	10,148,404.11
Amortisation of long-term prepaid expenses	3,540,690.04	10,615,131.10	26,274,632.03	25,665,523.92

Supplementary information	January-April 2026	The year 2025	The year 2024	The year 2023
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are presented as negative amounts)	-130,359.57	-29,941.29	-940,259.17	-443,139.16
Losses on scrapping of fixed assets (gains are presented as negative amounts)	93,445.77	2,908,849.71	618,474.48	2,373,761.78
Losses from changes in fair value (gains are presented as negative amounts)	–	-465,587.78	16,107.00	34,944.00
Finance costs (income is presented as negative amounts)	9,447,616.37	-1,186,677.67	-1,537,403.89	9,409,578.72
Investment losses (gains are presented as negative amounts)	-3,956,243.74	-9,050,854.67	-3,539,406.48	-1,756,502.39
Decrease in deferred tax assets (an increase is presented as a negative amount)	452,330.66	-858,147.45	-5,264,444.43	-111,678.70
Increase in deferred tax liabilities (a decrease is presented as a negative amount)	–			-963,716.22
Decrease in inventories (an increase is presented as a negative amount)	-42,042,312.72	-165,494,820.68	47,502,583.22	258,901,407.71
Decrease in operating receivables (an increase is presented as a negative amount)	317,502,572.94	-28,686,660.63	-300,211,942.57	-299,732,304.61
Increase in operating payables (a decrease is presented as a negative amount)	-291,241,174.12	93,927,640.49	39,705,559.44	269,450,181.58
Others	7,976,062.24	17,300,857.88	17,289,628.26	19,710,324.75
Net cash flows from operating activities	129,768,917.25	284,185,689.70	18,735,065.16	593,865,898.49

Supplementary information	January-April 2026	The year 2025	The year 2024	The year 2023
2. Significant investing and financing activities not involving cash receipts and payments:				
Conversion of debt into capital				
Convertible corporate bonds due within one year				
Right-of-use assets				
3. Net changes in cash and cash equivalents:				
Closing balance of cash	287,740,711.09	569,213,879.68	463,148,807.74	796,914,897.20
Less: Opening balance of cash	569,213,879.68	463,148,807.74	796,914,897.20	454,197,344.56
Add: Closing balance of cash equivalents		—	—	—
Less: Opening balance of cash equivalents		—	—	—
Net increase in cash and cash equivalents	-281,473,168.59	106,065,071.94	-333,766,089.46	342,717,552.64

(2) Composition of cash and cash equivalents

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
I. Cash	287,740,711.09	569,213,879.68	463,148,807.74	796,914,897.20
Including: Cash on hand		25,560.00	2,789.20	4,684.96
Bank deposits available for payment on demand	287,740,711.09	569,188,319.66	463,145,281.10	796,910,161.22
Other cash at bank and on hand available for payment on demand	—	0.02	737.44	51.02
II. Cash equivalents				
Including: Debt investments maturing within three months				
III. Closing balance of cash and cash equivalents	287,740,711.09	569,213,879.68	463,148,807.74	796,914,897.20
Including: Cash and cash equivalents restricted in use by the parent company or subsidiaries within the Group				

(3) Cash at bank and on hand not qualifying as cash and cash equivalents

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023	Reasons for not qualifying as cash and cash equivalents
Security deposits	77,855,273.15	78,131,946.59	71,010,797.09	81,138,133.74	Deposits for notes
Security deposits	162,187.56	166,843.08	152,141.13	239,159.78	Credit card deposits
Frozen bank deposits	45,589,793.42	45,474,320.53			Judicial freezing
Frozen bank deposits	10,244.86	2,118.86	2,117.34		Accounts subject to bank control (no deposits or withdrawals permitted)
Frozen bank deposits	20,000,000.00	78,750,000.00			Frozen wealth management products
Total	143,617,498.99	202,525,229.06	71,165,055.56	81,377,293.52	

57. Foreign currency monetary items**(1) Foreign currency monetary items**

Item	30 April 2026			31 December 2025		
	Closing balance in foreign currency	Translation rate	Closing balance translated into RMB	Closing balance in foreign currency	Translation rate	Closing balance translated into RMB
Cash at bank and on hand						
Including: USD	4,246,421.29	6.8628	29,142,340.03	4,046,363.02	7.0288	28,441,076.39
EUR	1,605,079.44	8.0057	12,849,784.47	1,889,133.39	8.2355	15,557,958.03
HKD	14,885.23	0.8758	13,036.48	306,045.43	0.9032	276,420.23
JPY	25,906,456.00	0.0428	1,108,796.32	22,536,427.00	0.0448	1,009,631.93
KRW	910,071.00	0.0007	610.66	1,827,011.00	0.0049	8,879.76
THB	185,415,847.89	0.2089	38,733,370.62	186,098,605.83	0.2225	41,406,939.80
Financial assets held for trading						
Including: USD	8,590,817.00	6.8628	58,957,058.91	3,070,000.00	7.0288	21,578,416.00
Other receivables						

Item	30 April 2026			31 December 2025		
	Closing balance in foreign currency	Translation rate	Closing balance translated into RMB	Closing balance in foreign currency	Translation rate	Closing balance translated into RMB
Including: USD					7.0288	–
EUR	9,817.50	8.0057	78,595.96	9,817.50	8.2355	80,852.02
JPY	6,043,200.00	0.0428	258,648.96	6,043,200.00	0.0448	270,735.36
THB	401,989.02	0.2089	83,975.51	178,606.82	0.2225	39,740.02
Accounts receivable						
Including: USD	22,534,984.22	6.8628	154,653,089.71	5,045,350.51	7.0288	35,462,759.69
EUR	2,337,398.55	8.0057	18,712,511.57	712,161.59	8.2355	5,865,006.76
JPY	36,248,664.00	0.0428	1,551,877.80	49,280,447.84	0.0448	2,207,616.22
KRW			–	29,215,382.72	0.0049	141,986.76
GBP			–	19,397.01	8.2568	160,156.99
THB	98,592,706.57	0.2089	20,597,218.66	1,037,211.07	0.2225	230,779.46
Accounts payable						
Including: USD	51,159,009.46	6.8628	351,094,050.12	58,076,688.59	7.0288	408,209,428.76
EUR	15,160.31	8.0057	121,368.89	13,081.63	8.2355	107,733.76
JPY	66,445,455.00	0.0428	2,843,865.47	–	0.9032	–
THB				72,699,046.00	0.0448	3,256,699.16
Other payables						
Including: EUR						
JPY						
KRW						
Employee benefits payable						
Including: USD	0.01	6.8628	0.07	11,562.67	7.0288	81,271.69
EUR	496.39	8.0057	3,973.95	496.39	8.2355	4,088.02
JPY			–	11,913,441.00	0.0448	533,722.16
THB	11,895.26	0.2089	2,484.92	13,282.57	0.2225	2,955.37

(Continued from the above table)

Item	31 December 2024			31 December 2023		
	Closing balance in foreign currency	Translation rate	Closing balance translated into RMB	Closing balance in foreign currency	Translation rate	Closing balance translated into RMB
Cash at bank and on hand						
Including: USD	4,701,954.98	7.1884	33,799,533.18	3,803,496.84	7.0827	26,939,027.07
EUR	2,351,261.22	7.5257	17,694,886.56	3,934,030.81	7.8592	30,918,334.94
HKD	243,791.09	0.9260	225,750.55	43,907.44	0.8898	39,068.84
JPY	69,837,420.00	0.0462	3,228,583.93	26,763,638.00	0.0502	1,343,534.63
KRW	79,451,547.00	0.0049	392,314.57	153,208,097.00	0.0048	733,866.78
THB	208,300,281.63	0.2126	44,284,639.87	99,634,014.07	0.2074	20,664,094.52
Other receivables						
Including: USD	27,344.46	7.1884	196,562.92	27,587.47	7.0827	195,393.77
EUR	9,817.50	7.5257	73,883.56	9,817.50	7.8592	77,157.70
JPY	6,043,200.00	0.0462	279,377.14			
THB	214,917.41	0.2126	45,691.44	162,750.00	0.2074	33,754.35
Accounts receivable						
Including: USD	7,885,452.36	7.1884	56,683,785.75	5,915,426.90	7.0827	41,897,194.07
EUR	1,924,062.67	7.5257	14,479,918.44	1,943,588.34	7.8592	15,275,049.49
JPY	17,832.00	0.0462	824.37			
THB	20,373,813.63	0.2126	4,331,472.78	61,944.92	0.2074	12,844.98
Accounts payable						
Including: USD	46,202,814.52	7.1884	332,124,311.90	8,372,961.70	7.0827	59,303,175.83
EUR	42,062.07	7.5257	316,546.52	13,679,610.69	7.8592	107,510,796.33
THB	332,280,296.00	0.0462	15,362,314.92			
Other payables						
Including: USD						
EUR	33,150.00	7.5257	249,476.96	46,775.00	7.8592	367,614.08
Employee benefits payable						
Including: USD	14,639.99	7.1884	105,238.10	64,076.61	7.0827	453,835.41
EUR	3,867.37	7.5257	29,104.67	43,142.21	7.8592	339,063.26
JPY	13,913,138.00	0.0462	643,204.37			
THB	14,442.04	0.2126	3,070.38			

(2) Overseas operating entities

Name	Principal place of business	Functional currency	Basis of selection
Hong Kong Hangsheng Development Co., Limited	Hong Kong	USD	Transaction requirements
Hangsheng Technology GmbH	Germany	EUR	Currency of the country of domicile
HSAE JAPAN Co., Ltd.	Japan	JPY	Currency of the country of domicile
HANGSHENG ELECTRONICS (THAILAND) CO., LTD.	Thailand	THB	Currency of the country of domicile

58. Leases**(1) As lessee**

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Short-term leases	1,835,685.72	3,757,242.99	3,573,292.48	3,720,824.95
Variable lease payments not included in the measurement of lease liabilities				
Total cash outflow relating to leases	<u>237,907.07</u>	<u>8,894,752.65</u>	<u>6,486,554.62</u>	<u>10,039,385.24</u>
Total	<u>2,073,592.79</u>	<u>12,651,995.64</u>	<u>10,059,847.10</u>	<u>13,760,210.19</u>

(2) As lessor*Operating leases*

① Lease income

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Lease income	13,952,973.48	43,989,107.75	51,325,643.82	44,451,696.49
Including: Income relating to variable lease payments not included in the lease receipts				

VI. RESEARCH AND DEVELOPMENT EXPENDITURE**1. Research and development expenditure**

Item	January-April 2026		The year 2025	
	Amount expensed	Amount capitalised	Amount expensed	Amount capitalised
Employee benefits	73,470,470.46		220,727,786.51	
Outsourced research and development expenses	2,321,319.42		24,977,809.92	
Consumption of materials and fuel	8,568,627.92		35,612,708.90	
Royalties	6,003,386.05		38,717,846.05	
Depreciation and amortisation	4,854,095.44		11,849,102.86	
Travel expenses	1,719,837.58		7,650,539.31	
Lease expenses	952,355.70		3,071,077.23	
Certification fees	305,647.58		4,801,495.73	
Water and electricity charges	1,072,946.39		2,307,074.87	
Trial production and experiment expenses	758,943.97		1,980,190.63	
Consulting and technical service fees	463,108.89		1,476,096.85	
Testing fees	2,400.00		1,285,387.64	
Others	951,430.14		3,660,682.66	
Total	101,444,569.54		358,117,799.16	

(Continued from the above table)

Item	The year 2024		The year 2023	
	Amount expensed	Amount capitalised	Amount expensed	Amount capitalised
Employee benefits	278,403,700.70		224,507,417.32	
Outsourced research and development expenses	48,922,493.62		35,936,555.06	
Consumption of materials and fuel	37,209,181.55		23,419,795.70	
Royalties	26,115,047.17		23,787,389.42	
Depreciation and amortisation	11,920,175.44		9,386,217.25	
Travel expenses	14,783,674.85		19,585,935.31	
Lease expenses	7,546,345.48		1,142,775.52	
Certification fees	5,338,064.02		3,482,548.84	
Water and electricity charges	2,189,973.77		2,200,919.21	
Trial production and experiment expenses	4,544,989.26		8,035,548.59	
Consulting and technical service fees	6,621,626.14		4,759,939.90	
Testing fees	1,469,588.25		1,361,545.00	
Others	3,825,480.02		1,266,449.90	
Total	448,890,340.27		358,873,037.02	

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the group

Name of subsidiary	Registered capital	Principal			Shareholding percentage (%)		Method of acquisition
		place of business	Place of registration	Nature of business	Direct	Indirect	
Hong Kong Hangsheng Development Co., Limited	HKD1 million	Hong Kong	Hong Kong	Trading	100.00	–	Acquired through establishment or investment
Hangsheng Technology GmbH	EUR 500,000	Berlin, Germany	Berlin, Germany	Trading	–	100.00	Acquired through establishment or investment

APPENDIX II

ACCOUNTANTS' REPORT ON THE HANGSHENG ELECTRONICS GROUP

Name of subsidiary	Registered capital	Principal	Place of registration	Nature of business	Shareholding percentage (%)		Method of acquisition
		place of business			Direct	Indirect	
Shenzhen Hangsheng Cheyun Technology Co., Ltd.	RMB30 million	Shenzhen	Shenzhen	Trading services, research and development	45.00	–	Acquired through establishment or investment
Yangzhou Hangsheng Technology Co., Ltd.	RMB10 million	Yangzhou	Yangzhou	Sales of software products, research and development	100.00	–	Acquired through establishment or investment
Yongfeng Hangsheng Electronics Co., Ltd.	RMB30 million	Ji'an	Ji'an	Automobile manufacturing	–	100.00	Acquired through establishment or investment
Jiangxi Hangsheng Electronic Technology Co., Ltd.	RMB50 million	Ji'an	Ji'an	Automobile manufacturing	100.00	–	Acquired through establishment or investment
Hebi Hangsheng Automotive Electronics Technology Co., Ltd.	RMB50 million	Hebi, Henan	Hebi, Henan	Automobile manufacturing	100.00	–	Acquired through establishment or investment
Jilin Hangsheng Electronics Co., Ltd.	RMB21.2 million	Jilin City	Jilin City	Automobile manufacturing	100.00	–	Acquired through business combination not under common control
Shenzhen Hangsheng New Energy Co., Ltd.	RMB50 million	Shenzhen	Shenzhen	Trading	100.00	–	Acquired through establishment or investment
Shenzhen Yuebailing Technology Co., Ltd.	RMB2 million	Shenzhen	Shenzhen	Wholesale and retail trade	–	100.00	Acquired through establishment or investment
Chengdu Hangsheng Zhixing Technology Co., Ltd.	RMB10 million	Chengdu	Chengdu	Sales of software products, research and development	100.00	–	Acquired through establishment or investment

APPENDIX II

ACCOUNTANTS' REPORT ON THE HANGSHENG ELECTRONICS GROUP

Name of subsidiary	Registered capital	Principal	Place of registration	Nature of business	Shareholding percentage (%)		Method of acquisition
		place of business			Direct	Indirect	
Wuhan Hangsheng Automotive Electronics Co., Ltd.	RMB10 million	Wuhan	Wuhan	Automobile manufacturing	100.00	–	Acquired through establishment or investment
Shanghai Hangsheng Zhixing Electronic Technology Development Co., Ltd.	RMB10 million	Shanghai	Shanghai	Automobile manufacturing	100.00	–	Acquired through establishment or investment
Suzhou Hangsheng New Energy Co., Ltd.	RMB80 million	Changshu	Changshu	Automobile manufacturing	–	100.00	Acquired through establishment or investment
HANGSHENG ELECTRONICS (THAILAND) CO., LTD.	THB 100 million	Thailand	Thailand	Trading	–	100.00	Acquired through establishment or investment
HSAE JAPAN Co., Ltd.	JPY 9 million	Japan	Japan	Trading	–	100.00	Acquired through establishment or investment
Jiangxi Hangsheng Automotive Acoustics Technology Co., Ltd.	RMB50 million	Ji'an	Ji'an	Automobile manufacturing	100.00	–	Acquired through establishment or investment
Hangxinda (Guangdong) Technology Co., Ltd.	RMB20 million	Sihui	Sihui	Automobile manufacturing	–	51.00	Acquired through establishment or investment
Jiangxi Hangxing Optoelectronics Technology Co., Ltd.	RMB50 million	Ji'an	Ji'an	Automobile manufacturing	100.00		Acquired through establishment or investment
Suzhou Hangsheng Autoliv Automotive Electronics Co., Ltd.	USD 10 million	Changshu	Changshu	Automobile manufacturing		60.00	Acquired through establishment or investment

Note: Ms. Feng Jiaxiong and Mrs. Ulrike Johanna Martha Sebon each hold 1% of the shares of HANGSHENG ELECTRONICS (THAILAND) CO., LTD. on behalf of Hong Kong Hangsheng Development Co., Limited; therefore, Hong Kong Hangsheng Development Co., Limited holds 100% of the shares of HANGSHENG ELECTRONICS (THAILAND) CO., LTD.

(2) Changes in the scope of consolidation resulting from other reasons

On 23 August 2024, the Company newly established a second-tier subsidiary, Hangxinda (Guangdong) Technology Co., Ltd., with a shareholding percentage of 51%, registered capital of RMB20 million and paid-in capital of RMB0, which was included in the scope of consolidation in 2024. On 7 November 2025, the deregistration of the second-tier subsidiary Hangxinda (Guangdong) Technology Co., Ltd. was approved by the Sihui Municipal Administration for Market Regulation.

On 13 April 2026, the Company newly established a subsidiary, Jiangxi Hangxing Optoelectronics Technology Co., Ltd., with a shareholding percentage of 100%, registered capital of RMB50 million and paid-in capital of RMB0, which was included in the scope of consolidation in 2026.

On 27 March 2026, the Company newly established a second-tier subsidiary, Suzhou Hangsheng Autoliv Automotive Electronics Co., Ltd., with a shareholding percentage of 60%, registered capital of USD10 million and paid-in capital of USD0, which was included in the scope of consolidation in 2026.

2. Interests in joint arrangements or associates**(1) Associates**

Name of associate	Principal place of business	Place of registration	Nature of business	Shareholding percentage (%)		Accounting method for investments in associates
				Direct	Indirect	
Associates						
Shenzhen Hangsheng Circuit Technology Co., Ltd.	Shenzhen, Guangdong Province	Shenzhen, Guangdong Province	Research and development, production and sale of circuit boards	20%		Equity method
Zhixin Control System Co., Ltd.	Wuhan, Hubei Province	Wuhan, Hubei Province	Manufacture of automobile parts and accessories	6.47%		Equity method

(2) Summarised financial information of associates

Item	30 April 2026/ January-April 2026	31 December 2025/ the year 2025
Associates:		
Total carrying amount of investments	25,495,333.26	25,344,330.59
Total of the following items calculated in proportion to the shareholding		
Net profit	151,002.67	3,928,561.91
Other comprehensive income		
Total comprehensive income	151,002.67	3,928,561.91

(Continued from the above table)

Item	31 December 2024/ the year 2024	31 December 2023/ the year 2023
Associates:		
Total carrying amount of investments	21,415,768.68	19,956,423.31
Total of the following items calculated in proportion to the shareholding		
Net profit	1,459,345.37	1,441,762.13
Other comprehensive income		
Total comprehensive income	1,459,345.37	1,441,762.13

VIII. GOVERNMENT GRANTS**1. Government grants recognised in deferred income**

Type	31 December 2025	Increase in the current period	Decrease in the current period	30 April 2026	Reason for recognition
Jilin High-tech Industrial Development Zone Land Acquisition and Reserve Centre	4,994,057.70		116,274.88	4,877,782.82	Related to assets
Digital upgrading of intelligent manufacturing of intelligent connected vehicle-mounted terminal products	1,157,353.18		81,579.08	1,075,774.10	Related to assets

Type	31 December 2025	Increase in the current period	Decrease in the current period	30 April 2026	Reason for recognition
Fixed asset subsidy – provincial funds for industrial development allocated under Ji Cai Jian Zhi [2024] No. 1//2150599 – Other industries	2,078,968.78		137,339.28	1,941,629.50	Related to assets
Digital transformation project for the production of vehicle-mounted audio and video entertainment systems with an annual output of 4 million sets	249,266.36		17,190.76	232,075.60	Related to assets
Ji Cai Jian Zhi [2025] No. 32 – 2025 Jiangxi Province special fund for industrial development – digital intelligence	980,629.39		77,482.44	903,146.95	Related to assets
Ji Cai Jian Zhi [2025] No. 29 – 2025 provincial special fund for industrial science and technology development	490,314.70		38,741.20	451,573.50	Related to assets/ income
Research project on key technologies for intelligent cockpits driven by cloud-integrated AI engines	14,655.97		4,885.32	9,770.65	Related to assets/ income
2016 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	206,912.23		34,485.36	172,426.87	Related to assets
Vehicle-mounted cockpit system project based on all-scenario interconnection	1,057,299.75		90,021.64	967,278.11	Related to assets/ income
Industrialisation project for automotive domain controllers based on domestic platforms	249,358.64		72,527.55	176,831.09	Related to assets
Funding for phase II technical transformation of the automated production line for vehicle-mounted high-definition fully laminated liquid crystal displays	735,244.13		95,671.12	639,573.01	Related to assets

Type	31 December 2025	Increase in the current period	Decrease in the current period	30 April 2026	Reason for recognition
Hangsheng Electronics research and development and intelligent manufacturing collaborative transformation, upgrading and application project	21,044.53		10,177.46	10,867.07	Related to assets
Funding under the second batch of the 2022 support plan for enterprise technical transformation projects	139,533.74		18,199.00	121,334.74	Related to assets
2017 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	181,025.36		30,170.96	150,854.40	Related to assets
Hangsheng Electronics research and development and intelligent manufacturing benchmark enterprise project	939,674.25		277,847.76	661,826.49	Related to assets
2025 Bao'an District project for promoting the development of the intelligent connected vehicle industry	11,062,036.34		414,878.64	10,647,157.70	Related to assets/ income
Digital and intelligent transformation project for the production line of intelligent domain controllers for new energy vehicles	1,760,000.00			1,760,000.00	Related to assets
Government renovation support funds	2,331,000.00		86,333.32	2,244,666.68	Related to assets
Li Auto automotive electronics project	10,954,987.83		1,633.00	10,953,354.83	Related to assets
2015 research and development project on key technologies for vehicle control units of new energy vehicles	456,527.42		152,175.76	304,351.66	Related to assets/ income
2016 Hangsheng innovation capability building – research and development project for vehicle-mounted intelligent hardware and cloud platform	304,264.37		38,210.96	266,053.41	Related to assets/ income
Automotive DVR project for the Japanese market	643,859.09		53,655.20	590,203.89	Related to assets/ income
Total	<u>41,008,013.76</u>	<u>–</u>	<u>1,849,480.69</u>	<u>39,158,533.07</u>	/

(Continued from the above table)

Type	31 December 2024	Increase in the current period	Decrease in the current period	31 December 2025	Reason for recognition
Jilin High-tech Industrial Development Zone Land Acquisition and Reserve Centre	5,436,121.86		442,064.16	4,994,057.70	Related to assets
Special fund subsidy for renovation	96,185.41		96,185.41	–	Related to assets
Digital upgrading of intelligent manufacturing of intelligent connected vehicle-mounted terminal products	1,402,303.38		244,950.20	1,157,353.18	Related to assets
Fixed asset subsidy – provincial funds for industrial development allocated under Ji Cai Jian Zhi [2024] No. 1//2150599 – Other industries	2,490,986.62		412,017.84	2,078,968.78	Related to assets
Digital transformation project for the production of vehicle-mounted audio and video entertainment systems with an annual output of 4 million sets	315,174.64		65,908.28	249,266.36	Related to assets
Ji Cai Jian Zhi [2025] No. 32 – 2025 Jiangxi Province special fund for industrial development – digital intelligence		1,000,000.00	19,370.61	980,629.39	Related to assets
Ji Cai Jian Zhi [2025] No. 29 – 2025 provincial special fund for industrial science and technology development		500,000.00	9,685.30	490,314.70	Related to assets/ income
Research project on key technologies for intelligent cockpits driven by cloud- integrated AI engines	29,311.81		14,655.84	14,655.97	Related to assets/ income
Vehicle-mounted digital power amplifier project based on the MOST bus	23,661.24		23,661.24	–	Related to assets/ income

Type	31 December 2024	Increase in the current period	Decrease in the current period	31 December 2025	Reason for recognition
2017 industrialisation project for BAIC mobile phone interconnection achievements	11,218.95		11,218.95	–	Related to assets
2016 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	310,368.31		103,456.08	206,912.23	Related to assets
Vehicle-mounted cockpit system project based on all-scenario interconnection	1,327,364.67		270,064.92	1,057,299.75	Related to assets/ income
Industrialisation project for automotive domain controllers based on domestic platforms	517,084.56		267,725.92	249,358.64	Related to assets
Funding for phase II technical transformation of the automated production line for vehicle-mounted high-definition fully laminated liquid crystal displays	1,022,257.49		287,013.36	735,244.13	Related to assets
Hangsheng Electronics research and development and intelligent manufacturing collaborative transformation, upgrading and application project	194,277.32		173,232.79	21,044.53	Related to assets
Funding under the second batch of the 2022 support plan for enterprise technical transformation projects	194,130.74		54,597.00	139,533.74	Related to assets
2017 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	271,538.24		90,512.88	181,025.36	Related to assets

Type	31 December 2024	Increase in the current period	Decrease in the current period	31 December 2025	Reason for recognition
Hangsheng Electronics research and development and intelligent manufacturing benchmark enterprise project	1,843,089.95		903,415.70	939,674.25	Related to assets
2025 Bao'an District project for promoting the development of the intelligent connected vehicle industry		11,165,756.00	103,719.66	11,062,036.34	Related to assets/ income
Digital and intelligent transformation project for the production line of intelligent domain controllers for new energy vehicles		1,760,000.00		1,760,000.00	Related to assets
Government renovation support funds		2,590,000.00	259,000.00	2,331,000.00	Related to assets
Li Auto automotive electronics project	12,530,624.24		1,575,636.41	10,954,987.83	Related to assets
2015 research and development project on key technologies for vehicle control units of new energy vehicles	913,054.70		456,527.28	456,527.42	Related to assets/ income
2016 Hangsheng innovation capability building – research and development project for vehicle-mounted intelligent hardware and cloud platform	418,897.25		114,632.88	304,264.37	Related to assets/ income
Automotive DVR project for the Japanese market	804,824.69		160,965.60	643,859.09	Related to assets/ income
Total	<u>30,152,476.07</u>	<u>17,015,756.00</u>	<u>6,160,218.31</u>	<u>41,008,013.76</u>	/

(Continued from the above table)

Type	31 December 2023	Increase in the current period	Decrease in the current period	31 December 2024	Reason for recognition
Jilin High-tech Industrial Development Zone Land Acquisition and Reserve Centre	5,934,498.22		498,376.36	5,436,121.86	Related to assets
Special fund subsidy for renovation	288,556.33		192,370.92	96,185.41	Related to assets
Digital upgrading of intelligent manufacturing of intelligent connected vehicle-mounted terminal products	1,653,799.93		251,496.55	1,402,303.38	Related to assets
Digital transformation project for the production of vehicle-mounted audio and video entertainment systems with an annual output of 4 million sets	383,950.95		68,776.31	315,174.64	Related to assets
Fixed asset subsidy – provincial funds for industrial development allocated under Ji Cai Jian Zhi [2024] No. 1//2150599 – Other industries		2,800,000.00	309,013.38	2,490,986.62	Related to assets
Research project on key technologies for intelligent cockpits driven by cloud- integrated AI engines	58,574.00		29,262.19	29,311.81	Related to assets/ income
Research, development and application demonstration project for vehicle- mounted information terminals	958,855.93		958,855.93	–	Related to assets/ income
Shenzhen Beidou vehicle-mounted terminal technology engineering laboratory project	76,597.47		76,597.47	–	Related to assets
Advanced driver assistance system (ADAS) project	2,804.77		2,804.77		Related to assets/ income
Research and development project for idle start-stop systems of new energy vehicles	7,569.01		7,569.01		Related to assets/ income

Type	31 December 2023	Increase in the current period	Decrease in the current period	31 December 2024	Reason for recognition
Construction project for the key laboratory of control electronics for energy-saving and new energy vehicles	5,597.84		5,597.84		Related to assets/ income
Project for the construction of the Guangdong Province digital broadcasting demonstration network based on DRA audio coding and the development of receiving terminals	5,268.69		5,268.69		Related to assets/ income
Vehicle-mounted digital power amplifier project based on the MOST bus	52,054.44		28,393.20	23,661.24	Related to assets
2015 research and development project on key technologies for vehicle control units of new energy vehicles	1,369,581.98		456,527.28	913,054.70	Related to assets/ income
2015 project for the technology and capacity enhancement of vehicle-mounted multimedia products	24,653.48		24,653.48	–	Related to assets
2016 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	437,488.61		127,120.30	310,368.31	Related to assets/ income
2016 Hangsheng innovation capability building – research and development project for vehicle-mounted intelligent hardware and cloud platform	533,530.13		114,632.88	418,897.25	Related to assets/ income
2017 industrialisation project for BAIC mobile phone interconnection achievements	32,188.83		20,969.88	11,218.95	Related to assets/ income
2018 research project on key technologies for automotive active safety image processing based on deep learning	21,551.76		21,551.76	–	Related to assets/ income
2017 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	362,051.11		90,512.87	271,538.24	Related to assets/ income

Type	31 December 2023	Increase in the current period	Decrease in the current period	31 December 2024	Reason for recognition
Vehicle-mounted cockpit system project based on all-scenario interconnection	1,597,429.67		270,065.00	1,327,364.67	Related to assets
Funding for phase II technical transformation of the automated production line for vehicle-mounted high-definition fully laminated liquid crystal displays	1,309,270.85		287,013.36	1,022,257.49	Related to assets
Automotive DVR project for the Japanese market	984,914.67		180,089.98	804,824.69	Related to assets/ income
Funding under the second batch of the 2022 support plan for enterprise technical transformation projects	248,727.74		54,597.00	194,130.74	Related to assets
Industrialisation project for automotive domain controllers based on domestic platforms	981,106.89		464,022.33	517,084.56	Related to assets/ income
Hangsheng Electronics research and development and intelligent manufacturing collaborative transformation, upgrading and application project	612,814.23		418,536.91	194,277.32	Related to assets/ income
Hangsheng Electronics research and development and intelligent manufacturing benchmark enterprise project		2,000,000.00	156,910.05	1,843,089.95	Related to assets
Li Auto automotive electronics project	12,702,424.85		171,800.61	12,530,624.24	Related to assets
Total	<u>30,645,862.38</u>	<u>4,800,000.00</u>	<u>5,293,386.31</u>	<u>30,152,476.07</u>	/

(Continued from the above table)

Type	31 December 2022	Increase in the current period	Decrease in the current period	31 December 2023	Reason for recognition
Special fund subsidy for renovation	480,927.25	–	192,370.92	288,556.33	Related to assets
Jilin High-tech Industrial Development Zone Land Acquisition and Reserve Centre	6,438,931.63	–	504,433.41	5,934,498.22	Related to assets
Digital upgrading of intelligent manufacturing of intelligent connected vehicle-mounted terminal products	1,971,681.84	–	317,881.91	1,653,799.93	Related to assets
Digital transformation project for the production of vehicle-mounted audio and video entertainment systems with an annual output of 4 million sets	459,385.37	–	75,434.42	383,950.95	Related to assets
Research, development and application demonstration project for vehicle- mounted information terminals	3,897,548.67	–	2,938,692.74	958,855.93	Related to assets/ income
Shenzhen Beidou vehicle-mounted terminal technology engineering laboratory project	461,455.28	–	384,857.81	76,597.47	Related to assets
Advanced driver assistance system (ADAS) project	52,446.95	–	49,642.18	2,804.77	Related to assets/ income
Research and development project for idle start-stop systems of new energy vehicles	99,962.37	–	92,393.36	7,569.01	Related to assets/ income
Construction project for the key laboratory of control electronics for energy-saving and new energy vehicles	89,012.65	–	83,414.81	5,597.84	Related to assets/ income
Project for the construction of the Guangdong Province digital broadcasting demonstration network based on DRA audio coding and the development of receiving terminals	68,494.41	–	63,225.72	5,268.69	Related to assets/ income

Type	31 December 2022	Increase in the current period	Decrease in the current period	31 December 2023	Reason for recognition
Vehicle-mounted digital power amplifier project based on the MOST bus	80,447.52	–	28,393.08	52,054.44	Related to assets
2015 research and development project on key technologies for vehicle control units of new energy vehicles	1,826,109.26	–	456,527.28	1,369,581.98	Related to assets/ income
2015 project for the technology and capacity enhancement of vehicle-mounted multimedia products	95,253.28	–	70,599.80	24,653.48	Related to assets
2016 city-level smart parking application demonstration project based on Internet of Vehicles technology (municipal level)	–	450,000.00	450,000.00	–	Related to assets/ income
2016 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	849,234.43	–	411,745.82	437,488.61	Related to assets/ income
2016 Hangsheng innovation capability building – research and development project for vehicle-mounted intelligent hardware and cloud platform	831,894.39	–	298,364.26	533,530.13	Related to assets/ income
2017 industrialisation project for BAIC mobile phone interconnection achievements	53,158.71	–	20,969.88	32,188.83	Related to assets/ income
2018 research project on key technologies for automotive active safety image processing based on deep learning	61,091.88	–	39,540.12	21,551.76	Related to assets/ income
2014 industrialisation project for Beidou satellite navigation in the OEM market	291,098.97	–	291,098.97	–	Related to assets
2017 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	452,563.99	–	90,512.88	362,051.11	Related to assets/ income
Vehicle-mounted cockpit system project based on all-scenario interconnection	1,867,494.59	–	270,064.92	1,597,429.67	Related to assets

Type	31 December 2022	Increase in the current period	Decrease in the current period	31 December 2023	Reason for recognition
Funding for phase II technical transformation of the automated production line for vehicle-mounted high-definition fully laminated liquid crystal displays	1,704,585.77	–	395,314.92	1,309,270.85	Related to assets
Automotive DVR project for the Japanese market	1,184,123.43	–	199,208.76	984,914.67	Related to assets/ income
Funding under the second batch of the 2022 support plan for enterprise technical transformation projects	552,143.95	–	303,416.21	248,727.74	Related to assets
Industrialisation project for automotive domain controllers based on domestic platforms	–	2,100,000.00	1,118,893.11	981,106.89	Related to assets/ income
Hangsheng Electronics research and development and intelligent manufacturing collaborative transformation, upgrading and application project	–	990,000.00	377,185.77	612,814.23	Related to assets/ income
Research project on key technologies for intelligent cockpits driven by cloud-integrated AI engines	200,000.00		141,426.00	58,574.00	Related to assets/ income
Li Auto automotive electronics project		13,000,000.00	297,575.15	12,702,424.85	Related to assets
Total	<u>24,069,046.59</u>	<u>16,540,000.00</u>	<u>9,963,184.21</u>	<u>30,645,862.38</u>	/

(1) Government grants recognised in deferred income and subsequently measured using the gross method

Type	31 December 2025	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	30 April 2026	Line item of presentation for the amount transferred to profit or loss in the current period
Government grants related to assets:						
Jilin High-tech Industrial Development Zone Land Acquisition and Reserve Centre	4,994,057.70		116,274.88		4,877,782.82	Other income
Special fund subsidy for renovation	–				–	Other income
Digital upgrading of intelligent manufacturing of intelligent connected vehicle-mounted terminal products	1,157,353.18		81,579.08		1,075,774.10	Other income
Fixed asset subsidy – provincial funds for industrial development allocated under Ji Cai Jian Zhi [2024] No. 1//2150599 – Other industries	2,078,968.78		137,339.28		1,941,629.50	Other income
Digital transformation project for the production of vehicle-mounted audio and video entertainment systems with an annual output of 4 million sets	249,266.36		17,190.76		232,075.60	Other income
Ji Cai Jian Zhi [2025] No. 32 – 2025 Jiangxi Province special fund for industrial development – digital intelligence	980,629.39		77,482.44		903,146.95	Other income
Ji Cai Jian Zhi [2025] No. 29 – 2025 provincial special fund for industrial science and technology development	490,314.70		38,741.20		451,573.50	Other income

Type	31 December 2025	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	30 April 2026	Line item of presentation for the amount transferred to profit or loss in the current period
Research project on key technologies for intelligent cockpits driven by cloud-integrated AI engines	14,655.97		4,885.32		9,770.65	Other income
2016 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	206,912.23		34,485.36		172,426.87	Other income
Vehicle-mounted cockpit system project based on all-scenario interconnection	1,057,299.75		90,021.64		967,278.11	Other income
Industrialisation project for automotive domain controllers based on domestic platforms	249,358.64		72,527.55		176,831.09	Other income
Funding for phase II technical transformation of the automated production line for vehicle-mounted high-definition fully laminated liquid crystal displays	735,244.13		95,671.12		639,573.01	Other income
Hangsheng Electronics research and development and intelligent manufacturing collaborative transformation, upgrading and application project	21,044.53		10,177.46		10,867.07	Other income
Funding under the second batch of the 2022 support plan for enterprise technical transformation projects	139,533.74		18,199.00		121,334.74	Other income
2017 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	181,025.36		30,170.96		150,854.40	Other income

Type	31 December 2025	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	30 April 2026	Line item of presentation for the amount transferred to profit or loss in the current period
Hangsheng Electronics research and development and intelligent manufacturing benchmark enterprise project	939,674.25		277,847.76		661,826.49	Other income
2025 Bao'an District project for promoting the development of the intelligent connected vehicle industry	11,062,036.34		414,878.64		10,647,157.70	Other income
Digital and intelligent transformation project for the production line of intelligent domain controllers for new energy vehicles	1,760,000.00				1,760,000.00	Other income
Government renovation support funds	2,331,000.00		86,333.32		2,244,666.68	Other income
Li Auto automotive electronics project	10,954,987.83		1,633.00		10,953,354.83	Other income
2015 research and development project on key technologies for vehicle control units of new energy vehicles	456,527.42		152,175.76		304,351.66	Other income
2016 Hangsheng innovation capability building – research and development project for vehicle-mounted intelligent hardware and cloud platform	304,264.37		38,210.96		266,053.41	Other income
Automotive DVR project for the Japanese market	643,859.09		53,655.20		590,203.89	Other income
Total	41,008,013.76	–	1,849,480.69	–	39,158,533.07	/

(Continued from the above table)

Type	31 December 2024	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	31 December 2025	Line item of presentation for the amount transferred to profit or loss in the current period
Government grants related to assets:						
Jilin High-tech Industrial Development Zone Land Acquisition and Reserve Centre	5,436,121.86		442,064.16		4,994,057.70	Other income
Special fund subsidy for renovation	96,185.41		96,185.41		–	Other income
Digital upgrading of intelligent manufacturing of intelligent connected vehicle-mounted terminal products	1,402,303.38		244,950.20		1,157,353.18	Other income
Fixed asset subsidy – provincial funds for industrial development allocated under Ji Cai Jian Zhi [2024] No. 1//2150599 – Other industries	2,490,986.62		412,017.84		2,078,968.78	Other income
Digital transformation project for the production of vehicle-mounted audio and video entertainment systems with an annual output of 4 million sets	315,174.64		65,908.28		249,266.36	Other income
Ji Cai Jian Zhi [2025] No. 32 – 2025 Jiangxi Province special fund for industrial development – digital intelligence		1,000,000.00	19,370.61		980,629.39	Other income
Ji Cai Jian Zhi [2025] No. 29 – 2025 provincial special fund for industrial science and technology development		500,000.00	9,685.30		490,314.70	Other income
Research project on key technologies for intelligent cockpits driven by cloud-integrated AI engines	29,311.81		14,655.84		14,655.97	Other income

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Type	31 December 2024	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	31 December 2025	Line item of presentation for the amount transferred to profit or loss in the current period
Vehicle-mounted digital power amplifier project based on the MOST bus	23,661.24		23,661.24		–	Other income
2015 project for the technology and capacity enhancement of vehicle-mounted multimedia products	-0.03		-0.03		–	Other income
2017 industrialisation project for BAIC mobile phone interconnection achievements	11,218.95		11,218.95		–	Other income
2016 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	310,368.31		103,456.08		206,912.23	Other income
Vehicle-mounted cockpit system project based on all-scenario interconnection	1,327,364.67		270,064.92		1,057,299.75	Other income
Industrialisation project for automotive domain controllers based on domestic platforms	517,084.56		267,725.92		249,358.64	Other income
Funding for phase II technical transformation of the automated production line for vehicle-mounted high-definition fully laminated liquid crystal displays	1,022,257.49		287,013.36		735,244.13	Other income
Hangsheng Electronics research and development and intelligent manufacturing collaborative transformation, upgrading and application project	194,277.32		173,232.79		21,044.53	Other income
Funding under the second batch of the 2022 support plan for enterprise technical transformation projects	194,130.74		54,597.00		139,533.74	Other income

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Type	31 December 2024	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	31 December 2025	Line item of presentation for the amount transferred to profit or loss in the current period
2017 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	271,538.24		90,512.88		181,025.36	Other income
Hangsheng Electronics research and development and intelligent manufacturing benchmark enterprise project	1,843,089.98		903,415.73		939,674.25	Other income
2025 Bao'an District project for promoting the development of the intelligent connected vehicle industry		11,165,756.00	103,719.66		11,062,036.34	Other income
Digital and intelligent transformation project for the production line of intelligent domain controllers for new energy vehicles		1,760,000.00			1,760,000.00	Other income
Government renovation support funds		2,590,000.00	259,000.00		2,331,000.00	Other income
Li Auto automotive electronics project	12,530,624.24		1,575,636.41		10,954,987.83	Other income
2015 research and development project on key technologies for vehicle control units of new energy vehicles	913,054.70		456,527.28		456,527.42	Other income
2016 Hangsheng innovation capability building – research and development project for vehicle- mounted intelligent hardware and cloud platform	418,897.25		114,632.88		304,264.37	Other income
Automotive DVR project for the Japanese market	804,824.69		160,965.60		643,859.09	Other income
Total	30,152,476.07	17,015,756.00	6,160,218.31	-	41,008,013.76	/

(Continued from the above table)

Type	31 December 2023	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	31 December 2024	Line item of presentation for the amount transferred to profit or loss in the current period
Government grants related to assets:						
Jilin High-tech Industrial Development Zone Land Acquisition and Reserve Centre	5,934,498.22		498,376.36		5,436,121.86	Other income
Special fund subsidy for renovation	288,556.33		192,370.92		96,185.41	Other income
Digital upgrading of intelligent manufacturing of intelligent connected vehicle-mounted terminal products	1,653,799.93		251,496.55		1,402,303.38	Other income
Digital transformation project for the production of vehicle-mounted audio and video entertainment systems with an annual output of 4 million sets	383,950.95		68,776.31		315,174.64	Other income
Fixed asset subsidy – provincial funds for industrial development allocated under Ji Cai Jian Zhi [2024] No. 1//2150599 – Other industries		2,800,000.00	309,013.38		2,490,986.62	Other income
Research project on key technologies for intelligent cockpits driven by cloud-integrated AI engines	58,574.00		29,262.19		29,311.81	Other income
Research, development and application demonstration project for vehicle-mounted information terminals	958,855.93		958,855.93		–	Other income
Shenzhen Beidou vehicle-mounted terminal technology engineering laboratory project	76,597.47		76,597.47		–	Other income
Advanced driver assistance system (ADAS) project	2,804.77		2,804.77		–	Other income
Research and development project for idle start-stop systems of new energy vehicles	7,569.01		7,569.01		–	Other income

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Type	31 December 2023	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	31 December 2024	Line item of presentation for the amount transferred to profit or loss in the current period
Construction project for the key laboratory of control electronics for energy-saving and new energy vehicles	5,597.84		5,597.84		–	Other income
Project for the construction of the Guangdong Province digital broadcasting demonstration network based on DRA audio coding and the development of receiving terminals	5,268.69		5,268.69		–	Other income
Vehicle-mounted digital power amplifier project based on the MOST bus	52,054.44		28,393.20		23,661.24	Other income
2015 research and development project on key technologies for vehicle control units of new energy vehicles	1,369,581.98		456,527.28		913,054.70	Other income
2015 project for the technology and capacity enhancement of vehicle-mounted multimedia products	24,653.48		24,653.48		–	Other income
2016 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	437,488.61		127,120.30		310,368.31	Other income
2016 Hangsheng innovation capability building – research and development project for vehicle-mounted intelligent hardware and cloud platform	533,530.13		114,632.88		418,897.25	Other income
2017 industrialisation project for BAIC mobile phone interconnection achievements	32,188.83		20,969.88		11,218.95	Other income
2018 research project on key technologies for automotive active safety image processing based on deep learning	21,551.76		21,551.76		–	Other income

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Type	31 December 2023	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	31 December 2024	Line item of presentation for the amount transferred to profit or loss in the current period
2017 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	362,051.11		90,512.87		271,538.24	Other income
Vehicle-mounted cockpit system project based on all-scenario interconnection	1,597,429.67		270,065.00		1,327,364.67	Other income
Funding for phase II technical transformation of the automated production line for vehicle- mounted high-definition fully laminated liquid crystal displays	1,309,270.85		287,013.36		1,022,257.49	Other income
Automotive DVR project for the Japanese market	984,914.67		180,089.98		804,824.69	Other income
Funding under the second batch of the 2022 support plan for enterprise technical transformation projects	248,727.74		54,597.00		194,130.74	Other income
Industrialisation project for automotive domain controllers based on domestic platforms	981,106.89		464,022.33		517,084.56	Other income
Hangsheng Electronics research and development and intelligent manufacturing collaborative transformation, upgrading and application project	612,814.23		418,536.91		194,277.32	Other income
Hangsheng Electronics research and development and intelligent manufacturing benchmark enterprise project		2,000,000.00	156,910.05		1,843,089.95	Other income
Li Auto automotive electronics project	12,702,424.85		171,800.61		12,530,624.24	Other income
Total	30,645,862.38	4,800,000.00	5,293,386.31	-	30,152,476.07	/

(Continued from the above table)

Type	31 December 2022	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	31 December 2023	Line item of presentation for the amount transferred to profit or loss in the current period
Government grants related to assets:						
Special fund subsidy for renovation	480,927.25	–	192,370.92		288,556.33	Other income
Jilin High-tech Industrial Development Zone Land Acquisition and Reserve Centre	6,438,931.63	–	504,433.41		5,934,498.22	Other income
Digital upgrading of intelligent manufacturing of intelligent connected vehicle-mounted terminal products	1,971,681.84	–	317,881.91		1,653,799.93	Other income
Digital transformation project for the production of vehicle-mounted audio and video entertainment systems with an annual output of 4 million sets	459,385.37	–	75,434.42		383,950.95	Other income
Research, development and application demonstration project for vehicle-mounted information terminals	3,897,548.67	–	2,938,692.74		958,855.93	Other income
Shenzhen Beidou vehicle-mounted terminal technology engineering laboratory project	461,455.28	–	384,857.81		76,597.47	Other income
Advanced driver assistance system (ADAS) project	52,446.95	–	49,642.18		2,804.77	Other income
Research and development project for idle start-stop systems of new energy vehicles	99,962.37	–	92,393.36		7,569.01	Other income
Construction project for the key laboratory of control electronics for energy-saving and new energy vehicles	89,012.65	–	83,414.81		5,597.84	Other income

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Type	31 December 2022	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	31 December 2023	Line item of presentation for the amount transferred to profit or loss in the current period
Project for the construction of the Guangdong Province digital broadcasting demonstration network based on DRA audio coding and the development of receiving terminals	68,494.41	–	63,225.72		5,268.69	Other income
Vehicle-mounted digital power amplifier project based on the MOST bus	80,447.52	–	28,393.08		52,054.44	Other income
2015 research and development project on key technologies for vehicle control units of new energy vehicles	1,826,109.26	–	456,527.28		1,369,581.98	Other income
2015 project for the technology and capacity enhancement of vehicle-mounted multimedia products	95,253.28	–	70,599.80		24,653.48	Other income
2016 city-level smart parking application demonstration project based on Internet of Vehicles technology (municipal level)	–	450,000.00	450,000.00		–	Other income
2016 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	849,234.43	–	411,745.82		437,488.61	Other income
2016 Hangsheng innovation capability building – research and development project for vehicle-mounted intelligent hardware and cloud platform	831,894.39	–	298,364.26		533,530.13	Other income
2017 industrialisation project for BAIC mobile phone interconnection achievements	53,158.71	–	20,969.88		32,188.83	Other income
2018 research project on key technologies for automotive active safety image processing based on deep learning	61,091.88	–	39,540.12		21,551.76	Other income

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Type	31 December 2022	Amount of new grants in the current period	Amount transferred to profit or loss in the current period	Other changes	31 December 2023	Line item of presentation for the amount transferred to profit or loss in the current period
2014 industrialisation project for Beidou satellite navigation in the OEM market	291,098.97	–	291,098.97		–	Other income
2017 industrial design centre project of Shenzhen Hangsheng Electronics Co., Ltd.	452,563.99	–	90,512.88		362,051.11	Other income
Vehicle-mounted cockpit system project based on all-scenario interconnection	1,867,494.59	–	270,064.92		1,597,429.67	Other income
Funding for phase II technical transformation of the automated production line for vehicle-mounted high-definition fully laminated liquid crystal displays	1,704,585.77	–	395,314.92		1,309,270.85	Other income
Automotive DVR project for the Japanese market	1,184,123.43	–	199,208.76		984,914.67	Other income
Funding under the second batch of the 2022 support plan for enterprise technical transformation projects	552,143.95	–	303,416.21		248,727.74	Other income
Industrialisation project for automotive domain controllers based on domestic platforms	–	2,100,000.00	1,118,893.11		981,106.89	Other income
Hangsheng Electronics research and development and intelligent manufacturing collaborative transformation, upgrading and application project	–	990,000.00	377,185.77		612,814.23	Other income
Research project on key technologies for intelligent cockpits driven by cloud-integrated AI engines	200,000.00		141,426.00		58,574.00	Other income
Li Auto automotive electronics project		13,000,000.00	297,575.15		12,702,424.85	Other income
Total	<u>24,069,046.59</u>	<u>16,540,000.00</u>	<u>9,963,184.21</u>	<u>–</u>	<u>30,645,862.38</u>	/

2、Government grants recognised in profit or loss for the current period using the gross method

Grant item	Amount recognised in profit or loss for January-April 2026	Line item of presentation in profit or loss for January-April 2026
Government grants related to assets		
Amortisation of deferred income	1,849,480.69	Other income
Subtotal:	1,849,480.69	/
Government grants related to income:		
Poverty alleviation subsidy	56,550.00	Other income
Start-up funding for the sixth batch of chief engineer studios in 2025	100,000.00	Other income
Job expansion subsidy	55,500.00	Other income
Award for projects funded by the special fund in the Shenzhen standards field for the year 2025	172,179.00	Other income
Job stabilisation subsidy	74,864.30	Other income
Technology benefit award for enterprises	50,000.00	Other income
Award for the cultivation of new quality productive industries	5,000,000.00	Other income
VAT refund upon collection	12,409,558.13	Other income
Subtotal	19,768,132.12	/
Total	19,768,132.12	/

(Continued from the above table)

Grant item	Amount recognised in profit or loss for the year 2025	Line item of presentation in profit or loss for the year 2025
Government grants related to assets		
Amortisation of deferred income	6,160,218.31	Other income
Subtotal:	6,160,218.31	/
Government grants related to income:		
Poverty alleviation subsidy	264,550.00	Other income
Start-up funding for the fourth batch of chief engineer studios in 2025	200,000.00	Other income
Job expansion subsidy	32,000.00	Other income
Green subsidy	1,050,000.00	Other income
Job stabilisation subsidy	778,376.22	Other income
Development special fund	5,635,600.00	Other income
Advanced enterprise award fund	55,000.00	Other income
VAT refund upon collection	19,058,710.19	Other income
Research and development investment subsidy	11,025,000.00	Other income
Digital transformation subsidy	650,000.00	Other income
Foreign trade import and export support	210,500.00	Other income
Scale subsidy	235,000.00	Other income
Industrial coordinated development award	365,900.00	Other income
Project plan for the fifth batch under the Jiangxi Province industrial development special programme in 2025	1,000,000.00	Other income
Others	1,512,287.52	Other income
Subtotal	42,072,923.93	/
Total	48,233,142.24	/

(Continued from the above table)

Grant item	Amount recognised in profit or loss for the year 2024	Line item of presentation in profit or loss for the year 2024
Government grants related to assets		
Amortisation of deferred income	5,293,386.31	Other income
Subtotal	5,293,386.31	/
Government grants related to income:		
Foreign trade import and export support	376,900.00	Other income
Award for capacity expansion and efficiency enhancement of industrial enterprises	5,253,213.00	Other income
Award for high-tech enterprises	370,000.00	Other income
Job stabilisation subsidy	870,015.16	Other income
Funding under the 2024 support programme for high- growth national high-tech enterprises of the Science and Technology Innovation Bureau of Nanshan District	400,000.00	Other income
Job expansion subsidy	32,500.00	Other income
VAT refund upon collection	17,916,955.84	Other income
Award for specialised, refined, distinctive and innovative enterprises	20,000.00	Other income
Poverty alleviation subsidy	261,300.00	Other income
Subsidy for the new energy vehicle industry cluster	30,088,260.00	Other income
Advanced enterprise award fund	510,000.00	Other income
Research and development investment subsidy	1,925,000.00	Other income
Funding for training bases jointly established by schools and enterprises	300,000.00	Other income
2024 support programme for pilot demonstration of industrial carbon peaking	500,000.00	Other income
Training subsidy	250,000.00	Other income
Subsidy of Bao'an District for promoting the development of the intelligent connected vehicle industry	420,000.00	Other income
Others	734,137.52	Other income
Subtotal	60,228,281.52	/
Total	65,521,667.83	/

(Continued from the above table)

Grant item	Amount recognised in profit or loss for the year 2023	Line item of presentation in profit or loss for the year 2023
Government grants related to assets		
Amortisation of deferred income	9,963,184.21	Other income
Subtotal	9,963,184.21	/
Government grants related to income:		
Award for capacity expansion and efficiency enhancement of industrial enterprises	9,511,644.00	Other income
Research and development investment subsidy	3,412,000.00	Other income
VAT refund upon collection	15,194,807.08	Other income
Foreign trade import and export support	1,230,290.00	Other income
Job expansion subsidy	31,500.00	Other income
Job stabilisation subsidy	477,341.77	Other income
Award for demonstration enterprises with synchronised research and development and standardisation (Grade A)	60,000.00	Other income
Industrial coordinated development award	49,286,927.00	Other income
Advanced enterprise award fund	660,000.00	Other income
Award for high-tech enterprises	150,000.00	Other income
Award fund of the Development Centre of the Chengbei Industrial Park, Hebi Economic and Technological Development Zone, for top ten taxpaying enterprises and top ten enterprises of good faith	40,000.00	Other income
Award for specialised, refined, distinctive and innovative enterprises	170,000.00	Other income
Award for outstanding contribution to economic development	50,000.00	Other income
Subsidy for the exhibition of Jiangxi's ten years of achievements in opening up at the China International Import Expo	20,000.00	Other income
Others	247,889.49	Other income
Subtotal	80,542,399.34	/
Total	90,505,583.55	/

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's principal financial instruments comprise cash at bank and on hand, notes receivable, accounts receivable, receivables financing, other receivables, non-current assets due within one year, other current assets, financial assets held for trading, investments in other equity instruments, other non-current financial assets, notes payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings and lease liabilities. Details of each financial instrument have been disclosed in the relevant notes. The risks associated with these financial instruments, and the risk management policies adopted by the Company to mitigate such risks, are set out below. The management of the Company manages and monitors these risk exposures to ensure that the above risks are controlled within defined limits.

1. Risk management objectives and policies

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and commodity price risk).

The Company's overall risk management programme addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company has established risk management policies to identify and analyse the risks to which it is exposed, to set appropriate acceptable risk levels and to design corresponding internal control procedures in order to monitor the Company's risk levels. The Company periodically reassesses these risk management policies and the related internal control systems in order to adapt to changes in market conditions or in the Company's operating activities. The internal audit department also inspects, on a regular and ad hoc basis, whether the implementation of the internal control systems complies with the risk management policies.

The Company diversifies the risks of financial instruments through appropriate diversification of investments and business portfolios, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by establishing corresponding risk management policies.

(1) Credit risk

Credit risk is the risk that a counterparty fails to perform its contractual obligations, thereby causing the Company to incur a financial loss.

The Company manages credit risk on a portfolio basis. Credit risk arises principally from bank deposits, notes receivable, accounts receivable, other receivables, long-term receivables and debt investments.

The Company's bank deposits are mainly placed with state-owned banks and other large and medium-sized listed banks, and the Company does not expect any significant credit risk in respect of its bank deposits.

In respect of notes receivable, accounts receivable, other receivables and long-term receivables, the Company has established relevant policies to control its credit risk exposure. The Company assesses the creditworthiness of customers and sets corresponding credit periods based on their financial position, credit records and other factors such as current market conditions. The Company regularly monitors customers' credit records; for customers with poor credit records, the Company adopts measures such as written demands for payment, shortening the credit period or cancelling the credit period, so as to ensure that the Company's overall credit risk remains within a controllable range.

The debtors of the Company's accounts receivable are customers distributed across different industries and regions. The Company continuously performs credit assessments of the financial position of its debtors and, where appropriate, purchases credit guarantee insurance.

The maximum credit risk exposure to which the Company is subject is the carrying amount of each financial asset in the balance sheet. The Company has not provided any other guarantees that could expose the Company to credit risk.

As at 30 April 2026, the accounts receivable from the top five customers accounted for 47.95% of the Company's total accounts receivable (31 December 2025: 51.94%; 31 December 2024: 63.15%; 31 December 2023: 50.74%); as at 30 April 2026, the other receivables from the top five debtor companies accounted for 67.91% of the Company's total other receivables (31 December 2025: 71.41%; 31 December 2024: 66.07%; 31 December 2023: 91.96%).

(2) *Liquidity risk*

Liquidity risk is the risk that the Company encounters a shortage of funds in performing obligations settled by delivering cash or other financial assets.

In managing liquidity risk, the Company maintains and monitors cash and cash equivalents at a level considered adequate by management, in order to meet the Company's operating needs and to reduce the impact of fluctuations in cash flows. The management of the Company monitors the utilisation of bank borrowings and ensures compliance with the borrowing agreements. At the same time, it obtains commitments from major financial institutions to provide sufficient standby funds to meet short-term and long-term funding requirements.

The Company raises working capital through funds generated from operating activities and from bank and other borrowings. As at 30 April 2026, the Company's unutilised bank borrowing facilities amounted to RMB2,262,366,200 (31 December 2025: RMB2,500,953,600; 31 December 2024: RMB2,246,951,800; 31 December 2023: RMB1,405,004,200).

The Company also considers negotiating with suppliers to adopt supplier financing arrangements in order to extend the payment period, or obtaining funds in advance by selling long-aged accounts receivable, so as to relieve the Company's cash flow pressure.

As at 30 April 2026, the maturity analysis of the financial liabilities and off-balance sheet guarantee items held by the Company, based on undiscounted remaining contractual cash flows, is as follows (unit: ten thousand yuan):

Item	30 April 2026			Total
	Within one year	One to five years	Over five years	
Financial liabilities:				
Short-term borrowings	24,520.98			24,520.98
Notes payable	32,340.47			32,340.47
Accounts payable	111,583.95	8,085.43		119,669.38
Other payables	1,366.85	661.07		2,027.91
Non-current liabilities due within one year	1,651.02			1,651.02
Other current liabilities (excluding deferred income)	910.75			910.75
Long-term borrowings		18,117.33		18,117.33
Lease liabilities		41.39		41.39
Total financial liabilities and contingent liabilities	172,374.02	26,905.22	–	199,279.24

As at 31 December 2025, the maturity analysis of the financial liabilities and off-balance sheet guarantee items held by the Company, based on undiscounted remaining contractual cash flows, is as follows (unit: ten thousand yuan):

Item	31 December 2025			Total
	Within one year	One to five years	Over five years	
Financial liabilities:				
Short-term borrowings	20,013.97			20,013.97
Notes payable	29,830.76			29,830.76
Accounts payable	140,229.83	7,146.03		147,375.86
Other payables	502.30	1,220.86		1,723.16
Non-current liabilities due within one year	592.97			592.97
Other current liabilities (excluding deferred income)	510.14			510.14
Long-term borrowings		17,728.16		17,728.16
Lease liabilities		113.13		113.13
Total financial liabilities and contingent liabilities	191,679.97	26,208.18	–	217,888.15

As at 31 December 2024, the maturity analysis of the financial liabilities and off-balance sheet guarantee items held by the Company, based on undiscounted remaining contractual cash flows, is as follows (unit: ten thousand yuan):

Item	31 December 2024			Total
	Within one year	One to five years	Over five years	
Financial liabilities:				
Short-term borrowings	2,505.00			2,505.00
Notes payable	25,343.42			25,343.42
Accounts payable	140,400.91	5,630.04		146,030.95
Other payables	555.35	702.70		1,258.05

Item	31 December 2024			Total
	Within one year	One to five years	Over five years	
Non-current liabilities due within one year	365.15			365.15
Other current liabilities (excluding deferred income)	5,403.50			5,403.50
Long-term borrowings		9,377.51		9,377.51
Lease liabilities		535.75		535.75
Total financial liabilities and contingent liabilities	174,573.33	16,246.00	–	190,819.33

As at 31 December 2023, the maturity analysis of the financial liabilities and off-balance sheet guarantee items held by the Company, based on undiscounted remaining contractual cash flows, is as follows (unit: ten thousand yuan):

Item	31 December 2023			Total
	Within one year	One to five years	Over five years	
Financial liabilities:				
Short-term borrowings				
Notes payable	32,493.61			32,493.61
Accounts payable	127,493.28	4,232.50		131,725.78
Other payables	876.85	677.84		1,554.69
Non-current liabilities due within one year	437.49			437.49
Other current liabilities (excluding deferred income)	812.39			812.39
Long-term borrowings				0.00
Lease liabilities		306.80		306.80
Total financial liabilities and contingent liabilities	162,113.62	5,217.14	0.00	167,330.76

The amounts of financial liabilities disclosed in the above table are undiscounted contractual cash flows and may therefore differ from the carrying amounts in the balance sheet.

(3) Market risk

Market risk of financial instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, including interest rate risk, exchange rate risk and other price risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk may arise from recognised interest-bearing financial instruments and unrecognised financial instruments (such as certain loan commitments).

The Company's interest rate risk arises principally from long-term bank borrowings. Financial liabilities at floating rates expose the Company to cash flow interest rate risk, while financial liabilities at fixed rates expose the Company to fair value interest rate risk. The Company determines the relative proportions of fixed-rate and floating-rate contracts based on the prevailing market environment, and maintains an appropriate mix of fixed-rate and floating-rate instruments through regular review and monitoring.

The Company closely monitors the impact of interest rate movements on its interest rate risk. The Company has not currently adopted any interest rate hedging policy. However, management is responsible for monitoring interest rate risk and will consider hedging significant interest rate risk when necessary. An increase in interest rates would increase the cost of newly incurred interest-bearing debt as well as the interest expense on the Company's outstanding interest-bearing debt bearing interest at floating rates, and would have a significant adverse effect on the Company's financial performance. Management will make timely adjustments in accordance with the latest market conditions, and such adjustments may include entering into interest rate swap arrangements to reduce interest rate risk.

The interest-bearing financial instruments held by the Company are as follows (unit: ten thousand yuan):

Item	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Fixed-rate financial instruments				
Financial liabilities				
Including: Short-term borrowings	24,520.98	20,013.97	2,505.00	
Financial assets				
Including: Cash at bank and on hand	7,785.53	6,832.11	8,871.43	
Total	32,306.51	26,846.08	11,376.43	—
Floating-rate financial instruments				
Financial assets				
Including: Cash at bank and on hand	35,321.82	70,339.24	44,544.46	87,828.75
Financial liabilities				
Including: Long-term borrowings	19,572.92	17,728.16	9,377.51	
Total	54,894.74	88,067.40	53,921.97	87,828.75

As at 30 April 2026, if the floating borrowing rate of long-term borrowings had risen or fallen by 50 basis points, with all other factors remaining unchanged, the Company's net profit and shareholders' equity would have decreased or increased by approximately RMB734,000 (31 December 2025: RMB664,800; 31 December 2024: RMB351,700).

Exchange rate risk

Exchange rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Exchange rate risk may arise from financial instruments denominated in a foreign currency other than the functional currency.

The Company's principal operations are located within China and its principal business is settled in Renminbi. However, foreign exchange risk still exists in respect of the Company's recognised foreign currency assets and liabilities and future foreign currency transactions (the currencies of denomination of the foreign currency assets and liabilities and foreign currency transactions are mainly US dollars and euros).

At the end of each year (period) of the reporting period, the amounts of foreign currency financial assets and foreign currency financial liabilities held by the Company, translated into Renminbi, are set out below (unit: RMB ten thousand yuan):

Item	Foreign currency liabilities			
	30 April 2026	31 December 2025	31 December 2024	31 December 2023
USD	35,109.41	40,847.86	33,223.65	5,975.70
EUR	12.53	11.18	59.51	10,821.75
JPY	284.39	379.04	1,600.55	
KRW		—	—	
THB	0.25	0.30	271.96	
Total	35,406.58	41,238.38	35,155.67	16,797.45

(Continued from the above table)

Item	Foreign currency assets			
	30 April 2026	31 December 2025	31 December 2024	31 December 2023
USD	24,275.25	8,548.23	9,067.99	6,903.16
EUR	3,164.09	2,150.38	3,224.87	4,627.05
HKD	38.35	27.64	22.58	3.91
JPY	291.93	348.80	350.88	134.35
KRW		15.09	39.23	73.39
THB	5,941.46	4,167.75	4,866.18	2,071.07
GBP		16.02	—	
Total	33,711.08	15,273.91	17,571.73	13,812.93

The Company closely monitors the impact of exchange rate movements on its exchange rate risk. The Company has not currently taken any measures to hedge exchange rate risk. However, management is responsible for monitoring exchange rate risk and will consider hedging significant exchange rate risk when necessary.

As at 30 April 2026, in respect of the Company's cash at bank and on hand, bank borrowings, accounts receivable, other receivables, accounts payable and other payables denominated in foreign currencies, assuming that Renminbi appreciated or depreciated by 10% against foreign currencies, with all other factors remaining unchanged, the Company's shareholders' equity and net profit would both increase or decrease by approximately RMB1,441,200 (31 December 2025: RMB22,069,800; 31 December 2024: approximately RMB14,946,400; 31 December 2023: RMB2,536,800).

2. Capital management

The objective of the Company's capital management policy is to safeguard the Company's ability to continue as a going concern, so as to provide returns for shareholders and benefits for other stakeholders, while maintaining an optimal capital structure in order to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust its financing methods, adjust its dividend policy or the proportion of cash dividends, repurchase shares, or issue new shares and other equity instruments.

The Company monitors its capital structure on the basis of the gearing ratio (i.e. total liabilities divided by total assets). As at 30 April 2026, the Company's gearing ratio was 51.77% (31 December 2025: 55.85%; 31 December 2024: 56.10%; 31 December 2023: 54.57%).

X. FAIR VALUE

Based on the lowest level of inputs that is significant to the fair value measurement as a whole, the fair value hierarchy is classified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted market prices for assets or liabilities included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

(1) Items and amounts measured at fair value

As at 30 April 2026, the assets and liabilities measured at fair value are presented in accordance with the above three levels as follows:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Financial assets held for trading				
1. Financial assets designated at fair value through profit or loss		787,417,492.03		787,417,492.03
(II) Receivables financing		69,474,488.92		69,474,488.92
(III) Investments in other equity instruments			9,842,875.73	9,842,875.73
Total assets measured at fair value on a recurring basis	–	856,891,980.95	9,842,875.73	866,734,856.68

As at 31 December 2025, the assets and liabilities measured at fair value are presented in accordance with the above three levels as follows:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Financial assets held for trading				
1. Financial assets designated at fair value through profit or loss		332,927,405.46		332,927,405.46
(II) Receivables financing		108,672,021.01		108,672,021.01
(III) Investments in other equity instruments			9,855,134.34	9,855,134.34
Total assets measured at fair value on a recurring basis	–	441,599,426.47	9,855,134.34	451,454,560.81

As at 31 December 2024, the assets and liabilities measured at fair value are presented in accordance with the above three levels as follows:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Financial assets held for trading				
1. Equity instrument investments	65,247.00			65,247.00
(II) Receivables financing		128,990,816.80		128,990,816.80
(III) Investments in other equity instruments			8,966,082.75	8,966,082.75
Total assets measured at fair value on a recurring basis	65,247.00	128,990,816.80	8,966,082.75	138,022,146.55

As at 31 December 2023, the assets and liabilities measured at fair value are presented in accordance with the above three levels as follows:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Financial assets held for trading				
1. Equity instrument investments	81,354.00			81,354.00
(II) Receivables financing		80,175,290.35		80,175,290.35
(III) Investments in other equity instruments			8,490,683.27	8,490,683.27
Total assets measured at fair value on a recurring basis	81,354.00	80,175,290.35	8,490,683.27	88,747,327.62

The Company recognises transfers between levels at the date of the event that gives rise to the transfer. During the current year, there were no transfers between Level 1 and Level 2 in the fair value measurements of the Company's financial assets and financial liabilities, nor were there any transfers into or out of Level 3.

For financial instruments traded in active markets, the Company determines their fair value based on quoted prices in active markets; for financial instruments not traded in active markets, the Company determines their fair value using valuation techniques. The valuation models used are mainly the discounted cash flow model and the comparable market company model. The inputs to the valuation techniques mainly include the risk-free interest rate, benchmark interest rate, exchange rates, credit spreads, liquidity premiums and discounts for lack of liquidity.

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information on the controlling shareholder of the Company

As at the end of the reporting period, the Company's shareholding structure was dispersed, and there was no controlling shareholder or actual controller.

The Company has no shareholder holding more than 30% of its shares; the shareholdings of the major shareholders are balanced; there are no acting-in-concert arrangements or other arrangements relating to control among the shareholders; and no entity is able to actually control the Company's operating decisions. The Company has an independent and complete corporate governance structure.

2. Information on the subsidiaries of the Company

For details of the subsidiaries, please refer to Note VII.1.

3. Information on the joint ventures and associates of the Company

For details of the joint ventures and associates, please refer to Note VII.2.

4. Information on other related parties of the Company

Name of related party	Relationship with the Company
Guangxi Shengbaihui Electronics Co., Ltd.	An enterprise controlled by shareholder Guo Yonggeng
Hebi Hangxin Electronics Industrial Co., Ltd.	An enterprise controlled by Yang Hong (indirectly holding 96.2857%)

Name of related party	Relationship with the Company
Shenzhen Hangsheng Investment Co., Ltd.	An enterprise in which Yang Hong holds 96.2857% and serves as chairman and general manager
Shenzhen Adan Energy Information Technology Co., Ltd.	An enterprise in which Yang Hong serves as a director
Shenzhen Hangsheng Rail Transit Electronics Co., Ltd.	An enterprise controlled by Yang Hong (indirectly holding 69.58%) (Shenzhen Hangsheng Technology Investment Co., Ltd. holds 71% and Yang Hong serves as executive director)
Yubei Steering System (Xinxiang) Co., Ltd.	An enterprise in which Zhang Yu serves as executive director
Dongfeng Nissan Passenger Vehicle Company of Dongfeng Motor Co., Ltd.	An enterprise that held more than 5% of the Company's shares before March 2022 (up to 2023-03)
Guangxi Shengbaihui Technology Co., Ltd.	A wholly-owned subsidiary of Guangxi Shengbaihui Electronics Co., Ltd.
Shenzhen Lingchuang Xinhang Technology Co., Ltd.	A company held by Yang Lin and Zhang Yannan
Directors, senior management, chief financial officer and board secretary	Key management personnel

5. Related party transactions

(1) Related party purchases and sales

① Purchases of goods and receipt of services

Related party	Nature of related party transaction	January-April 2026	The year 2025	The year 2024	The year 2023
Guangxi Shengbaihui Electronics Co., Ltd.	Purchase of goods	41,035,382.72	116,754,548.28	110,795,290.26	69,467,887.36
Zhixin Control System Co., Ltd.	Purchase of goods	38,340.00	145,550.00	1,791,417.07	4,396,624.22
Shenzhen Hangsheng Circuit Technology Co., Ltd.	Purchase of goods	8,573,596.66	27,502,144.99	27,494,513.76	25,533,468.10
Hebi Hangxin Electronics Industrial Co., Ltd.	Purchase of goods	139,059.05	264,676.08	109,707.91	783,061.71

② *Sale of goods and rendering of services*

Related party	Nature of related party transaction	January-April 2026	The year 2025	The year 2024	The year 2023
Hebi Hangxin Electronics Industrial Co., Ltd.	Sale of goods		10,747.81	3,195,424.45	646,674.35
Shenzhen Adan Energy Information Technology Co., Ltd.	Sale of goods		2,547.17		–
Dongfeng Nissan Passenger Vehicle Company of Dongfeng Motor Co., Ltd.	Sale of goods				280,361,996.46 (sales amount for 2023.01-2023.03)
Guangxi Shengbaihui Electronics Co., Ltd.	Sale of goods	33,630.00	844,939.12	4,028,401.88	1,528,776.57
Zhixin Control System Co., Ltd.	Sale of goods		–	103,385.00	–
Yubei Steering System (Xinxiang) Co., Ltd.	Sale of goods	2,180,691.15	9,358,052.11	1,642,689.26	–
Guangxi Shengbaihui Technology Co., Ltd.	Sale of goods		672,921.77	2,294,296.05	1,597,247.86

(2) *Related party leases*① *The Company as lessor*

Name of lessee	Type of leased asset	Lease income recognised in January-April 2026	Lease income recognised in the year 2025	Lease income recognised in the year 2024	Lease income recognised in the year 2023
Shenzhen Hangsheng Circuit Technology Co., Ltd.	Buildings	2,825,650.23	8,474,210.98	8,290,728.69	9,884,517.37
Shenzhen Hangsheng Rail Transit Electronics Co., Ltd.	Buildings	137,479.78	398,176.01	400,923.12	361,774.42
Shenzhen Hangsheng Investment Co., Ltd.	Buildings	99,008.00	309,631.15	327,281.16	327,281.16

② The Company as lessee

Name of lessor	Type of leased asset	Lease payments payable for January-April 2026	Lease payments payable in the year 2025	Lease payments payable in the year 2024	Lease payments payable in the year 2023
Hebi Hangxin Electronics Industrial Co., Ltd.	Buildings				2,141,339.32

(3) Remuneration of key management personnel

The Company had 21 key management personnel as at 31 December 2025, 21 key management personnel as at 31 December 2024 and 21 key management personnel as at 31 December 2023. The remuneration paid is set out in the table below:

Unit: RMB'0,000

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Remuneration of key management personnel	517.06	2,094.22	1,161.54	1,344.91

(4) Other related party transactions

Related party	Nature of related party transaction	January-April 2026	The year 2025	The year 2024	The year 2023
Hebi Hangxin Electronics Industrial Co., Ltd.	Utility charges collected on behalf of others	622,254.56	2,366,109.52	2,454,349.37	2,420,593.46
Shenzhen Lingchuang Xinhang Technology Co., Ltd.	Equity transactions			11,496,160.00	

6. Amounts receivable from and payable to related parties**(1) Amounts receivable from related parties**

Item name	Related party	30 April 2026		31 December 2025	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable	Guangxi Shengbaihui Electronics Co., Ltd.	65,035.53	3,251.78	236,250.72	11,812.54
Accounts receivable	Hebi Hangxin Electronics Industrial Co., Ltd.	1,664,379.35	332,875.87	1,664,379.35	259,253.75
Accounts receivable	Shenzhen Hangsheng Rail Transit Electronics Co., Ltd.	25,170.00	25,170.00	25,170.00	25,170.00
Accounts receivable	Yubei Steering System (Xinxiang) Co., Ltd.	2,620,523.78	131,026.19	5,966,636.40	298,331.82
Accounts receivable	Guangxi Shengbaihui Technology Co., Ltd.	20,836.30	1,041.82	20,836.30	1,041.81
Other receivables	Guangxi Shengbaihui Electronics Co., Ltd.			110.04	5.50
Other receivables	Hebi Hangxin Electronics Industrial Co., Ltd.			7,010.81	350.54
Other receivables	Zhixin Control System Co., Ltd.			801.83	40.09

(Continued from the above table)

Item name	Related party	31 December 2024		31 December 2023	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable	Guangxi Shengbaihui Electronics Co., Ltd.	1,951,877.28	97,593.86	1,003,288.95	50,164.45
Accounts receivable	Shenzhen Hangsheng Rail Transit Electronics Co., Ltd.	507,988.96	495,403.96	853,392.77	799,759.89
Accounts receivable	Guangxi Shengbaihui Technology Co., Ltd.	1,064,866.96	53,243.35	1,804,890.09	90,244.50
Accounts receivable	Hebi Hangxin Electronics Industrial Co., Ltd.	4,184,149.93	295,682.53		

Item name	Related party	31 December 2024		31 December 2023	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable	Yubei Steering System (Xinxiang) Co., Ltd.	1,856,238.97	92,811.95		
Accounts receivable	Zhixin Control System Co., Ltd.	8,212,275.00	410,613.75		
Other receivables	Guangxi Shengbaihui Electronics Co., Ltd.	110.04	5.50	110.04	5.50
Other receivables	Shenzhen Hangsheng Circuit Technology Co., Ltd.			213,829.90	10,691.50
Other receivables	Hebi Hangxin Electronics Industrial Co., Ltd.	7,010.81	350.54		
Other receivables	Zhixin Control System Co., Ltd.	801.83	40.09	801.83	40.09

(2) Amounts payable to related parties

Item name	Item	January-April			
		2026	The year 2025	The year 2024	The year 2023
Accounts payable	Guangxi Shengbaihui Electronics Co., Ltd.	49,668,844.25	45,604,119.69	36,285,798.99	41,786,621.25
Accounts payable	Hebi Hangxin Electronics Industrial Co., Ltd.	266,322.64	72,411.64	1,005,216.93	
Accounts payable	Shenzhen Hangsheng Circuit Technology Co., Ltd.	13,618,009.83	12,223,344.58	7,409,501.04	10,019,210.21
Accounts payable	Zhixin Control System Co., Ltd.	18,607,248.77	18,652,351.30	19,127,531.99	25,685,526.39
Other payables	Shenzhen Hangsheng Circuit Technology Co., Ltd.		545,550.60	481,670.60	471,670.60
Other payables	Shenzhen Hangsheng Rail Transit Electronics Co., Ltd.		20,000.00	20,000.00	20,000.00
Contract liabilities	Guangxi Shengbaihui Electronics Co., Ltd.		212,970.64	212,970.64	103,324.62

7. Related party commitments

None

XII. SHARE-BASED PAYMENTS**1. Equity-settled share-based payments***January-April 2026*

Method for determining the fair value of the equity instruments at the grant date	Contemporaneous PE investment price
Basis for determining the number of exercisable equity instruments	As stipulated in the agreement
Cumulative amount of equity-settled share-based payments recognised in capital reserve	82,352,347.10

2025

Method for determining the fair value of the equity instruments at the grant date	Contemporaneous PE investment price
Basis for determining the number of exercisable equity instruments	As stipulated in the agreement
Cumulative amount of equity-settled share-based payments recognised in capital reserve	74,376,284.86

2024

Method for determining the fair value of the equity instruments at the grant date	Contemporaneous PE investment price
Basis for determining the number of exercisable equity instruments	As stipulated in the agreement
Cumulative amount of equity-settled share-based payments recognised in capital reserve	57,368,212.43

2023

Method for determining the fair value of the equity instruments at the grant date	Contemporaneous PE investment price
Basis for determining the number of exercisable equity instruments	As stipulated in the agreement
Cumulative amount of equity-settled share-based payments recognised in capital reserve	40,257,515.57

2. Share-based payment expenses for each year (period) of the reporting period**January-April 2026**

Category of grantees	Equity-settled share-based payment expenses
Management personnel	7,976,062.24
Total	7,976,062.24

2025

Category of grantees	Equity-settled share-based payment expenses
Management personnel	17,008,072.43
Total	17,008,072.43

2024

Category of grantees	Equity-settled share-based payment expenses
Management personnel	17,110,696.86
Total	17,110,696.86

2023

Category of grantees	Equity-settled share-based payment expenses
Management personnel	19,714,285.71
Total	19,714,285.71

3. Modification and termination of share-based payments

None

XIII. COMMITMENTS AND CONTINGENCIES**1. Significant commitments**

On 28 August 2023, the Administrative Committee of Changshu Economic and Technological Development Zone (“**Party A**”) and Shenzhen Hangsheng New Energy Co., Ltd. (“**Party B**”) entered into a project agreement in respect of Party B’s establishment of a research, development and manufacturing base for new energy vehicle electronic components within Party A’s area. Party A and Party B undertake as follows:

The principal subsidies committed to be granted by Party A are as follows:

A new energy vehicle industry cluster subsidy of not more than RMB45 million in aggregate shall be granted; in view of Party B’s integration of the new energy businesses of its four bases in Jilin, Yongfeng, Wuhan and Shenzhen into the Changshu base, a relocation subsidy of not more than RMB100 million in aggregate shall be granted; an equipment subsidy under which, within 5 years after the incorporation of the project company (2024-2028), an award equal to 15% of the total purchase amount of new equipment shall be granted, subject to an aggregate cap of RMB50 million; a renovation subsidy equal to 50% of the renovation amount, subject to an aggregate cap of RMB25 million; for a period of not more than 2 years (2024-2025), a subsidy equal to 50% of the project company’s research and development investment for the relevant year shall be granted, with the annual subsidy amount not exceeding RMB15 million; a sales contribution award under which, from 2025 to 2029, when the invoiced sales amount within a year first reaches RMB1 billion, RMB1.5 billion and RMB2.5 billion, an award equal to 1% of the invoiced amount excluding tax shall be granted, settled on an annual basis and subject to an aggregate cap of RMB50 million; and an infrastructure supporting award, under which Party A shall grant Party B an infrastructure supporting service fee award at a rate of RMB50 per square metre.

Party B undertakes as follows:

- (1) Regarding output value and tax revenue. Party B undertakes that the project will achieve a cumulative industrial output value of RMB29.5 billion and cumulative tax revenue of RMB1.1 billion over 8 years (2025-2032). Of this, the output value in 2025 shall be not less than RMB300 million and tax revenue not less than RMB10 million; the output value in 2026 shall be not less than RMB700 million and tax revenue not less than RMB20 million; the output value in 2027 shall be not less than RMB2 billion and tax revenue not less than RMB70 million; the output value in 2028 shall be not less than RMB3 billion and tax revenue not less than RMB120 million; the output value in 2029 shall be not less than RMB4 billion and tax revenue not less than RMB150 million; the output value in 2030 shall be not less than RMB5 billion and tax revenue not less than RMB180 million; the output value in 2031 shall be not less than RMB6.5 billion and tax revenue not less than RMB250 million; and the output value in 2032 shall be not less than RMB8 billion and tax revenue not less than RMB300 million. The above annual output value and tax revenue shall be determined on the basis of the figures recorded by the Changshu Municipal Bureau of Statistics (treasury-receipt basis).
- (2) Party B's research and development expenditure shall account for an average of not less than 4% of its revenue from principal operations.
- (3) Party B shall cultivate the Changshu project company as a proposed listing entity. At the Series C round of financing of Party B's Changshu project company or at the last round of financing prior to its IPO, Party B agrees that Party A may make a market-based equity investment of not more than 30% of the investment amount of the then lead investor (to be separately negotiated and agreed at that time).

The aggregate amount of the above subsidies granted by Party A to Party B's project company is based on the benchmark of an aggregate total tax payment of RMB1.1 billion by the project company over 8 years (2025-2032). If Party B's project company fails to achieve the above total tax contribution, Party B's project company shall refund the subsidy amount in proportion to the unfulfilled portion (i.e. the total subsidy amount obtained by Party B's project company multiplied by the percentage by which the total tax contribution was not achieved). For any excess portion, Party A shall grant Party B's project company an award equal to 60% of the local economic contribution portion. Tax revenue under the agreement refers only to value-added tax and enterprise income tax.

As at 30 April 2026, the Company had no other commitments requiring disclosure.

2. Contingencies

On 3 January 2025, arising from a dispute over the transfer of equity interests in Ji'an Hangsheng Electromechanical Technology Co., Ltd. (now renamed Ji'an Weier Automobile Parts Manufacturing Co., Ltd.) between the Company and Guangdong Weier Technology Co., Ltd. (hereinafter referred to as "**Weier Technology**"), Guangdong Weier Technology Co., Ltd. submitted an arbitration application to the Shenzhen Court of International Arbitration and claimed that the Company should pay Weier Technology equity transfer losses of RMB45,098,372.73. On 21 February 2025, the Shenzhen Court of International Arbitration accepted the case and issued Acceptance Notice (2025) Shen Guo Zhong Shou No. 647. Pursuant to the relevant instrument (2025) Yue 0306 Zhi Bao No. 5260, funds of RMB45,098,372.73 in the Company's account with Bank of China were frozen in accordance with the law. As at the date of approval for issue of the financial statements, the arbitration proceedings in this case remained pending.

As at 30 April 2026, the Company had no other contingencies requiring disclosure, such as pending litigation or guarantees provided to external parties.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

As at 22 September 2026, the Company had no events after the balance sheet date requiring disclosure.

XV. OTHER SIGNIFICANT MATTERS

None

XVI. NOTES TO KEY ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS**1. Notes receivable**

Type of notes	30 April 2026			31 December 2025		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Bank acceptance notes	216,787.46	—	216,787.46	6,631,424.12	—	6,631,424.12
Commercial acceptance notes	—	—	—	—	—	—
Total	216,787.46	—	216,787.46	6,631,424.12	—	6,631,424.12

(Continued from the above table)

Type of notes	31 December 2024			31 December 2023		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Bank acceptance notes	100,000.00	–	100,000.00	45,279,969.28	–	45,279,969.28
Commercial acceptance notes				1,241,153.88	62,057.69	1,179,096.19
Total	100,000.00	–	100,000.00	46,521,123.16	62,057.69	46,459,065.47

(1) *Notes receivable of the Company endorsed or discounted but not yet due at the end of each year (period) of the reporting period*

Type	30 April 2026		31 December 2025	
	Amount derecognised at the period end	Amount not derecognised at the period end	Amount derecognised at the period end	Amount not derecognised at the period end
Bank acceptance notes		210,000.00		218,634.88
Commercial acceptance notes		–		–
Total		210,000.00		218,634.88

(Continued from the above table)

Type	31 December 2024		31 December 2023	
	Amount derecognised at the period end	Amount not derecognised at the period end	Amount derecognised at the period end	Amount not derecognised at the period end
Bank acceptance notes				1,000,000.00
Commercial acceptance notes				1,112,605.83
Total				2,112,605.83

(2) Classification by method of provision for bad debts

30 April 2026					
Category	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected	
				credit loss rate (%)	
Provision for bad debts assessed					
by portfolio	216,787.46	100.00	–	–	216,787.46
Including:					
Bank acceptance notes	216,787.46	100.00	–	–	216,787.46
Commercial acceptance notes	–	–	–	–	–
Total	216,787.46	100.00	–	–	216,787.46

(Continued from the above table)

	31 December 2025				
	Gross carrying amount		Provision for bad debts		
				Expected	
Category	Amount	Proportion (%)	Amount	credit loss rate (%)	Carrying amount
Provision for bad debts assessed					
by portfolio	6,631,424.12	100.00	–	–	6,631,424.12
Including:					
Bank acceptance notes	6,631,424.12	100.00	–	–	6,631,424.12
Commercial acceptance notes	–	–	–	–	–
Total	6,631,424.12	100.00	–	–	6,631,424.12

(Continued from the above table)

Category	31 December 2024				
	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed by portfolio	100,000.00	100.00	–	–	100,000.00
Including:					
Bank acceptance notes	100,000.00	100.00	–	–	100,000.00
Commercial acceptance notes	–	–	–	–	–
Total	100,000.00	100.00	–	–	100,000.00

(Continued from the above table)

Category	31 December 2023				
	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed by portfolio	46,521,123.16	100.00	62,057.69	0.13	46,459,065.47
Including:					
Bank acceptance notes	45,279,969.28	97.33	–	–	45,279,969.28
Commercial acceptance notes	1,241,153.88	2.67	62,057.69	5.00	1,179,096.19
Total	46,521,123.16	100.00	62,057.69	0.13	46,459,065.47

① *Provision for bad debts as at 30 April 2026*

Provision for bad debts assessed by portfolio:

Portfolio item: bank acceptance notes

Name	Notes receivable	30 April 2026	
		Provision for bad debts	Expected credit loss rate (%)
Bank acceptance notes	216,787.46	—	—
Total	216,787.46	—	—

② *Provision for bad debts as at 31 December 2025*

Provision for bad debts assessed by portfolio:

Portfolio item: bank acceptance notes

Name	Notes receivable	31 December 2025	
		Provision for bad debts	Expected credit loss rate (%)
Bank acceptance notes	6,631,424.12	—	—
Total	6,631,424.12	—	—

③ *Provision for bad debts as at 31 December 2024*

Provision for bad debts assessed by portfolio

Portfolio item: bank acceptance notes

Name	Notes receivable	31 December 2024	
		Provision for bad debts	Expected credit loss rate (%)
Bank acceptance notes	100,000.00	—	—
Total	100,000.00	—	—

④ *Provision for bad debts as at 31 December 2023*

Provision for bad debts assessed by portfolio

Portfolio item: bank acceptance notes

Name	Notes receivable	31 December 2023	
		Provision for bad debts	Expected credit loss rate (%)
Bank acceptance notes	45,279,969.28	—	—
Total	45,279,969.28	—	—

Portfolio item: commercial acceptance notes

Name	Notes receivable	31 December 2023	
		Provision for bad debts	Expected credit loss rate (%)
Commercial acceptance notes	1,241,153.88	62,057.69	5.00
Total	1,241,153.88	62,057.69	5.00

(3) *Provision for bad debts made, recovered or reversed in each year (period) of the reporting period*

The provision for bad debts recovered or reversed in 2024 amounted to RMB62,057.69.

The provision for bad debts recovered or reversed in 2023 amounted to RMB630,942.31.

2. Accounts receivable

(1) Disclosure by ageing

Ageing	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Within 1 year	1,296,475,916.71	1,313,989,336.07	1,293,709,053.49	1,031,322,342.27
1 to 2 years	2,146,123.52	649,690.22	177,103.08	2,655,466.41
2 to 3 years	661,971.32	45,131.40	1,705,996.84	1,127,152.92
Over 3 years	2,368,986.63	2,262,026.93	3,266,269.40	4,776,855.34
Subtotal	1,301,652,998.18	1,316,946,184.62	1,298,858,422.81	1,039,881,816.94
Less: Provision for bad debts	41,074,379.97	51,857,589.11	53,651,243.42	44,272,592.43
Total	1,260,578,618.21	1,265,088,595.51	1,245,207,179.39	995,609,224.51

(3) Disclosure by classification of the method of provision for bad debts

Category	Gross carrying amount		30 April 2026 Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected	
				credit loss rate (%)	
Provision for bad debts assessed individually	281,846.14	0.02	281,846.14	100.00	–
Provision for bad debts assessed by portfolio	1,301,371,152.04	99.98	40,792,533.83	3.13	1,260,578,618.21
Including:					
Amounts due from related parties within the scope of consolidation	537,572,257.20	41.30	–	–	537,572,257.20
Amounts due from customers	763,798,894.84	58.68	40,792,533.83	5.34	723,006,361.01
Total	1,301,652,998.18	100.00	41,074,379.97	3.16	1,260,578,618.21

(Continued from the above table)

Category	31 December 2025				
	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	281,846.14	0.02	281,846.14	100.00	
Provision for bad debts assessed by portfolio	1,316,664,338.48	99.98	51,575,742.97	3.92	1,265,088,595.51
Including:					
Amounts due from related parties within the scope of consolidation	332,720,944.98	25.26	–	–	332,720,944.98
Amounts due from customers	983,943,393.50	74.71	51,575,742.97	5.24	932,367,650.53
Total	1,316,946,184.62	100.00	51,857,589.11	3.94	1,265,088,595.51

(Continued from the above table)

Category	31 December 2024				
	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	2,846,938.97	0.22	2,846,938.97	100.00	
Provision for bad debts assessed by portfolio	1,296,011,483.84	99.78	50,804,304.45	3.92	1,245,207,179.39
Including:					
Amounts due from related parties within the scope of consolidation	306,592,728.04	23.60	–	–	306,592,728.04
Amounts due from customers	989,418,755.80	76.18	50,804,304.45	5.13	938,614,451.35
Total	1,298,858,422.81	100.00	53,651,243.42	4.13	1,245,207,179.39

(Continued from the above table)

Category	31 December 2023				
	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Proportion (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	4,246,665.06	0.41	4,246,665.06	100.00	
Provision for bad debts assessed by portfolio	1,035,635,151.88	99.59	40,025,927.37	3.86	995,609,224.51
Including:					
Amounts due from related parties within the scope of consolidation	271,192,994.46	26.08	–		271,192,994.46
Amounts due from customers	764,442,157.42	73.51	40,025,927.37	5.24	724,416,230.05
Total	1,039,881,816.94	100.00	44,272,592.43	4.26	995,609,224.51

① *Provision for bad debts as at 30 April 2026*

Provision for bad debts assessed individually

Name	30 April 2026			
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	Basis of provision
Jiangxi Changhe Automobile Co., Ltd.	281,477.42	281,477.42	100.00	Expected to be irrecoverable
Brilliance Auto Group Holdings Co., Ltd.	368.72	368.72	100.00	Expected to be irrecoverable
Total	281,846.14	281,846.14	100.00	/

Provision for bad debts assessed by portfolio

Portfolio item: amounts due from related parties within the scope of consolidation

Ageing	Accounts receivable	30 April 2026	
		Provision for bad debts	Expected credit loss rate (%)
Within 1 year	537,572,257.20		
Total	537,572,257.20		

Portfolio item: amounts due from customers

Ageing	Accounts receivable	30 April 2026	
		Provision for bad debts	Expected credit loss rate (%)
Within 1 year	758,903,659.51	37,945,182.98	5.00
1 to 2 years	2,146,123.52	429,224.70	20.00
2 to 3 years	661,971.32	330,985.66	50.00
Over 3 years	2,087,140.49	2,087,140.49	100.00
Total	763,798,894.84	40,792,533.83	5.34

② Provision for bad debts as at 31 December 2025

Provision for bad debts assessed individually

Name	Gross carrying amount	31 December 2025		
		Provision for bad debts	Expected credit loss rate (%)	Basis of provision
Jiangxi Changhe Automobile Co., Ltd.	281,477.42	281,477.42	100.00	Expected to be irrecoverable
Brilliance Auto Group Holdings Co., Ltd.	368.72	368.72	100.00	Expected to be irrecoverable
Total	281,846.14	281,846.14	100.00	/

Provision for bad debts assessed by portfolio

Portfolio item: amounts due from related parties within the scope of consolidation

	31 December 2025		
	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	332,720,944.98		
Total	332,720,944.98		

Portfolio item: amounts due from customers

	31 December 2025		
	Accounts receivable	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	979,163,180.72	48,958,159.04	5.00
1 to 2 years	2,664,615.89	532,923.18	20.00
2 to 3 years	61,872.29	30,936.15	50.00
Over 3 years	2,053,724.60	2,053,724.60	100.00
Total	983,943,393.50	51,575,742.97	5.24

③ *Provision for bad debts as at 31 December 2024*

Provision for bad debts assessed individually

	31 December 2024			
Name	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	Basis of provision
Jiangxi Changhe Automobile Co., Ltd.	281,477.42	281,477.42	100.00	Expected to be irrecoverable
Brilliance Auto Group Holdings Co., Ltd.	856,374.24	856,374.24	100.00	Expected to be irrecoverable

Name	31 December 2024			Basis of provision
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	
Chongqing BAIC Huansu Automobile Sales Co., Ltd.	379,240.98	379,240.98	100.00	Expected to be irrecoverable
BAIC Ruixiang Automobile Co., Ltd.	912,243.53	912,243.53	100.00	Expected to be irrecoverable
Yudo New Energy Automobile Co., Ltd.	417,602.80	417,602.80	100.00	Expected to be irrecoverable
Total	<u>2,846,938.97</u>	<u>2,846,938.97</u>	<u>100.00</u>	/

Provision for bad debts assessed by portfolio

Portfolio item: amounts due from related parties within the scope of consolidation

	31 December 2024		
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	<u>306,592,728.04</u>		
Total	<u>306,592,728.04</u>		

Portfolio item: amounts due from customers

	31 December 2024		
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	987,116,325.45	49,355,816.27	5.00
1 to 2 years	177,103.08	35,420.62	20.00
2 to 3 years	1,424,519.42	712,259.71	50.00
Over 3 years	<u>700,807.85</u>	<u>700,807.85</u>	<u>100.00</u>
Total	<u>989,418,755.80</u>	<u>50,804,304.45</u>	<u>5.13</u>

④ Provision for bad debts as at 31 December 2023

Provision for bad debts assessed individually

Name	31 December 2023			
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	Basis of provision
Jiangxi Changhe Automobile Co., Ltd.	281,477.42	281,477.42	100.00	Expected to be irrecoverable
Brilliance Auto Group Holdings Co., Ltd.	1,486,090.33	1,486,090.33	100.00	Expected to be irrecoverable
Chongqing BAIC Huansu Automobile Sales Co., Ltd.	379,240.98	379,240.98	100.00	Expected to be irrecoverable
BAIC Ruixiang Automobile Co., Ltd.	1,152,243.53	1,152,243.53	100.00	Expected to be irrecoverable
Yudo New Energy Automobile Co., Ltd.	947,612.80	947,612.80	100.00	Expected to be irrecoverable
Total	4,246,665.06	4,246,665.06	100.00	/

Provision for bad debts assessed by portfolio

Portfolio item: amounts due from related parties within the scope of consolidation

	31 December 2023		
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	271,192,994.46		
Total	271,192,994.46		

Portfolio item: amounts due from customers

	31 December 2023		
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	760,129,347.81	38,006,467.39	5.00
1 to 2 years	2,373,988.99	474,797.80	20.00
2 to 3 years	788,316.88	394,158.44	50.00
Over 3 years	1,150,503.74	1,150,503.74	100.00
Total	764,442,157.42	40,025,927.37	5.24

(3) Provision for bad debts made, recovered or reversed in each year (period) of the reporting period

Provision for bad debts made, recovered or reversed in January-April 2026:

Item	Amount of provision for bad debts
31 December 2025	51,857,589.11
Provision for the current period	—
Recovery or reversal in the current period	10,783,209.14
Write-off in the current period	
30 April 2026	41,074,379.97

The provision for bad debts made in 2025 amounted to RMB284,365.17 and the provision for bad debts written off amounted to RMB2,076,893.55.

The provision for bad debts made in 2024 amounted to RMB8,398,342.06 and the provision for bad debts recovered after write-off amounted to RMB980,308.93.

The provision for bad debts made in 2023 amounted to RMB5,723,643.20 and the provision for bad debts recovered after write-off amounted to RMB1,835.38.

(4) Accounts receivable actually written off in each year (period) of the reporting period

Item	Amount written off			
	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Accounts receivable actually written off		2,076,893.55		

Significant write-offs of accounts receivable in each year (period) of the reporting period

Reporting period	Name of entity	Nature of accounts receivable	Amount written off	Reason for write-off	Write-off procedures performed	Whether the amount arose from a related party transaction
2025	BAIC Ruixiang Automobile Co., Ltd.	Payment for goods	905,537.07	Bankruptcy liquidation	Internal approval	No
2025	Brilliance Auto Group Holdings Co., Ltd.	Payment for goods	792,115.50	Bankruptcy liquidation	Internal approval	No
Total	/	/	1,697,652.57	/	/	/

(5) Top five debtors by closing balance of accounts receivable at the end of each year (period) of the reporting period

As at 30 April 2026, the top five closing balances of accounts receivable by debtor

Name of entity	Closing balance of accounts receivable	Proportion of the closing balance of accounts receivable %	Closing balance of provision for bad debts for accounts receivable
Suzhou Hangsheng New Energy Co., Ltd.	260,265,842.27	20.00	—

APPENDIX II
**ACCOUNTANTS' REPORT ON THE
HANGSHENG ELECTRONICS GROUP**

Name of entity	Closing balance of accounts receivable	Proportion of the closing balance of accounts receivable %	Closing balance of provision for bad debts for accounts receivable
Dongfeng Nissan Passenger Vehicle Company of Dongfeng Motor Co., Ltd.	171,880,927.62	13.20	8,594,046.38
Hebi Hangsheng Automotive Electronics Technology Co., Ltd.	122,827,158.34	9.44	—
Honda Automobile Accessories (Guangdong) Co., Ltd.	106,640,487.28	8.19	5,332,024.36
Jiangxi Hangsheng Electronic Technology Co., Ltd.	67,307,391.70	5.17	—
Total	728,921,807.21	56.00	13,926,070.74

Top five debtors by closing balance of accounts receivable as at 31 December 2025

Name of entity	Closing balance of accounts receivable	Proportion of the closing balance of accounts receivable %	Closing balance of provision for bad debts for accounts receivable
Suzhou Hangsheng New Energy Co., Ltd.	188,685,426.83	14.33	—
Dongfeng Nissan Passenger Vehicle Company of Dongfeng Motor Co., Ltd.	158,058,255.30	12.00	7,902,912.77
Honda Automobile Accessories (Guangdong) Co., Ltd.	156,549,106.44	11.89	7,827,455.32
Zhaoqing XPeng New Energy Investment Co., Ltd. Guangzhou Branch	147,505,582.67	11.20	7,375,279.13
GAC Toyota Motor Co., Ltd.	67,613,426.20	5.13	3,380,671.31
Total	718,411,797.44	54.55	26,486,318.53

Top five debtors by closing balance of accounts receivable as at 31 December 2024

Name of entity	Closing balance of accounts receivable	Proportion of the closing balance of accounts receivable %	Closing balance of provision for bad debts for accounts receivable
Dongfeng Nissan Passenger Vehicle Company of Dongfeng Motor Co., Ltd.	196,495,867.23	15.13	9,824,793.36
GAC Toyota Motor Co., Ltd.	87,086,882.13	6.70	4,354,344.11
GAC Aion New Energy Automobile Co., Ltd.	84,366,219.77	6.50	4,218,310.99
Zhaoqing XPeng New Energy Investment Co., Ltd. Guangzhou Branch	296,870,603.59	22.86	14,843,530.18
Jiangxi Hangsheng Electronic Technology Co., Ltd.	207,355,775.91	15.96	—
Total	872,175,348.63	67.15	33,240,978.64

Top five debtors by closing balance of accounts receivable as at 31 December 2023

Name of entity	Closing balance of accounts receivable	Proportion of the closing balance of accounts receivable %	Closing balance of provision for bad debts for accounts receivable
Dongfeng Nissan Passenger Vehicle Company of Dongfeng Motor Co., Ltd.	270,091,675.32	25.97	13,504,583.77
Hangsheng Technology GmbH	101,992,003.94	9.81	—
Hebi Hangsheng Automotive Electronics Technology Co., Ltd.	77,289,682.30	7.43	—
GAC Toyota Motor Co., Ltd.	69,533,262.30	6.69	3,476,663.12
Beijing Li Auto Co., Ltd. Changzhou Branch	44,091,587.38	4.24	2,204,579.37
Total	562,998,211.24	54.14	19,185,826.26

3. Other receivables

Type	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Interest receivable		—	—	—
Dividends receivable		—	—	—
Other receivables	<u>197,130,454.93</u>	<u>193,793,836.67</u>	<u>259,742,005.77</u>	<u>171,534,131.51</u>
Total	<u>197,130,454.93</u>	<u>193,793,836.67</u>	<u>259,742,005.77</u>	<u>171,534,131.51</u>

(1) Other receivables**① Disclosure by ageing**

Ageing	30 April 2026	31 December 2025	31 December 2024	31 December 2023
Within 1 year	19,354,879.70	15,859,906.31	128,208,033.84	93,277,623.72
1 to 2 years	16,033,063.77	102,779,654.31	82,818,398.99	24,654,872.33
2 to 3 years	101,769,209.78	53,038,783.03	24,578,795.06	28,292,954.35
Over 3 years	61,833,096.03	24,002,251.23	26,049,943.00	25,466,943.05
Subtotal	198,990,249.28	195,680,594.88	261,655,170.89	171,692,393.45
Less: Provision for bad debts	<u>1,859,794.35</u>	<u>1,886,758.21</u>	<u>1,913,165.12</u>	<u>158,261.94</u>
Total	<u>197,130,454.93</u>	<u>193,793,836.67</u>	<u>259,742,005.77</u>	<u>171,534,131.51</u>

② Disclosure by nature of the amounts

Item	30 April 2026			31 December 2025		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Imprest funds	242,137.62	12,106.88	230,030.74	103,573.36	5,178.67	98,394.69
Deposits and security deposits	2,913,616.54	14,568.08	2,899,048.46	1,856,669.30	9,283.35	1,847,385.95
Current account balances	2,495,987.90	124,799.39	2,371,188.51	3,279,524.09	163,976.19	3,115,547.90
Others	1,708,320.00	1,708,320.00	—	1,708,320.00	1,708,320.00	—
Current accounts with related parties within the scope of consolidation	<u>191,630,187.22</u>	<u>—</u>	<u>191,630,187.22</u>	<u>188,732,508.13</u>	<u>—</u>	<u>188,732,508.13</u>
Total	<u>198,990,249.28</u>	<u>1,859,794.35</u>	<u>197,130,454.93</u>	<u>195,680,594.88</u>	<u>1,886,758.21</u>	<u>193,793,836.67</u>

(Continued from the above table)

Item	31 December 2024			31 December 2023		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Imprest funds	179,706.87	8,985.34	170,721.53	322,475.23	16,123.76	306,351.47
Deposits and security deposits	3,280,522.64	16,402.61	3,264,120.03	2,884,848.62	14,424.25	2,870,424.37
Current account balances	3,514,296.52	175,714.83	3,338,581.69	2,554,278.64	127,713.93	2,426,564.71
Others	1,783,166.84	1,712,062.34	71,104.50			
Current accounts with related parties within the scope of consolidation	252,897,478.02	—	252,897,478.02	165,930,790.96	—	165,930,790.96
Total	261,655,170.89	1,913,165.12	259,742,005.77	171,692,393.45	158,261.94	171,534,131.51

③ *Provision for bad debts made as at the end of each year (period) of the reporting period*

Provision for bad debts in Stage 1 as at 30 April 2026

Category	Gross carrying amount	Expected credit loss rate over the next 12 months (%)		Provision for bad debts	Carrying amount
		Gross	loss rate over		
Provision for bad debts assessed by portfolio	197,281,929.28		0.08	151,474.35	197,130,454.93
Imprest funds	242,137.62		5.00	12,106.88	230,030.74
Deposits and security deposits	2,913,616.54		0.50	14,568.08	2,899,048.46
Current account balances	2,495,987.90		5.00	124,799.39	2,371,188.51
Current accounts with related parties within the scope of consolidation	191,630,187.22		—	—	191,630,187.22
Total	197,281,929.28		0.08	151,474.35	197,130,454.93

As at 30 April 2026, the Company had no interest receivable, dividends receivable or other receivables in Stage 2.

Provision for bad debts in Stage 3 as at 30 April 2026

Category	Gross carrying amount	Lifetime expected credit loss rate (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	1,708,320.00	100.00	1,708,320.00	
Total	1,708,320.00	100.00	1,708,320.00	–

Provision for bad debts in Stage 1 as at 31 December 2025

Category	Gross carrying amount	Expected credit loss rate over the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed by portfolio	193,972,274.88	0.09	178,438.21	193,793,836.67
Imprest funds	103,573.36	5.00	5,178.67	98,394.69
Deposits and security deposits	1,856,669.30	0.50	9,283.35	1,847,385.95
Current account balances	3,279,524.09	5.00	163,976.19	3,115,547.90
Current accounts with related parties within the scope of consolidation	188,732,508.13	–	–	188,732,508.13
Total	193,972,274.88	0.09	178,438.21	193,793,836.67

As at 31 December 2025, the Company had no interest receivable, dividends receivable or other receivables in Stage 2.

Provision for bad debts in Stage 3 as at 31 December 2025

Category	Gross carrying amount	Lifetime expected credit loss rate (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	1,708,320.00	100.00	1,708,320.00	
Total	1,708,320.00	100.00	1,708,320.00	

Provision for bad debts in Stage 1 as at 31 December 2024

Category	Gross carrying amount	Expected credit loss rate over the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed by portfolio	259,946,850.89	0.08	204,845.12	259,742,005.77
Imprest funds	179,706.87	5.00	8,985.34	170,721.53
Deposits and security deposits	3,280,522.64	0.50	16,402.61	3,264,120.03
Current account balances	3,514,296.52	5.00	175,714.83	3,338,581.69
Others	74,846.84	5.00	3,742.34	71,104.50
Current accounts with related parties within the scope of consolidation	252,897,478.02	–	–	252,897,478.02
Total	259,946,850.89	0.08	204,845.12	259,742,005.77

As at 31 December 2024, the Company had no interest receivable, dividends receivable or other receivables in Stage 2.

Provision for bad debts in Stage 3 as at 31 December 2024

Category	Gross carrying amount	Lifetime expected credit loss rate (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	1,708,320.00	100.00	1,708,320.00	
Total	1,708,320.00	100.00	1,708,320.00	

Provision for bad debts in Stage 1 as at 31 December 2023

Category	Gross carrying amount	Expected credit loss rate over the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed by portfolio	171,692,393.45	0.09	158,261.94	171,534,131.51
Imprest funds	322,475.23	5.00	16,123.76	306,351.47
Deposits and security deposits	2,884,848.62	0.50	14,424.25	2,870,424.37
Current account balances	2,554,278.64	5.00	127,713.93	2,426,564.71
Current accounts with related parties within the scope of consolidation	165,930,790.96	–	–	165,930,790.96
Total	171,692,393.45	0.09	158,261.94	171,534,131.51

As at 31 December 2023, the Company had no interest receivable, dividends receivable or other receivables in stage 2

As at 31 December 2023, the Company had no interest receivable, dividends receivable or other receivables in stage 3

④ *Provision for bad debts made, recovered or reversed in each year (period) of the reporting period*

Provision for bad debts	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Balance at 31 December 2025	178,438.21	–	1,708,320.00	1,886,758.21
Movements during the current period	178,438.21	–	1,708,320.00	1,886,758.21
– Transfer to stage 2				
– Transfer to stage 3				
– Transfer back to stage 2				
– Transfer back to stage 1				
Provision for the current period	–			–
Reversal in the current period	26,963.86			26,963.86
Balance at 30 April 2026	151,474.35	–	1,708,320.00	1,859,794.35

(Continued from the above table)

Provision for bad debts	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Balance at 31 December 2024	204,845.12	–	1,708,320.00	1,913,165.12
Movements during the current period	204,845.12	–	1,708,320.00	1,913,165.12
– Transfer to stage 2				–
– Transfer to stage 3				–
– Transfer back to stage 2				–
– Transfer back to stage 1				–
Provision for the current period	–			–
Reversal in the current period	26,406.91			26,406.91
Balance at 31 December 2025	178,438.21	–	1,708,320.00	1,886,758.21

(Continued from the above table)

Provision for bad debts	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Balance at 31 December 2023	158,261.94	—	—	158,261.94
Movements during the current period	158,261.94	—	—	158,261.94
— Transfer to stage 2				—
— Transfer to stage 3				—
— Transfer back to stage 2				—
— Transfer back to stage 1				—
Provision for the current period	46,583.18		1,708,320.00	1,754,903.18
Reversal in the current period	—			—
Balance at 31 December 2024	204,845.12	—	1,708,320.00	1,913,165.12

(Continued from the above table)

Provision for bad debts	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Balance at 31 December 2022	491,507.98	—	—	491,507.98
Movements during the current period	491,507.98	—	—	491,507.98
— Transfer to stage 2				—
— Transfer to stage 3				—
— Transfer back to stage 2				
— Transfer back to stage 1				
Provision for the current period				—
Reversal in the current period	377,805.38			377,805.38
Write-off in the current period				—
Recovery after write-off in the current period	44,559.34			44,559.34
Balance at 31 December 2023	158,261.94	—	—	158,261.94

- ⑤ *There were no other receivables actually written off in any year (period) of the reporting period*
- ⑥ *Top five debtors by closing balance of other receivables as at the end of each year (period) of the reporting period*

Top five debtors by closing balance of other receivables as at 30 April 2026

Name of entity	Nature of the amount	Closing balance of other receivables	Ageing	Proportion of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Shenzhen Hangsheng New Energy Co., Ltd.	Current account balances	98,000,000.00	0 to 5 years	49.25	
Wuhan Hangsheng Automotive Electronics Co., Ltd.	Current account balances	50,741,229.61	1 to 4 years	25.50	
Shanghai Hangsheng Zhixing Electronic Technology Development Co., Ltd.	Current account balances	19,770,000.00	0 to 3 years	9.94	
Jilin Hangsheng Electronics Co., Ltd.	Current account balances	17,600,537.30	0 to 4 years	8.84	
Chengdu Hangsheng Zhixing Technology Co., Ltd.	Current account balances	3,906,590.32	0 to 5 years	1.96	
Total	—	190,018,357.23	—	95.49	

Top five debtors by closing balance of other receivables as at 31 December 2025

Name of entity	Nature of the amount	Closing balance of other receivables	Ageing	Proportion of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Shenzhen Hangsheng New Energy Co., Ltd.	Current account balances	97,970,000.00	0-5 years	50.07	
Wuhan Hangsheng Automotive Electronics Co., Ltd.	Current account balances	50,078,462.11	1-3 years	25.59	
Shanghai Hangsheng Zhixing Electronic Technology Development Co., Ltd.	Current account balances	19,770,000.00	0-2 years	10.10	
Jilin Hangsheng Electronics Co., Ltd.	Current account balances	16,841,292.01	0-3 years	8.61	
Chengdu Hangsheng Zhixing Technology Co., Ltd.	Current account balances	3,807,674.40	0-4 years	1.95	
Total	—	188,467,428.52	—	96.32	

Top five debtors by closing balance of other receivables as at 31 December 2024

Name of entity	Nature of the amount	Closing balance of other receivables	Ageing	Proportion of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Shenzhen Hangsheng New Energy Co., Ltd.	Current account balances	91,000,000.00	0-3 years	34.78	
Wuhan Hangsheng Automotive Electronics Co., Ltd.	Current account balances	55,741,229.61	0-3 years	21.30	
Shanghai Hangsheng Zhixing Electronic Technology Development Co., Ltd.	Current account balances	49,000,000.00	0-2 years	18.73	

Name of entity	Nature of the amount	Closing balance of other receivables	Ageing	Proportion of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Jilin Hangsheng Electronics Co., Ltd.	Current account balances	32,173,031.81	0-2 years	12.30	
Yongfeng Hangsheng Electronics Co., Ltd.	Current account balances	23,867,543.42	0-4 years	9.12	
Total	—	251,781,804.84	—	96.23	

Top five debtors by closing balance of other receivables as at 31 December 2023

Name of entity	Nature of the amount	Closing balance of other receivables	Ageing	Proportion of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Shenzhen Hangsheng New Energy Co., Ltd.	Current account balances	70,970,000.00	0-2 years	41.34	
Jilin Hangsheng Electronics Co., Ltd.	Current account balances	41,165,254.10	0-3 years	23.98	
Yongfeng Hangsheng Electronics Co., Ltd.	Current account balances	25,989,821.29	0-3 years	15.14	
Wuhan Hangsheng Automotive Electronics Co., Ltd.	Current account balances	12,741,229.61	0-2 years	7.42	
Shanghai Hangsheng Zhixing Electronic Technology Development Co., Ltd.	Current account balances	8,500,000.00	Within 1 year	4.95	
Total	—	159,366,305.00	—	92.82	

4. Long-term equity investments

Item	30 April 2026			31 December 2025		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Investments in subsidiaries	376,635,381.17	10,000,000.00	366,635,381.17	283,398,290.68	10,000,000.00	273,398,290.68
Investments in associates	7,132,590.42		7,132,590.42	7,770,288.58	–	7,770,288.58
Total	383,767,971.59	10,000,000.00	373,767,971.59	291,168,579.26	10,000,000.00	281,168,579.26

(Continued from the above table)

Item	31 December 2024			31 December 2023		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Investments in subsidiaries	253,398,290.68	10,000,000.00	243,398,290.68	241,902,130.68		241,902,130.68
Investments in associates	9,823,067.15		9,823,067.15	9,399,352.60		9,399,352.60
Total	263,221,357.83	10,000,000.00	253,221,357.83	251,301,483.28	–	251,301,483.28

(1) Investments in subsidiaries

Investee	31 December 2025 (Carrying amount)	Opening balance of provision for impairment	Additional investment	Movements in the current period Decrease in investments	Provision for impairment	Others	30 April 2026 (Carrying amount)	Closing balance of provision for impairment
Jiangxi Hangsheng Electronic Technology Co., Ltd.	50,000,000.00						50,000,000.00	-
Hebi Hangsheng Automotive Electronics Technology Co., Ltd.	50,000,000.00						50,000,000.00	-
Yangzhou Hangsheng Technology Co., Ltd.	10,000,000.00						10,000,000.00	-
Jilin Hangsheng Electronics Co., Ltd.	47,465,730.68					-47,465,730.68		-
Shenzhen Hangsheng New Energy Co., Ltd.	51,496,160.00						51,496,160.00	-
Shenzhen Hangsheng Cheyun Technology Co., Ltd.	13,500,000.00						13,500,000.00	-
Chengdu Hangsheng Zhixing Technology Co., Ltd.	10,000,000.00						10,000,000.00	-
Hong Kong Hangsheng Development Co., Limited	936,400.00						936,400.00	-
Wuhan Hangsheng Automotive Electronics Co., Ltd.	10,000,000.00						10,000,000.00	-
Shanghai Hangsheng Zhixing Electronic Technology Development Co., Ltd.		10,000,000.00						10,000,000.00

APPENDIX II

ACCOUNTANTS' REPORT ON THE
HANGSHENG ELECTRONICS GROUP

Investee	31 December 2025 (Carrying amount)	Opening balance of provision for impairment	Additional investment	Movements in the current period Decrease in investments	Provision for impairment	Others	30 April 2026 (Carrying amount)	Closing balance of provision for impairment
Jiangxi Hangsheng Automotive Acoustics Technology Co., Ltd.	30,000,000.00					47,465,730.68	77,465,730.68	-
Suzhou Hangsheng New Energy Co., Ltd.						93,237,090.49	93,237,090.49	
Total	273,398,290.68	10,000,000.00		-	-	93,237,090.49	366,635,381.17	10,000,000.00

(Continued from the above table)

Investee	31 December 2024 (Carrying amount)	Opening balance of provision for impairment	Additional investment	Movements in the current period Decrease in investments	Provision for impairment	Others	31 December 2025 (Carrying amount)	Closing balance of provision for impairment
Jiangxi Hangsheng Electronic Technology Co., Ltd.	50,000,000.00						50,000,000.00	-
Hebi Hangsheng Automotive Electronics Technology Co., Ltd.	50,000,000.00						50,000,000.00	-
Yangzhou Hangsheng Technology Co., Ltd.	10,000,000.00						10,000,000.00	-

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ACCOUNTANTS' REPORT ON THE
HANGSHENG ELECTRONICS GROUP

Investee	31 December 2024 (Carrying amount)	Opening balance of provision for impairment	Additional investment	Movements in the current period Decrease in investments	Provision for impairment	Others	31 December 2025 (Carrying amount)	Closing balance of provision for impairment
Jilin Hangsheng Electronics Co., Ltd.	47,465,730.68						47,465,730.68	-
Shenzhen Hangsheng New Energy Co., Ltd.	51,496,160.00						51,496,160.00	-
Shenzhen Hangsheng Cheyun Technology Co., Ltd.	13,500,000.00						13,500,000.00	-
Chengdu Hangsheng Zhixing Technology Co., Ltd.	10,000,000.00						10,000,000.00	-
Hong Kong Hangsheng Development Co., Limited	936,400.00						936,400.00	-
Wuhan Hangsheng Automotive Electronics Co., Ltd.	10,000,000.00						10,000,000.00	-
Shanghai Hangsheng Zhixing Electronic Technology Development Co., Ltd.	-	10,000,000.00						10,000,000.00
Jiangxi Hangsheng Automotive Acoustics Technology Co., Ltd.			30,000,000.00				30,000,000.00	-
Total	243,398,290.68	10,000,000.00	30,000,000.00	-	-	-	273,398,290.68	10,000,000.00

APPENDIX II

ACCOUNTANTS' REPORT ON THE
HANGSHENG ELECTRONICS GROUP

(Continued from the above table)

Investee	31 December 2023 (Carrying amount)	Opening balance of provision for impairment	Additional investment	Movements in the current period Decrease in investments	Provision for impairment	Others	31 December 2024 (Carrying amount)	Closing balance of provision for impairment
Jiangxi Hangsheng Electronic Technology Co., Ltd.	50,000,000.00						50,000,000.00	-
Hebi Hangsheng Automotive Electronics Technology Co., Ltd.	50,000,000.00						50,000,000.00	-
Yangzhou Hangsheng Technology Co., Ltd.	10,000,000.00						10,000,000.00	-
Jilin Hangsheng Electronics Co., Ltd.	47,465,730.68						47,465,730.68	-
Shenzhen Hangsheng New Energy Co., Ltd.	40,000,000.00		11,496,160.00				51,496,160.00	-
Shenzhen Hangsheng Cheyun Technology Co., Ltd.	13,500,000.00						13,500,000.00	-
Chengdu Hangsheng Zhixing Technology Co., Ltd.	10,000,000.00						10,000,000.00	-
Hong Kong Hangsheng Development Co., Limited	936,400.00						936,400.00	-
Wuhan Hangsheng Automotive Electronics Co., Ltd.	10,000,000.00						10,000,000.00	-
Shanghai Hangsheng Zhixing Electronic Technology Development Co., Ltd.	10,000,000.00				10,000,000.00		-	10,000,000.00
Total	241,902,130.68	-	11,496,160.00	-	10,000,000.00	-	243,398,290.68	10,000,000.00

(Continued from the above table)

Investee	31 December 2022 (Carrying amount)	Opening balance of provision for impairment	Additional investment	Movements in the current period Decrease in investments	Provision for impairment	Others	31 December 2023 (Carrying amount)	Closing balance of provision for impairment
Jiangxi Hangsheng Electronic Technology Co., Ltd.	50,000,000.00						50,000,000.00	-
Hebi Hangsheng Automotive Electronics Technology Co., Ltd.	50,000,000.00						50,000,000.00	-
Yangzhou Hangsheng Technology Co., Ltd.	10,000,000.00						10,000,000.00	-
Jilin Hangsheng Electronics Co., Ltd.	47,465,730.68						47,465,730.68	-
Shenzhen Hangsheng New Energy Co., Ltd.	40,000,000.00						40,000,000.00	-
Shenzhen Hangsheng Cheyun Technology Co., Ltd.	13,500,000.00						13,500,000.00	-
Chengdu Hangsheng Zhixing Technology Co., Ltd.	10,000,000.00						10,000,000.00	-
Hong Kong Hangsheng Development Co., Limited	936,400.00						936,400.00	-
Wuhan Hangsheng Automotive Electronics Co., Ltd.	3,000,000.00		7,000,000.00				10,000,000.00	-
Shanghai Hangsheng Zhixing Electronic Technology Development Co., Ltd.	3,000,000.00		7,000,000.00				10,000,000.00	-
Total	227,902,130.68	-	14,000,000.00	-	-	-	241,902,130.68	-

(2) *Investments in associates and joint ventures*

	31 December 2025 (Carrying amount)	Opening balance of provision for impairment	Movements in the current period						30 April 2026 (Carrying amount)	Closing balance of provision for impairment
			Investment income or loss	Adjustment to other comprehensive income	Other changes in equity	Cash dividends or profits declared	Provision for impairment	Others		
Investee										
Associates										
Shenzhen Hangsheng Circuit Technology Co., Ltd.	7,770,288.58		-637,698.16						7,132,590.42	
Subtotal										
Total	7,770,288.58		-637,698.16						7,132,590.42	

(Continued from the above table)

	31 December 2024 (Carrying amount)	Opening balance of provision for impairment	Movements in the current period						31 December 2025 (Carrying amount)	Closing balance of provision for impairment
			Investment income or loss	Adjustment to other comprehensive income	Other changes in equity	Cash dividends or profits declared	Provision for impairment	Others		
Investee										
Associates										
Shenzhen Hangsheng Circuit Technology Co., Ltd.	9,823,067.15		-2,052,778.57						7,770,288.58	
Subtotal	9,823,067.15	-	-2,052,778.57	-	-	-	-	-	7,770,288.58	
Total	9,823,067.15	-	-2,052,778.57	-	-	-	-	-	7,770,288.58	

(Continued from the above table)

	31 December 2023	Opening balance of provision for impairment	Movements in the current period						31 December 2024	Closing balance of provision for impairment
			Investment income or loss recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Cash dividends or profits declared	Provision for impairment	Others		
Investee	(Carrying amount)	Additional/new investments	Decrease in investments						(Carrying amount)	
Associates										
Shenzhen Hangsheng Circuit Technology Co., Ltd.	9,399,352.60		423,714.55						9,823,067.15	
Subtotal	9,399,352.60	-	423,714.55	-	-	-	-	-	9,823,067.15	
Total	9,399,352.60	-	423,714.55	-	-	-	-	-	9,823,067.15	

(Continued from the above table)

	31 December 2022 (Carrying amount)	Opening balance of provision for impairment	Movements in the current period					31 December 2023 (Carrying amount)	Closing balance of provision for impairment
			Investment income or loss recognised under the equity method	Adjustment to other comprehensive income	Other changes in equity	Cash dividends or profits declared	Provision for impairment Others		
Investee									
Associates									
Shenzhen Hangsheng Circuit Technology Co., Ltd.	8,292,714.19		1,106,638.41					9,399,352.60	
Subtotal	8,292,714.19	-	1,106,638.41	-	-	-	-	9,399,352.60	
Total	8,292,714.19	-	1,106,638.41	-	-	-	-	9,399,352.60	

5. Revenue and Operating Costs**(1) Revenue and Operating Costs**

Item	January-April 2026		The year 2025	
	Revenue	Cost	Revenue	Cost
Principal operations	1,134,848,158.32	940,194,166.10	5,246,635,685.90	4,634,350,402.10
Other operations	430,973,232.42	394,964,175.47	49,889,979.99	12,883,685.28

(Continued from the above table)

Item	The year 2024		The year 2023	
	Revenue	Cost	Revenue	Cost
Principal operations	4,264,551,458.23	3,771,980,305.71	4,536,142,386.30	4,026,440,041.06
Other operations	54,653,000.87	11,455,561.04	55,563,838.46	8,088,769.37

6. Investment income

Item	January-April		The year 2024	The year 2023
	2026	The year 2025		
Investment income from long-term equity investments accounted for using the cost method		16,960,000.00	—	—
Investment income from long-term equity investments accounted for using the equity method	-637,698.16	-2,052,778.57	423,714.55	1,106,638.41
Investment income from financial assets held for trading during the holding period	3,805,241.07	5,087,103.35	1,646,250.00	385,347.94
Total	3,167,542.91	19,994,324.78	2,069,964.55	1,491,986.35

XVII. SUPPLEMENTARY INFORMATION

1. Schedule of non-recurring profit or loss

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Gains or losses on disposal of non-current assets, including the portion written off against provisions for asset impairment previously made	130,359.57	16,759.73	940,259.17	443,139.16
Government grants recognised in profit or loss for the current period, other than government grants that are closely related to the Company's normal operating business, comply with national policies, are enjoyed in accordance with defined standards and have a continuing effect on the Company's profit or loss	7,358,573.99	29,174,432.05	47,604,711.99	75,310,776.47
Other than effective hedging activities related to the Company's normal operating business, gains or losses on changes in fair value of financial assets and financial liabilities held by a non-financial enterprise, and gains or losses arising from the disposal of financial assets and financial liabilities	3,805,241.07	5,587,880.54	2,063,954.11	350,403.94
Fund occupation fees charged to non-financial enterprises recognised in profit or loss for the current period				

Item	January-April			
	2026	The year 2025	The year 2024	The year 2023
Gains or losses from entrusting others to invest in or manage assets				
Gains or losses from entrusted loans granted to external parties				
Losses of various assets arising from force majeure factors such as natural disasters				
Reversal of provisions for impairment of receivables tested for impairment individually		2,494.85	1,720,991.53	44,559.34
Gains arising where the investment cost of acquiring subsidiaries, associates and joint ventures is less than the share of the fair value of the investee's identifiable net assets attributable to the enterprise at the time of the investment				
Net profit or loss of subsidiaries for the period from the beginning of the period to the combination date arising from business combinations under common control				
Gains or losses on non-monetary asset exchanges				
Gains or losses on debt restructuring		—	—	-70,607.68

Item	January-April			
	2026	The year 2025	The year 2024	The year 2023
One-off expenses incurred by the enterprise as a result of the discontinuation of relevant operating activities, such as expenditure on the resettlement of employees				
One-off effects on profit or loss for the current period arising from adjustments to tax, accounting and other laws and regulations				
Share-based payment expenses recognised on a one-off basis due to the cancellation or modification of share incentive plans		-5,464,156.11	-2,603,588.85	—
For cash-settled share-based payments, gains or losses arising from changes in the fair value of employee benefits payable after the vesting date				
Gains or losses arising from changes in the fair value of investment properties subsequently measured using the fair value model				
Gains arising from transactions in which the transaction price is manifestly unfair				
Gains or losses arising from contingencies unrelated to the Company's normal operating business				

Item	January-April 2026	The year 2025	The year 2024	The year 2023
Custody fee income from entrusted operations				
Other non-operating income and expenses other than the above items	-11,895.48	1,273,885.57	151,769.56	-4,548,190.15
Other items of profit or loss that meet the definition of non-recurring profit or loss				
Total non-recurring profit or loss	11,282,279.15	30,591,296.63	49,878,097.51	71,530,081.08
Less: Income tax effect of non-recurring profit or loss	27,505.37	2,047,606.21	444,576.47	12,699,930.50
Net non-recurring profit or loss	11,254,773.78	28,543,690.42	49,433,521.04	58,830,150.58
Less: Net effect of non-recurring profit or loss attributable to non-controlling interests (after tax)	-5,524.58	-123,163.77	220,415.36	7,351,150.92
Non-recurring profit or loss attributable to ordinary shareholders of the Company	11,260,298.36	28,666,854.19	49,213,105.68	51,478,999.66

Note: The government grants classified as recurring profit or loss are detailed as follows:

Item	January-April 2026	The year 2025	The year 2024	The year 2023	Reason
VAT refund upon collection	12,409,558.13	19,058,710.19	17,916,955.84	15,194,807.08	Related to daily operating activities

2. Weighted average return on net assets

Profit for the reporting period	Weighted average return on net assets			
	January-April 2026	The year 2025	The year 2024	The year 2023
Net profit attributable to ordinary shareholders of the Company	4.81%	14.87%	4.19%	19.19%
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	4.22%	12.25%	0.02%	12.54%

3. Earnings per share

Profit for the reporting period	Basic earnings per share				Diluted earnings per share			
	January-April 2026	The year 2025	The year 2024	The year 2023	January-April 2026	The year 2025	The year 2024	The year 2023
Net profit attributable to ordinary shareholders of the Company	0.29	0.76	0.15	0.62	0.29	0.76	0.15	0.62
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	0.25	0.67	0.0012	0.45	0.25	0.67	0.0012	0.45

Shenzhen Hangsheng Electronics Co., Ltd.
22 September 2026

MANAGEMENT DISCUSSION AND ANALYSIS OF THE HANGSHENG ELECTRONICS GROUP

*Set out below is the management discussion and analysis of the Hangsheng Electronics Group for each of the three years ended 31 December 2023, 2024 and 2025 and the four months ended 30 April 2026 (the “**Relevant Period**”). The following financial information is based on the accountants’ report of the Hangsheng Electronics Group as set out in Appendix II to this circular. The discussion and analysis pertain to the consolidated results and financial position of the Hangsheng Electronics Group and should be read in conjunction with the accountants’ report set forth in Appendix II to this circular.*

Business Review

The Target Company is a joint stock company incorporated under the laws of the PRC with limited liability, and it (and its subsidiaries) are principally engaged in the research and development, design, production and sales of automotive electronic products. It is a leading domestic provider of automotive electronic system solutions. Leveraging its continuous technological innovation and product iteration capabilities, Hangsheng Electronics has established a comprehensive business presence covering smart cockpit solutions, intelligent driving solutions, automotive acoustic solutions and other automotive electronics fields. It also provides corresponding software engineering services for each business segment.

Operating Performance

Revenue

For the years ended 31 December 2023, 2024 and 2025, and for the four months ended 30 April 2026, the Target Company recorded revenues of RMB4,132.0 million, RMB4,059.6 million, RMB4,835.1 million, and RMB1,330.7 million, respectively. For the years ended 31 December 2023 and 2024, the Target Company’s revenue decreased by RMB72.4 million, mainly affected by the decline in revenue from smart cockpit solutions; for the years ended 31 December 2024 and 2025, the Target Company’s revenue increased by RMB775.5 million, mainly due to (i) increase in revenue from smart cockpit solutions. The increase in this category of revenue was mainly attributable to growth in revenue from human-machine interface (HMI) systems and in-vehicle infotainment system products; (ii) increase in revenue from intelligent driving solutions. The increase in this category of revenue was mainly attributable to increased demand for intelligent driving domain controller systems as automotive intelligent driving became more widespread. For the four months ended 30 April 2025 and 2026, the Target Company’s revenue recorded a year-on-year decrease, mainly due to a decline in revenue from intelligent driving solutions.

**APPENDIX III MANAGEMENT DISCUSSION AND ANALYSIS OF
THE HANGSHENG ELECTRONICS GROUP**

Segment Information

During the Relevant Period, the Target Company generated revenue mainly from three segments, namely sales of (i) smart cockpit solutions, (ii) intelligent driving solutions, and (iii) automotive acoustic solutions. The Target Company's major customers are leading manufacturers in the automotive industry.

During the Relevant Period, the Target Company's revenue mainly derived from the smart cockpit solutions, intelligent driving solutions and automotive acoustic solutions. Details of the income components are as follows:

	For the year ended 31 December (RMB'000)			For the four months ended 30 April
	2023 (Audited)	2024 (Audited)	2025 (Audited)	2026 (Audited)
Smart cockpit solutions	3,260,893.7	2,898,524.6	3,314,526.4	992,608.6
Intelligent driving solutions	239,695.6	453,992.9	839,443.2	131,628.7
Automotive acoustic solutions	479,679.1	574,109.4	560,533.7	152,718.9
Others	151,759.4	132,970.5	120,612.3	53,767.8
Total	<u>4,132,027.8</u>	<u>4,059,597.3</u>	<u>4,835,115.7</u>	<u>1,330,724.1</u>

For the years ended 31 December 2023 and 2024, the Target Company's revenue decreased by RMB72.4 million, mainly affected by the decline in revenue from smart cockpit solutions; for the years ended 31 December 2024 and 2025, the Target Company's revenue increased by RMB775.5 million, mainly due to (i) increase in revenue from smart cockpit solutions. The increase in this category of revenue was mainly attributable to growth in revenue from human-machine interface (HMI) systems and in-vehicle infotainment system products; (ii) increase in revenue from intelligent driving solutions. The increase in this category of revenue was mainly attributable to increased demand for intelligent driving domain controller systems as automotive intelligent driving became more widespread.

Gross Profit and Gross Profit Margin

For the years ended 31 December 2023, 2024 and 2025, and for the four months ended 30 April 2026, the Target Company recorded gross profits of RMB789.2 million, RMB768.6 million, RMB849.4 million, and RMB255.3 million, respectively, with corresponding gross profit margins of 19.10%, 18.93%, 17.57% and 19.18%.

During the Relevant Period, the Target Company's gross profit mainly derived from the smart cockpit solutions business. The gross profit for 2025 increased by 10.51% year-on-year compared to 2024, reflecting the continuous expansion of revenue from core business. The comprehensive gross profit margin for 2025 showed a slight decline, mainly due to the increased proportion of revenue from intelligent driving domain controllers during the year. This business segment has a relatively lower gross profit margin, thereby diluting the overall gross profit margin level.

Expenses

The Target Company's expenses mainly include sales expenses, general and administrative expenses, and research and development expenses. The increase in expenses for 2024 was relatively significant, mainly attributable to (i) organizational structure optimization: the Target Company underwent business restructuring and organizational reform in 2024, resulting in substantial one-time increases in employee remuneration-related expenses due to severance and termination compensation payments; (ii) R&D resource investment: to ensure the timely progress of core R&D projects, the Target Company increased resource allocation to key R&D projects during the year, particularly through the procurement of outsourced R&D services, leading to a corresponding increase in relevant expenses.

Profit

For the years ended 31 December 2023, 2024 and 2025, and for the four months ended 30 April 2026, the Target Company recorded net profits of RMB191.7 million, RMB48.7 million, RMB242.6 million, and RMB93.0 million, respectively. During the Relevant Period, the Target Company's profit mainly derived from sales of its principal business products.

For the years ended 31 December 2023 and 2024, the Target Company's net profit decreased by RMB143.1 million, mainly because during 2024, the Target Company underwent business adjustments and organizational reform, resulting in significant severance compensation payments for staff optimization and relatively high individually assessed credit impairment losses, leading to a substantial increase in period expenses and a relatively low net profit base for that year; for the years ended 31 December 2024 and 2025, the Target Company's net profit increased by RMB193.9 million, mainly because expenses and credit impairment losses for the periods had returned to normal levels, resulting in a significant recovery in net profit; for the four months ended 30 April 2025 and 2026, the Target Company's net profit recorded a year-on-year increase, mainly attributable to improved gross profit margins and reduced expenses in the corresponding period.

Capital Structure, Liquidity and Financial Resources

Capital Structure

During the Relevant Period, the Target Company underwent one capital increase in 2023. Apart from this, there were no significant changes in the Target Company's capital structure. The Target Company primarily funds its operations and working capital requirements through borrowings and other financing activities.

Liquidity and Financial Resources

As of 31 December 2023, 2024 and 2025, and 30 April 2026, the total assets of the Target Company were RMB3,453.5 million, RMB3,698.2 million, RMB4,261.5 million, and RMB4,117.0 million, respectively, mainly comprising cash at bank and on hand, accounts receivable, inventories, and fixed assets, etc.. The significant increase in total assets at the end of 2025 as compared with the end of 2024 was primarily due to increases in trading financial assets, inventory, and fixed assets. As of 31 December 2023, 2024 and 2025, and 30 April 2026, the balances of cash and cash equivalents of the Target Group were RMB796.9 million, RMB463.1 million, RMB569.2 million, and RMB287.7 million, respectively. The decrease in the balance of cash and cash equivalents at the end of 2024 as compared with the end of 2023 was primarily due to a decline in net cash flow from operating activities, while the increase in the balance of cash and cash equivalents at the end of 2025 as compared with the end of 2024 was primarily due to improvements in both net cash flow from operating activities and net cash flow from financing activities.

As of 31 December 2023, 2024 and 2025, and 30 April 2026, the total liabilities of the Target Company were RMB1,884.7 million, RMB2,074.7 million, RMB2,380.1 million and RMB2,131.5 million, respectively, mainly comprising borrowings, accounts payable, and notes payable, etc.. The total liabilities remained relatively stable.

The Target Company adopts a prudent financial management policy, under which it closely monitors its working capital position to ensure that the composition of its assets, liabilities and other undertakings is aligned with its funding requirements.

For the financing needs of the Target Company, the aggregate annual financing limit shall be determined on a reasonable basis by taking into account its operating conditions and annual cash flow budgets, and shall be implemented within the approved limits following authorisation by the board of directors and the shareholders' meeting of the Target Company. Financing proposals shall be formulated by the relevant departments of the Target Company in accordance with the cost-benefit principle, and shall address timing, cost budgeting, debt repayment plans, potential risk assessment, and corresponding countermeasures. During the Relevant Period, the interest rate on the Target Company's borrowings (mainly including credit borrowing and secured borrowings) ranged from 2.6% to 3.5%. As of 31 December 2023, 2024 and 2025, and 30 April 2026, the

Target Company's credit borrowings amounted to RMB0, RMB0, RMB50.0 million and RMB60.0 million, respectively, and its secured borrowings amounted to RMB0.00 million, RMB93.8 million, RMB181.2 million and RMB196.3 million, respectively.

The Target Company conducts its fund management in accordance with the principles of efficiency, security and cost recovery, and has established clear management policies regarding cash management, bank deposit management, fund receipt and payment management, fund flow management, and bank account management.

Asset-liability Ratio

As of 31 December 2023, 2024 and 2025, and 30 April 2026, the Target Company's asset-liability ratio (i.e., total liabilities divided by total assets) was 54.57%, 56.10%, 55.85% and 51.77%, respectively.

At the end of 2024, the Target Company's asset-liability ratio showed a slight increase, mainly due to the moderate increase in borrowing scale during the year to support business growth. As of the end of 2025 and 30 April 2026, the asset-liability ratio showed a declining trend, indicating the Target Group's continuous optimization of its capital structure. Overall, the Target Group's asset-liability ratio remains at a controllable level, with buffer space to cope with market changes.

Contingent Liabilities

As of 31 December 2023, 2024 and 2025, and 30 April 2026, the Target Company did not have any significant contingent liabilities.

Asset Mortgages

As of 31 December 2023, the Target Company did not have any secured borrowings. As at 31 December 2024 and 2025, and 30 April 2026, the Target Company's secured borrowings were RMB93.8 million, RMB181.2 million and RMB196.3 million, respectively. These borrowings are primarily secured by mortgages on the Target Company's fixed assets and intangible assets. Secured borrowings began to accrue in 2024 and increased further in 2025, primarily resulting from secured bank borrowings obtained by the subsidiary Suzhou Hangsheng New Energy Co., Ltd.. As of 30 April 2026, the scale of secured borrowings remained basically stable as compared with the end of 2025.

Financial Risk Management

During the Relevant Period, the Target Company primarily faces market risk, credit risk and liquidity risk in the course of its ordinary business. The Target Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Target Company's financial performance.

APPENDIX III MANAGEMENT DISCUSSION AND ANALYSIS OF THE HANGSHENG ELECTRONICS GROUP

As the Target Company's business is primarily located within China, its main assets (including cash and cash equivalents), liabilities, and business transactions are primarily denominated in RMB, with foreign currency transactions accounting for a relatively small proportion of the Target Company's operating performance. Therefore, the Target Company believes that it does not face significant foreign exchange fluctuation risks and does not use any financial instruments to hedge against potential fluctuations in interest rates and exchange rates.

Financing and Financial Policy

The Target Company adopts a prudent financial management policy. It closely monitors its working capital situation to ensure that the composition of its assets, liabilities and other undertakings aligns with funding requirements.

Employees and Remuneration Policy

As of 31 December 2023, 2024 and 2025, and 30 April 2026, the Target Company had 3,396, 3,288, 3,415 and 3,325 employees, respectively. For the three years ended 31 December 2023, 2024 and 2025, and for the four months ended 30 April 2026, the total remuneration paid to the Target Company's employees was approximately RMB582.2 million, RMB683.3 million, RMB592.4 million and RMB238.9 million, respectively. Total remuneration increased in 2024, primarily due to an increase in the total cash remuneration paid to employees during the period driven by significant cash expenditures for employee severance and termination benefits as a result of workforce streamlining and optimization implemented during the year. In 2025, as such one-off termination benefit expenses no longer occurred, the overall remuneration payments declined to a level comparable to that of 2023, despite the increase in the number of employees as compared with 2024.

To attract talent and utilize human resources effectively to facilitate smooth business operations, the Target Company has consistently provided competitive compensation packages based on market conditions, individual qualifications, experience and performance.

Significant Investments, Major Acquisitions and Disposals

As of 31 December 2023, 2024 and 2025, and 30 April 2026, the Target Company did not have any significant investments exceeding 5% of total asset value.

As of 31 December 2023, 2024 and 2025, and 30 April 2026, the Target Company did not have any major acquisitions or disposals of subsidiaries and associates.

Future Plans for Significant Investments in Capital Assets

As of 30 April 2026, the Target Company does not have any future plans for significant investments or capital assets.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the full text of the report issued by the Reporting Accountant, Grant Thornton Zhitong Certified Public Accountants LLP (Chinese Certified Public Accountants) on the unaudited pro forma financial information of the Group, which has been prepared for the purpose of incorporation into this circular.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**INTRODUCTION**

The following is an illustrative unaudited pro forma consolidated balance sheet (the “Unaudited Pro Forma Financial Information”) of Fibocom Wireless Inc. (the “Company”) and its subsidiaries (collectively, the “Group”), and Shenzhen Hangsheng Electronics Co., Ltd. (the “Target Company”) and its subsidiaries (collectively, the “Target Group”) (the Group together with the Target Group are collectively referred to as the “Enlarged Group”), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effects of the acquisition of the equity interest in the Target Company as if the Acquisition had been completed on 31 December 2025.

The Unaudited Pro Forma Financial Information has been prepared based on: (i) the audited consolidated statement of financial position of the Group as at 31 December 2025 as set out in the published audited consolidated financial statements of the Company for the year ended 31 December 2025; (ii) the consolidated statement of financial position of the Target Group as at 31 December 2025 as set out in the accountants’ report in Appendix II to this circular; and (iii) the pro forma adjustments having been prepared to reflect the effects of the Acquisition as set out in the notes below, which are directly attributable to the Acquisition and not relating to future events or decisions, and are factually supportable.

The Unaudited Pro Forma Financial Information has been prepared in accordance with the accounting policies consistent with those of the Group set out in the published annual report of the Company for the year ended 31 December 2025.

The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Acquisition on the Group and for the purpose of inclusion in this circular only. The Unaudited Pro Forma Financial Information has been prepared based on a number of assumptions, estimates and uncertainties. Due to its hypothetical nature, the Unaudited Pro Forma Financial Information does not purport to describe the actual financial position of the Enlarged Group that would have been achieved had the Acquisition been completed on 31 December 2025 or on any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in the published audited consolidated financial statements of the Group for the year ended 31 December 2025, the historical financial information of the Target Group as set out in Appendix II to this circular and other financial information set out elsewhere in this circular.

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED
GROUP**

Item	Audited consolidated balance sheet of the Group as at 31 December 2025 RMB '000 Note 1	Audited consolidated balance sheet of the Target Group as at 31 December 2025 RMB '000 Note 2	Pro forma adjustments				Unaudited pro forma consolidated balance sheet of the Enlarged Group RMB '000 Note 6
			RMB '000 Note 3	RMB '000 Note 4	RMB '000 Note 5	RMB '000 Note 6	
Current assets:							
Cash at bank and on hand	3,423,804	771,739	–	–	–	–	4,195,543
Financial assets held for trading	316,103	332,927	–	–	–	–	649,030
Note receivables	86,450	9,663	–	–	–	–	96,113
Accounts receivable	1,662,677	1,121,306	–	–	–	(990)	2,782,993
Receivables financing	82,590	108,672	–	–	–	–	191,262
Prepayments	21,423	21,924	–	–	–	–	43,347
Other receivables	58,184	10,039	–	–	–	–	68,223
Inventories	1,347,575	566,346	64,868	–	–	–	1,978,789
Non-current assets due within one year	107,137	–	–	–	–	–	107,137
Other current assets	1,136,475	62,335	–	–	–	–	1,198,810
Total current assets	8,242,418	3,004,951	64,868	–	–	(990)	11,311,247
Non-current assets:							
Long-term equity investments	59,469	25,344	–	–	–	–	84,813
Other investments in equity instruments	355,976	9,855	–	–	–	–	365,831
Fixed assets	71,794	1,014,121	792,864	–	–	–	1,878,779
Construction in progress	211,487	32,916	–	–	–	–	244,403
Right-of-use assets	86,995	3,621	–	–	–	–	90,616
Intangible assets	399,375	113,113	124,365	–	–	–	636,853
Development expenses	11,366	–	–	–	–	–	11,366
Goodwill	12,902	–	–	–	405,037	–	417,939
Long-term deferred expenses	53,389	30,617	–	–	–	–	84,006
Deferred income tax assets	140,795	12,678	(4,214)	–	–	–	149,259
Other non-current assets	43,498	14,242	–	–	–	–	57,740
Total non-current assets	1,447,046	1,256,507	913,015	–	405,037	–	4,021,605
Total assets	9,689,464	4,261,458	977,883	–	405,037	(990)	15,332,852

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

Item	Audited consolidated balance sheet of the Group as at 31 December	Audited consolidated balance sheet of the Target Group as at 31 December	Pro forma adjustments				Unaudited pro forma consolidated balance sheet of the Enlarged Group
	2025	2025					
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
	Note 1	Note 2	Note 3	Note 4	Note 5	Note 6	
Current liabilities:							
Short-term borrowings	622,289	200,140	–	–	–	–	822,429
Financial liabilities held for trading	6,538	–	–	–	–	–	6,538
Notes payable	384,033	298,308	–	–	–	–	682,341
Accounts payable	1,672,404	1,473,758	–	–	–	(990)	3,145,172
Advances from customers	–	367	–	–	–	–	367
Contract liabilities	50,996	31,563	–	–	–	–	82,559
Employee benefits payable	76,117	86,963	–	–	–	–	163,080
Taxes payable	47,599	14,636	–	–	–	–	62,235
Other payables	119,226	17,232	–	1,427,992	–	–	1,564,450
Non-current liabilities due within one year	269,018	5,930	–	–	–	–	274,948
Other current liabilities	7,408	5,100	–	–	–	–	12,508
Total current liabilities	3,255,628	2,133,997	–	1,427,992	–	(990)	6,816,627
Non-current liabilities:							
Long-term borrowings	48,750	177,282	–	–	–	–	226,032
Lease liabilities	23,965	1,131	–	–	–	–	25,096
Provisions	–	26,049	–	–	–	–	26,049
Deferred income	6,598	41,008	(39,365)	–	–	–	8,241
Deferred income tax liabilities	87,033	623	147,315	–	–	–	234,971
Total non-current liabilities	166,346	246,093	107,950	–	–	–	520,389
Total liabilities	3,421,974	2,380,090	107,950	1,427,992	–	(990)	7,337,016
Net assets	6,267,490	1,881,368	869,933	(1,427,992)	405,037	–	7,995,836
Less: non-controlling interests	7,808	(1,539)	1,729,885	–	–	–	1,736,154
	6,259,682	1,882,907	(859,952)	(1,427,992)	405,037	–	6,259,682

Notes to Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2025 as set out in the published audited consolidated financial statements of the Company for the year ended 31 December 2025.
2. The amounts are extracted from the accountants' report of the Target Group as set out in Appendix II to this circular.
3. Upon the completion of the Acquisition (the "Completion"), the Target Group will become a subsidiary of the Company. The identifiable assets and liabilities of the Target Group will be accounted for at fair value in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 20 — Business Combinations regarding "business combinations not under common control".

For the purpose of preparing the Unaudited Pro Forma Financial Information, the Directors have estimated the fair value of the identifiable assets and liabilities of the Target Group with reference to the preliminary fair value assessments prepared by an Independent Valuer engaged by the Directors of the Company as at 31 December 2025.

With reference to the valuation report, the Directors estimated the fair value adjustments to the Target Group's assets and liabilities include:

	<i>RMB '000</i>
Inventories	64,868
Fixed assets	792,864
Intangible assets	124,365
Deferred income tax assets	(4,214)
Deferred income	(39,365)
Deferred income tax liabilities	147,315

- i. Intangible assets mainly include customer relationships, land and trademarks; fixed assets mainly include buildings, machinery and equipment; the corresponding deferred tax liabilities of RMB147,315 thousand are measured at the tax rate of 15% that is expected to apply when related taxable temporary differences are settled.
- ii. Deferred income mainly refers to project subsidies granted by relevant government departments. The funds have been actually received after relevant conditions have been fulfilled as required, and there is no subsequent repayment obligation. As this does not constitute a present obligation requiring the enterprise to settle in cash or other assets in the future, deferred income is not recognized as a liability that the enterprise should actually bear on the valuation benchmark date. Deferred income tax assets represent the temporary differences associated with deferred income.

The amounts of fair values of the identifiable assets and liabilities of the Target Group are subject to change upon the completion of the valuation of the fair values of the identifiable assets and liabilities of the Target Group on the date of completion of the acquisition. Consequently, the resulting goodwill, the actual allocation of the purchase price at the date of completion will likely result in different amounts than those stated in the Unaudited Pro Forma Financial Information.

The amount of non-controlling interests in the Target Group is calculated based on their proportionate share of identifiable net assets of the Target Group.

4. Through negotiation among all parties to the transaction, the Company acquired 37.16% equity interest in the Target Group for a total consideration of RMB1,427.99 million. The pro forma adjustment refers to the cash consideration of RMB1,427.99 million for the equity transfer.
5. The goodwill arising from the acquisition of the Target Group is calculated as follows:

RMB'000

Cost of combination:

Cash	1,427,992
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Total cost of combination	1,427,992
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Less:

Carrying amount of net assets of the Target Group	1,881,368
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Fair value adjustments	869,933
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Fair value of identifiable net assets	2,751,301
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Less: Minority interests	1,728,346
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Fair value of identifiable net assets acquired	1,022,955
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Goodwill	405,037
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6. There were related party transactions between the Group and the Target Group, and the balance of RMB990,000 resulted from the offsetting of such related party transactions.
7. Except for the adjustments mentioned above, no other adjustment has been made to reflect any trading results or other transactions of the Group or the Target Group entered into subsequent to 31 December 2025.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the full text of the report issued by the Reporting Accountants, Grant Thornton Zhitong Certified Public Accountants LLP (Chinese Certified Public Accountants), in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation into this circular.

FIBOCOM WIRELESS INC.**ASSURANCE REPORT ON UNAUDITED PRO FORMA
FINANCIAL INFORMATION**

FIBOCOM WIRELESS INC.**ASSURANCE REPORT ON UNAUDITED PRO FORMA
FINANCIAL INFORMATION****To the Directors of Fibocom Wireless Inc.:**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Fibocom Wireless Inc. (hereinafter referred to as the “Company” or “Fibocom”) and its subsidiaries (hereinafter collectively referred to as the “Fibocom Group”), Shenzhen Hangsheng Electronics Co., Ltd. (hereinafter referred to as “Hangsheng Electronics” or the “Target Company”) and its subsidiaries (hereinafter collectively referred to as the “Target Group”) (the Fibocom Group together with the Target Group, hereinafter collectively referred to as the “Enlarged Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information includes the unaudited pro forma consolidated balance sheet as at 31 December 2025 and the related notes (hereinafter referred to as the “Unaudited Pro Forma Financial Information”). Please refer to the circular of Fibocom dated 23 September 2026 for the applicable standards relied upon by the Directors in the compilation of the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed acquisition by Fibocom of 37.16% of the equity interests in Hangsheng Electronics on the financial position of Fibocom as at 31 December 2025, assuming that the acquisition had been completed on 31 December 2025. As part of this process, the Directors have extracted relevant information on the financial position of the Fibocom Group from its audited financial statements as of 31 December 2025, and the relevant information on the financial position of the Target Group has been extracted by the Directors from the audited financial information, on which the accountants’ report is set forth in the circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Listing Rules") and with reference to Accounting Guideline 7 – Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (hereinafter referred to as "AG 7") issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements set out in the Code of Ethics for Chinese Certified Public Accountants (the "Code") and the Independence Standards for Chinese Certified Public Accountants applicable to audits of public interest entities. The Code is founded on fundamental principles of integrity, objectivity, independence, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the Chinese Standards on Quality Management No. 5101 – Quality Management for Engagements, which requires us to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Certified Public Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 – Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the certified public accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the circular is solely to illustrate the impact of the proposed acquisition on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the relevant event or transaction, and to obtain sufficient appropriate evidence about whether:

- (i) the related pro forma adjustments give appropriate effect to those criteria;
- (ii) the unaudited pro forma financial information reflects the proper adjustments to the unadjusted financial information.

The procedures selected depend on the certified public accountants' professional judgment, having regard to the certified public accountants' understanding of the nature of the Group, the event or transaction in respect of the preparation of the unaudited pro forma financial information, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

- (i) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (ii) such basis is consistent with the accounting policies of the Group;
- (iii) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as required to be disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Zhitong

Chinese Certified Public Accountants

Zhao Juanjuan

Certified Public Accountants LLP

Chinese Certified Public Accountants

Zhou Yilan

China • Beijing

23 September 2026

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

31 December 2025

Prepared by: Fibocom Wireless Inc.

Unit: RMB

Item	Audited consolidated balance sheet of Fibocom Group as at 31 December 2025 <i>Note 1</i>	Audited consolidated balance sheet of the Target Group as at 31 December 2025 <i>Note 2</i>	<i>Note 3</i>	Pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Enlarged Group
				<i>Note 4</i>	<i>Note 5</i>	<i>Note 6</i>	
Current assets:							
Cash at bank and on hand	3,423,803,670.00	771,739,108.74	-	-	-	-	4,195,542,778.74
Financial assets held for trading	316,102,632.97	332,927,405.46	-	-	-	-	649,030,038.43
Note receivables	86,450,296.71	9,662,515.39	-	-	-	-	96,112,812.10
Accounts receivable	1,662,676,569.07	1,121,306,388.71	-	-	-	-990,492.55	2,782,992,465.23
Receivables financing	82,589,635.78	108,672,021.01	-	-	-	-	191,261,656.79
Prepayments	21,422,754.17	21,924,139.22	-	-	-	-	43,346,893.39
Other receivables	58,184,183.78	10,039,376.57	-	-	-	-	68,223,560.35
Including: Interest receivable	-	-	-	-	-	-	-
Dividends receivable	-	-	-	-	-	-	-
Inventories	1,347,574,914.21	566,345,678.42	64,868,351.15	-	-	-	1,978,788,943.78
Including: Data resource	-	-	-	-	-	-	-
Contract assets	-	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-	-
Non-current assets due within one year	107,137,163.98	-	-	-	-	-	107,137,163.98
Other current assets	1,136,475,432.41	62,334,883.75	-	-	-	-	1,198,810,316.16
Total current assets	8,242,417,253.08	3,004,951,517.27	64,868,351.15	-	-	-990,492.55	11,311,246,628.95

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

Item	Audited consolidated balance sheet of Fibocom Group as at 31 December 2025 <i>Note 1</i>	Audited consolidated balance sheet of the Target Group as at 31 December 2025 <i>Note 2</i>	<i>Note 3</i>	Pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Enlarged Group
				<i>Note 4</i>	<i>Note 5</i>	<i>Note 6</i>	
Non-current assets:							
Debt investments	-	-	-	-	-	-	-
Other debt investments	-	-	-	-	-	-	-
Long-term receivables	-	-	-	-	-	-	-
Long-term equity investments	59,468,608.32	25,344,330.59	-	-	-	-	84,812,938.91
Other investments in equity instruments	355,976,021.38	9,855,134.34	-	-	-	-	365,831,155.72
Other non-current financial assets	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-
Fixed assets	71,793,771.55	1,014,121,024.13	792,863,927.86	-	-	-	1,878,778,723.54
Construction in progress	211,487,187.73	32,915,563.31	-	-	-	-	244,402,751.04
Productive biological assets	-	-	-	-	-	-	-
Oil & gas assets	-	-	-	-	-	-	-
Right-of-use assets	86,995,197.29	3,620,586.92	-	-	-	-	90,615,784.21
Intangible assets	399,375,030.95	113,113,334.14	124,364,685.80	-	-	-	636,853,050.89
Including: Data resource	-	-	-	-	-	-	-
Development expenses	11,365,687.76	-	-	-	-	-	11,365,687.76
Including: Data resource	-	-	-	-	-	-	-
Goodwill	12,902,093.27	-	-	-	405,036,648.36	-	417,938,741.63
Long-term deferred expenses	53,388,666.00	30,616,992.21	-	-	-	-	84,005,658.21
Deferred income tax assets	140,795,419.72	12,677,622.78	-4,214,239.93	-	-	-	149,258,802.57
Other non-current assets	43,499,113.10	14,242,815.11	-	-	-	-	57,741,928.21
Total non-current assets	1,447,046,797.07	1,256,507,403.53	913,014,373.73	-	405,036,648.36	-	4,021,605,222.69
Total assets	9,689,464,050.15	4,261,458,920.80	977,882,724.88	-	405,036,648.36	-990,492.55	15,332,851,851.64

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Item	Audited consolidated balance sheet of Fibocom Group as at 31 December 2025 <i>Note 1</i>	Audited consolidated balance sheet of the Target Group as at 31 December 2025 <i>Note 2</i>	<i>Note 3</i>	Pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Enlarged Group
				<i>Note 4</i>	<i>Note 5</i>	<i>Note 6</i>	
Current liabilities:							
Short-term borrowings	622,289,392.88	200,139,722.22	-	-	-	-	822,429,115.10
Financial liabilities held for trading	6,537,931.64	-	-	-	-	-	6,537,931.64
Notes payable	384,032,973.27	298,307,558.92	-	-	-	-	682,340,532.19
Accounts payable	1,672,403,303.69	1,473,758,665.40	-	-	-	-990,492.55	3,145,171,476.54
Advances from customers	-	366,655.25	-	-	-	-	366,655.25
Contract liabilities	50,996,166.99	31,563,274.39	-	-	-	-	82,559,441.38
Employee benefits payable	76,117,368.65	86,963,285.79	-	-	-	-	163,080,654.44
Taxes payable	47,599,392.56	14,636,152.55	-	-	-	-	62,235,545.11
Other payables	119,226,414.61	17,231,610.33	-	1,427,991,900.00	-	-	1,564,449,924.94
Including: Interests payable	-	-	-	-	-	-	-
Dividends payable	-	-	-	-	-	-	-
Liabilities held for sale	-	-	-	-	-	-	-
Non-current liabilities due within							
one year	269,017,859.04	5,929,652.83	-	-	-	-	274,947,511.87
Other current liabilities	7,407,397.87	5,101,366.51	-	-	-	-	12,508,764.38
Total current liabilities	3,255,628,201.20	2,133,997,944.19	-	1,427,991,900.00	-	-990,492.55	6,816,627,552.84

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Item	Audited consolidated balance sheet of Fibocom Group as at 31 December 2025 <i>Note 1</i>	Audited consolidated balance sheet of the Target Group as at 31 December 2025 <i>Note 2</i>	<i>Note 3</i>	Pro forma adjustments			Unaudited pro forma consolidated balance sheet of the Enlarged Group
				<i>Note 4</i>	<i>Note 5</i>	<i>Note 6</i>	
Non-current liabilities:							
Long-term borrowings	48,750,000.00	177,281,606.08	-	-	-	-	226,031,606.08
Bonds payable	-	-	-	-	-	-	-
Lease liabilities	23,964,548.59	1,131,331.30	-	-	-	-	25,095,879.89
Long-term payables	-	-	-	-	-	-	-
Provisions	-	26,048,531.81	-	-	-	-	26,048,531.81
Deferred income	6,597,747.67	41,008,013.76	-39,364,765.59	-	-	-	8,240,995.84
Deferred income tax liabilities	87,033,324.03	623,270.15	147,314,544.72	-	-	-	234,971,138.90
Other non-current liabilities	-	-	-	-	-	-	-
Total non-current liabilities	166,345,620.29	246,092,753.10	107,949,779.13	-	-	-	520,388,152.52
Total liabilities	3,421,973,821.49	2,380,090,697.29	107,949,779.13	1,427,991,900.00	-	-990,492.55	7,337,015,705.36
Total equity attributable to the shareholders of the parent	6,259,682,361.11	1,882,906,805.71	-859,951,554.07	-1,427,991,900.00	405,036,648.36	-	6,259,682,361.11
Minority interests	7,807,867.55	-1,538,582.20	1,729,884,499.82	-	-	-	1,736,153,785.17
Total equity	6,267,490,228.66	1,881,368,223.51	869,932,945.75	-1,427,991,900.00	405,036,648.36	-	7,995,836,146.28
Total liabilities and equity	9,689,464,050.15	4,261,458,920.80	977,882,724.88	-	405,036,648.36	-990,492.55	15,332,851,851.64

Legal Representative: Zhang Tianyu

Person in Charge of Accounting: Wang Hongyan

Head of Accounting Department: Wang Hongyan

Notes to the Pro Forma Consolidated Financial Statements

31 December 2025

(All amounts in RMB unless otherwise stated)

I. BASIC INFORMATION OF THE COMPANY

Fibocom Wireless Inc. (hereinafter referred to as the Company or this Company), formerly known as Fibocom Industry Development Co., Ltd., was established on 11 November 1999. It was registered and approved by the Market Supervision Administration of Shenzhen Municipality with a unified social credit code: 9144030071524640XY; it was restructured into a joint stock limited company in December 2014. In March 2017, with the approval of the China Securities Regulatory Commission's Approval on Approving the Initial Public Offering of Shares of Fibocom Wireless Inc. (《關於核准深圳市廣和通無線股份有限公司首次公開發行股票的批覆》) (ZJXK [2017] No. 366), the Company issued 20,000,000 ordinary shares (A shares) to the public at an issuance price of RMB10.45 per share, and was listed on the ChiNext board of the Shenzhen Stock Exchange. With the approval of The Stock Exchange of Hong Kong Limited, the Company issued 135,080,200 H shares, which were listed and began trading on the Main Board of the Hong Kong Stock Exchange on 22 October 2025.

As of 31 December 2025, the Company's total share capital stood at 899,265,844.00 shares. The Company's legal representative is Mr. Zhang Tianyu, and its headquarters is located at 1101, Tower A, Building 6, Shenzhen International Innovation Valley, Dashi 1st Road, Nanshan District, Shenzhen.

The Company has established a corporate governance structure with general meetings and the Board of Directors, and has departments such as sales, procurement, R&D, and finance.

The Company, along with its subsidiaries (hereinafter referred to as "the Group"), is primarily engaged in the design, R&D, and sales services of wireless communication modules and communication solutions for industry applications. The Company's primary products include wireless communication modules based on 2G, 3G, 4G, 5G, NB-IoT, AI, and other technologies, as well as communication solutions tailored to their industry applications.

These financial statements and the accompanying notes have been approved by the 31st meeting of the 4th Board of Directors of the Company on 23 September 2026.

II. INFORMATION ON CASH PAYMENT FOR THE PURCHASE OF ASSETS**1. Transaction Plan**

The Company proposes to pay in cash to 38 shareholders of Shenzhen Hangsheng Electronics Co., Ltd. (hereinafter referred to as Hangsheng Electronics), including Shenzhen Huajian Jiachuang Enterprise Management Consulting Partnership (Limited Partnership)* (深圳華建佳創企業管理諮詢合夥企業(有限合夥)), to acquire a total of 37.16% of the equity in Hangsheng Electronics held by them. Pursuant to the agreement as stipulated, following the Transaction, Mr. Yang Hong and other shareholders of Hangsheng Electronics will act in concert with the Company. Upon completion of the Transaction, Hangsheng Electronics will become a controlled subsidiary of the Company.

2. Basic Information on the Target Assets of the Transaction

Hangsheng Electronics was approved to establish on 6 December 1993 by Shenzhen Economic Development Bureau with Document Shen Jing Fu [1993] No. 276. Its unified social credit code is 91440300192252025L and its legal representative is Mr. Yang Hong. The registered address is Room 201, Office Building A1, Hangsheng Industrial Park, Fuyuan 1st Road, Zhancheng Community, Fuhai Street, Bao'an District, Shenzhen. As of 31 December 2025, the registered capital of Hangsheng Electronics was RMB320.30 million, and its share capital amounted to RMB320.30 million.

Hangsheng Electronics' principal businesses include: research and development, production and sales of automotive electronic series products, variable frequency speed control device series products, instruments and meters, computer peripheral equipment, information service system equipment and other electronic products; purchase and sales of electronic components; and real estate leasing, etc.

3. Appraised Value and Transaction Price of the Transaction Target

According to the Asset Valuation Report on All Shareholders' Equity Interests of Shenzhen Hangsheng Electronics Co., Ltd. Involved in the Proposed Acquisition of Its Equity Interests by Fibocom Wireless Inc. (Hu Zhong Ping Bao Zi [2026] No. 0610) issued by Shanghai Zhonghua Assets Appraisal Co., Ltd., with 31 December 2025 as the Valuation Reference Date, the appraised value of 100% of the equity interests in Hangsheng Electronics was RMB3,850.40 million. Following negotiations among the parties to the Transaction, the transaction price for 37.16% of the equity interests in Hangsheng Electronics was RMB1,427.9919 million, which shall be paid in cash.

**III. BASIS OF PREPARATION OF PRO FORMA CONSOLIDATED FINANCIAL
STATEMENTS****1. Basis of Preparation**

These pro forma consolidated financial statements have been prepared in accordance with the relevant provisions of the Administrative Measures for Major Asset Restructuring of Listed Companies (《上市公司重大資產重組管理辦法》) and the Content and Format Standards for Information Disclosure of Companies that Offer Securities to the Public No. 26 — Major Asset Restructuring of Listed Companies (《公開發行證券的公司信息披露內容與格式準則第 26 號 — 上市公司重大資產重組》) of the China Securities Regulatory Commission, and comply with the Accounting Standards for Business Enterprises and its application guidelines, interpretations and other relevant regulations promulgated by the Ministry of Finance (collectively referred to as the “ASBEs”), as well as the applicable disclosure requirements of the Regulation on the Preparation of Information Disclosures of Companies that Offer Securities to the Public No. 15 — General Requirements for Financial Reports (revised in 2023) (《公開發行證券的公司信息披露編報規則第 15 號 — 財務報告的一般規定(2023 年修訂)》) of the CSRC and the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited. These pro forma consolidated financial statements are solely intended for use by the Company in connection with cash payment made for asset acquisition described in Note 2 thereof.

Except for the matters described in Note 3(2) to these pro forma consolidated financial statements, the accounting policies adopted by the Company in preparing these pro forma consolidated financial statements are in accordance with the provisions of the ASBEs and are based on the going concern basis.

2. Assumptions for Pro Forma Consolidated Financial Statements

These pro forma consolidated financial statements have been prepared based on the following assumptions:

- (1) The asset acquisition by way of cash payment has been approved by the Shenzhen Stock Exchange and other relevant regulatory authorities.
- (2) Assuming that the Company has completed the acquisition of equity interests in Hangsheng Electronics as at 31 December 2025 (hereinafter referred to as the “Consolidation Reference Date”), holds 37.16% equity interests in Hangsheng Electronics in accordance with the shareholding structure upon the completion of the Reorganization, and has completed all relevant procedures.

- (3) Given that the major asset reorganization transaction has not yet been implemented, the Company has not yet exercised substantive control over Hangsheng Electronics (with respect to the asset proposed to be acquired). In preparing the pro forma consolidated financial statements, the adjusted book value of net assets of Hangsheng Electronics as at the Consolidation Reference Date is determined as the fair value of the identifiable net assets on the assumption that it is based on the appraised value of the asset as at the Valuation Reference Date (31 December 2025) of the reorganization transaction. Goodwill in the pro forma consolidated financial statements as at the Consolidation Reference Date is determined based on the goodwill calculated as at the Consolidation Reference Date (31 December 2025).
- (4) Assuming that no impairment of goodwill was incurred during the current reporting period, no information regarding the impairment test of such goodwill was disclosed accordingly.
- (5) The Company intends to acquire the 37.16% equity interest in Hangsheng Electronics by way of cash payment. The consideration for the Transaction was RMB1,427.9919 million. In preparing the pro forma consolidated financial statements, the Company recognized the aforementioned acquisition consideration as the cost of a long-term equity investment and assumed that the consideration paid in cash was included in other payables as at 31 December 2025.
- (6) In light of the specific preparation purposes of the pro forma financial statements, shareholders' equity in these pro forma financial statements is presented as "equity attributable to shareholders of the parent" and "minority interests", and no longer divided into breakdown items including "share capital", "capital reserve", "other comprehensive income", "surplus reserve" and "undistributed profits". These pro forma consolidated financial statements do not include the pro forma consolidated statement of cash flows or the pro forma consolidated statement of changes in shareholders' equity, nor do they present and disclose the financial information of the parent, but present and disclose the pro forma consolidated financial information only.
- (7) These pro forma consolidated financial statements do not take into account any transaction costs or brokerage fees that may arise from the Transaction.
- (8) These pro forma consolidated financial statements do not take into account any turnover taxes or other taxes that may arise from the Reorganization.

- (9) For the purposes of these pro forma consolidated financial statements, assuming that the Company will hold 37.16% of the equity interest in Hangsheng Electronics upon completion of the Transaction and the Company will obtain control by entering into the Acting in Concert Agreement with the shareholders of Hangsheng Electronics, Hangsheng Electronics will be included in the scope of consolidation accordingly. In preparing the pro forma consolidated financial statements, accounting treatment will be performed in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements.
- (10) The plan of the asset acquisition by way of cash payment is subject to approval by the general meeting of the Company and consent from the Shenzhen Stock Exchange and other relevant regulatory authorities. The parties to the Transaction may be required to enter into separate written agreements or supplemental agreements regarding specific aspects of the Transaction based on the terms of the transaction agreement. Therefore, the final plan of the asset acquisition by way of cash payment or the transaction agreement actually executed may differ from the assumptions adopted in preparing these pro forma financial statements. The impact of such differences on the Company's relevant assets, liabilities and net assets will be reflected in the actual accounting treatment upon completion of the asset acquisition by way of cash payment.

IV. NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

Note 1: The Company's consolidated balance sheet as at 31 December 2025 is extracted from the annual report of Fibocom published on 23 April 2026.

Note 2: The audited consolidated balance sheet of the Target Group as at 31 December 2025 is extracted from the audited financial information contained in this circular (the accountants' report, on which the audited financial information is based, has been published in this circular).

Note 3: In accordance with the relevant provisions on "Business Combinations under Non-common Control" under the Accounting Standards for Business Enterprises No. 20 – Business Combinations, the Company accounts for the Target Company's identifiable assets and liabilities at fair value. For the unaudited pro forma consolidated balance sheet of the Enlarged Group, the adjusted book value of net assets of Hangsheng Electronics as at the Consolidation Reference Date (31 December 2025) is determined as the fair value of the identifiable net assets on the assumption that it is based on the appraised value of the asset as at the Valuation Reference Date (31 December 2025) of the reorganization transaction. Deferred income tax liabilities related to the appraised appreciations of identifiable intangible assets, fixed assets, inventory and other items are calculated at an income tax rate of 15%, and such deferred income tax liabilities are recognized. Identifiable assets and liabilities of the acquiree as at the acquisition date:

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

Item	Target Group Fair Value on the Acquisition Date	Book Value on the Acquisition Date
Assets:		
Cash at bank and on hand	771,739,108.74	771,739,108.74
Financial assets held for trading	332,927,405.46	332,927,405.46
Note receivables	9,662,515.39	9,662,515.39
Accounts receivable	1,121,306,388.71	1,121,306,388.71
Receivables financing	108,672,021.01	108,672,021.01
Prepayments	21,924,139.22	21,924,139.22
Other receivables	10,039,376.57	10,039,376.57
Inventories	631,214,029.57	566,345,678.42
Other current assets	62,334,883.75	62,334,883.75
Long-term equity investments	25,344,330.59	25,344,330.59
Investments in other equity instruments	9,855,134.34	9,855,134.34
Fixed assets	1,806,984,951.99	1,014,121,024.13
Construction in progress	32,915,563.31	32,915,563.31
Right-of-use assets	3,620,586.92	3,620,586.92
Intangible assets	237,478,019.94	113,113,334.14
Long-term deferred expenses	30,616,992.21	30,616,992.21
Deferred income tax assets	8,463,382.85	12,677,622.78
Other non-current assets	14,242,815.11	14,242,815.11
Liabilities:		
Short-term borrowings	200,139,722.22	200,139,722.22
Notes Payable	298,307,558.92	298,307,558.92
Accounts Payable	1,473,758,665.40	1,473,758,665.40
Advances from customers	366,655.25	366,655.25
Contract liabilities	31,563,274.39	31,563,274.39
Employee benefits payable	86,963,285.79	86,963,285.79
Taxes payable	14,636,152.55	14,636,152.55
Other payables	17,231,610.33	17,231,610.33
Non-current liabilities due within one year	5,929,652.83	5,929,652.83
Other current liabilities	5,101,366.51	5,101,366.51
Long-term borrowings	177,281,606.08	177,281,606.08
Lease liabilities	1,131,331.30	1,131,331.30
Provisions	26,048,531.81	26,048,531.81
Deferred income	1,643,248.17	41,008,013.76
Deferred income tax liabilities	147,937,814.87	623,270.15
Net assets	2,751,301,169.26	1,881,368,223.51
Less: minority interests	1,728,345,917.62	-1,538,582.20
Net assets acquired in the consolidation	1,022,955,251.64	1,882,906,805.71

Note 4: Following negotiations among the parties to the Transaction, the transaction price for 37.16% of the equity interests in Hangsheng Electronics was RMB1,427.9919 million, which shall be paid in cash.

Note 5: The calculation of the consolidation cost and goodwill is as follows:

Item	Hangsheng Electronics
Consolidation cost:	
Cash	1,427,991,900.00
Total consolidation cost	1,427,991,900.00
Less:	
Book value of the Target Company's net assets	1,881,368,223.51
Fair value adjustments	869,932,945.75
Share of the fair value of identifiable net assets	2,751,301,169.26
Less: minority interests	1,728,345,917.62
Share of the fair value of identifiable net assets acquired	1,022,955,251.64
Amount of goodwill	405,036,648.36

Note 6: There were related party transactions between Hangsheng Electronics and Fibocom and the balances resulted from the offsetting of such related party transactions.

Fibocom Wireless Inc.

23 September 2026

VALUATION OF HANGSHENG ELECTRONICS GROUP**(1) Value of the Entire Equity Interests of the Shareholders of Hangsheng Electronics Calculated Using the Income Approach**

According to the valuation report issued on 24 June 2026 by the Independent Valuer engaged by the Company, the appraised value of the entire equity interests of the shareholders of Hangsheng Electronics as at the Valuation Reference Date (i.e. 31 December 2025) using the income approach is RMB3,850.40 million.

(2) Reasons for Adopting the Income Approach

The income approach is based on the theory of utility value in economics, which holds that the value of an enterprise to an investor lies in the expected future returns that its assets can generate. Although the income approach does not directly use market comparables to reflect the current fair market value of the subject of the valuation, it evaluates the assets from the perspective of their expected profitability and value-in-use, thereby fully reflecting the overall value of the enterprise. As a tier 1 automotive supplier with over 30 years of development, the appraised entity has established mature sales and supply chain channels, stable production process systems and well-established internal management systems, and possesses independent profitability. The management of the enterprise has provided profit forecasts for future years based on its own operational development plans. The appraisal professionals, having reviewed the relevant information provided by the enterprise and taking into account factors such as the macroeconomic environment, industry policies and market development trends, are of the view that the future profitability of the enterprise can be reasonably estimated. In addition, the risk level corresponding to the expected future returns can be reasonably quantified. Therefore, it is appropriate to adopt the income approach for the valuation.

(3) Key Assumptions Adopted in the Valuation Report**(a) Basic Assumptions**

- 1) Open market assumption: the open market assumption is a hypothetical explanation or limitation about the conditions of the market in which the asset is intended to enter and the impact that the asset will receive under such market conditions. The open market refers to fully developed and perfect market conditions, and refers to a competitive market with willing buyers and sellers. In this market, buyers and sellers have equal status and have the opportunity and time to obtain sufficient market information, and transactions between buyers and sellers are conducted under voluntary, sensible, non-mandatory or unrestricted conditions.

- 2) Continuing use assumption: the assumption first assumes that the appraised assets (including assets currently being employed and reserved assets) are being used and, based on the relevant data and information, will continue to be employed. Continuing use assumption describes the market conditions or environment for the appraised assets and particularly describes the assets' status of continuance. Specifically, it includes continuing to be used as the existing usage; continuing to be used with a change of usage; continuing to be used at a different location or space. Continuing to be used as existing usage refers to the case when the asset will continue to be used according to the existing usage purpose and manner after change in the property rights or related business. Continuing to be used with a change of usage refers to the case when the asset will continue to be used with a change of the existing usage purpose being replaced by a new usage purpose after change in property rights or related business. Continuing to be used at a different location or space refers to the case when the asset will continue to be used with a change of location or space and continue to be used at another location or space after change in property rights or related business. It is assumed that the appraised entity's use of the appraised assets is continuing to be used as existing usage.
- 3) Going concern assumption: it is assumed that the appraised entity will legally continue as a going concern based on its existing assets and resources, and such operations will not be suspended for any reason in the foreseeable future.
- 4) Transactional assumption: it is assumed that all the assets to be appraised are already in the course of transaction and are valued based on a simulated market with reference to the conditions of the trade of the assets to be appraised. The transactional assumption is the most fundamental assumption for the performance of asset valuation.

(b) General Assumptions

- 1) This valuation is based on the specific valuation purpose stated in this valuation report as its basic assumption and premise.
- 2) All assets in this valuation are based on the actual inventory as at the Valuation Reference Date, and the current market prices of the relevant assets are based on the effective prices on the Valuation Reference Date.
- 3) It is assumed that there will be no material changes in the macroeconomic environment, industry development trends, financial environment, credit interest rates, exchange rates, tax policies and relevant fee standards after the Valuation Reference Date.

- 4) It is assumed that the subject of the valuation will be traded under open market conditions, both parties to the transaction have access to necessary market information, and there is no artificial inflation or deflation of prices.
- 5) It is assumed that the businesses operated by the appraised entity and its subsidiaries are legal and no unforeseeable factors will prevent their continuing operation, and the existing uses of the appraised assets will remain unchanged and they will continue to be used in their current locations.
- 6) It is assumed that there will be no material changes to the accounting policies and accounting methods of the appraised entity and its subsidiaries after the Valuation Reference Date.
- 7) It is assumed that the free cash flows of the appraised entity will occur evenly over each forecast period.
- 8) It is assumed that the future development plans and operating data provided by the appraised entity will be realized as scheduled in future operations, and that relevant orders on hand, designated projects and business agreements will proceed as planned.
- 9) It is assumed that there will be no material changes to the business model of the appraised entity in the future.
- 10) Relevant basic information and financial information provided by the principal and the appraised entity are true, accurate and complete.
- 11) Information disclosed by comparable companies is true, accurate and complete, with no false statements, errors or material omissions that may affect value judgement.
- 12) It is assumed that the exercise of the intangible asset rights owned by the appraised entity is in full compliance with relevant laws and regulations, does not violate national laws or public interests, and does not infringe upon any rights protected by national laws, including computer software copyrights.
- 13) Unless otherwise specifically stated, this valuation has not taken into account the impact of any mortgages or guarantees that the equity interests or related assets of the appraised entity may bear on the valuation conclusion, nor has it considered the impact of changes in national macroeconomic policies or natural forces and other force majeure events on asset prices.

(c) Special Assumptions

- 1) In terms of the legal description or legal issues of the appraised assets (including their ownership or encumbrance limitations) in this valuation report, the Company has performed general investigation according to relevant standards. Apart from those disclosed in the work report, the ownership of the appraised assets is assumed to be in good condition and tradable in the market, not subject to any lien and easement, have not been violated and do not bear any other encumbrance limitations.
- 2) In terms of the information provided by the principal and other parties which all or part of the value appraisal conclusion set out in this valuation report relied upon, the Company has only conducted independent review pursuant to the valuation procedures. The Company makes no representation as to the authenticity, accuracy and completeness of such information.
- 3) All certificates, licenses, letters of consent or other legal or administrative authorization documents signed or issued by relevant local and national government institutions, private organizations or groups, which are required to be employed as basis of value estimation by the users of assets in this valuation report, have been or could be obtained or updated at any time.
- 4) The asset appraisal professionals' valuations are made based on the purchasing power of local currency on the Valuation Reference Date.
- 5) This valuation assumes that the various qualification certificates of the appraised entity and its subsidiaries including high-tech enterprise certificates will be renewed upon expiry throughout the entire forecast period.
- 6) It is assumed that the various qualification certificates of the appraised entity and its subsidiaries can be renewed upon expiry.
- 7) It is assumed that all improvements on the relevant assets performed by the appraised entity are in line with all the requirements of relevant laws and the regulations related to other laws, plans or engineering codes set by relevant competent departments at higher levels.
- 8) Estimations in this valuation report are made based on the assumption that all significant or potential factors which may affect the value analysis have been fully disclosed between the asset appraisal professionals and the appraised entity.

- 9) This valuation assumes that the basic and financial information provided by the principal and the appraised entity is true, accurate and complete; the scope of valuation is only based on the valuation declaration form provided by the principal and the appraised entity, and does not take into account possible contingent assets and contingent liabilities that may exist outside the declaration list provided by the principal and the appraised entity.
- 10) It is assumed that the appraised entity's major customer relationships, supply chain system and core management and technical team will remain stable during the forecast period, and that no events that would have a material adverse effect on the going concern capability will occur.
- 11) Based on industry research reports, the historical operating performance of the enterprise and customer communication records, the appraisal professionals have conducted analysis and assessment regarding the price increase cycle of memory chips and the cost pass-through mechanism. It is assumed that the current price increase cycle for memory chips is expected to last for two years; One customer will compensate 90% of the price increase, while all other customers will compensate 100% of the price increase attributable to memory chips; the settlement cycle for compensation payments from each partner will follow the agreed-upon schedule for the following quarter.
- 12) According to the relevant provisions of the Announcement of the Ministry of Finance and the State Taxation Administration on Additional Value-Added Tax Credit Policy for Advanced Manufacturing Enterprises (Announcement No. 43 (2023) of the Ministry of Finance and the State Taxation Administration) (《財政部稅務總局關於先進製造業企業增值稅加計抵減政策的公告》(財政部稅務總局公告 2023 年第 43 號)), from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are allowed to credit input tax deductible for the current period plus 5% thereof against value-added tax payable. The impact of this policy has been taken into account in this valuation.
- 13) According to the relevant provisions of the Notice of the Ministry of Finance and the State Taxation Administration on Value-added Tax Policies for Software Products (Cai Shui [2011] No. 100) (《財政部國家稅務總局關於軟件產品增值稅政策的通知》(財稅[2011]100 號)), general VAT taxpayers selling software products developed and manufactured by themselves shall, after paying VAT at the applicable rate, implement the immediate refund for the part of the actual VAT burden exceeding 3%. The impact of this policy has been taken into account in this valuation, and it is assumed that this policy will remain in effect throughout the forecast period.
- 14) In this valuation model, the growth rate in the perpetual period is assumed to be 0.00%.

(4) Forecast Model and Forecast Period**(a) Forecast Model**

This valuation adopts the enterprise free cash flow discount model under the income approach. Based on the fundamental principle that the value of an asset equals the present value of its expected future returns, this approach first discounts the free cash flows expected to be generated by the enterprise in future years at an appropriate discount rate to arrive at their present value, and aggregates them to obtain the value of the enterprise's overall operating assets. On this basis, the net value of non-operating assets and liabilities is added, and interest-bearing liabilities are deducted, to ultimately determine the value of the entire equity interests of the shareholders. In this valuation, the expected returns are quantified as free cash flow of the enterprise, and the discount rate is calculated using the Weighted Average Cost of Capital (WACC) model. The specific formula is as follows:

$$p = \sum_{t=1}^n \frac{FCFF_t}{(1+r)^t} + \frac{FCFF_{n+1}}{(r-g) \times (1+r)^n} + S + A - L - D - M$$

Where: p — value of total equity interests of shareholders;

$FCFF_t$ — free cash flow of the enterprise in the t^{th} year;

n — length of the definite forecast period;

r — discount rate;

g — growth rate in the perpetual period;

S — surplus funds;

A — value of non-operating assets;

L — value of non-operating liabilities;

D — interest-bearing debts;

M — value of minority interests.

(b) Forecast Period

The Valuation Reference Date is 31 December 2025. During the engagement, after comprehensive analysis of the enterprise's revenue and cost structure, capital structure, capital expenditure levels and operating risk levels, and taking into account macroeconomic policy guidance, industry cyclical trends and other relevant factors affecting the enterprise's entry into a stable operating period, the appraisal professionals have reasonably determined that the enterprise has an indefinite revenue period.

Given that near-term earnings can be forecasted with relative accuracy while the accuracy of long-term earnings forecasts is relatively low, this valuation divides the revenue period of the enterprise into a definite forecast period and a post-definite forecast period (stable year), with a perpetual period adopted as the overall revenue period. The first stage covers 1 January 2026 to 31 December 2030, during which the earnings are expected to undergo dynamic changes based on the appraised entity's current operations and future development plans. The second stage is the perpetual operation period commencing from 1 January 2031, during which the appraised entity will maintain a stable level of profitability.

(c) Earnings Forecast for the Forecast Period***1) Revenue Forecast***

From an industry perspective, demand for automotive electronics is influenced by factors such as automobile production and sales volumes and the trend towards intelligentization. The appraisers have analyzed and assessed the revenue for the forecast period based on publicly available industry data and the appraised entity's historical revenue structure. The forecast takes industry background as a reference and is specifically based on the appraised entity's projects in production, designated projects and related business information.

Smart cockpit solutions

The smart cockpit business primarily includes products such as in-vehicle infotainment systems, cockpit domain controller systems, human-machine interaction systems and in-vehicle driving information display systems. Revenue from such products is mainly influenced by factors such as customer designated projects, model sales volumes, product unit prices and annual price adjustments.

For the years 2026 to 2027, revenue forecasts are mainly based on projects in production and designated projects already secured. The appraisers have obtained relevant project designation documents, customer demand information and historical execution data, conducted necessary checks on the customer and product relationships corresponding to major projects, and made analysis and judgments on sales volumes for the forecast period based on customer demand and historical execution.

Unit prices for existing projects are based on prices in effect as at the Valuation Reference Date, with consideration given to annual price adjustments. For new projects, the forecasts are made with reference to the progress of the projects and price levels of similar historical projects.

For the year 2028 and subsequent years, given the uncertainties associated with individual vehicle models and projects, a steady growth rate is applied on the basis of the earlier forecasts, taking into account product maturity and industry development trends.

Intelligent driving solutions

Intelligent driving solutions mainly include intelligent driving domain controllers and driver assistance systems. These businesses are in a phase of rapid development, and the revenue primarily depends on design-wins from customers, mass production and changes in product unit prices.

For the years 2026 to 2027, forecast will be made based on the design-wins obtained by the appraised entity and projects in progress. The valuers have reviewed relevant designated documents and project schedules and also made analysis and judgements on the sales volume taking into account the customer needs, implementation history and product introduction pace. In terms of the unit prices, forecast will be made based on the current prices and change in product mix.

For the year 2028 and subsequent years, in light of the rapid technological iterations in the industry and the significant changes in the market competition, a prudent growth rate assumption will be adopted based on the prior period forecasts.

Automotive acoustics solutions

This segment is electroacoustic systems business, primarily including amplifiers, speakers and related acoustics products, with revenue primarily generated from the OEM demand.

Revenue during the forecast period is based on the existing projects and design-wins that have already been obtained and is analyzed and judged by referring to the implementation history and customer needs. The forecast of the unit price is conducted by considering the changes in product mix and price adjustment for the year. In the future, prudent adjustments will be made based on previous forecasts and also considering the product maturity and industry conditions.

Other businesses

Other businesses include telematics system business, technical services, operation and maintenance services and relevant supporting business. In particular, the teleprocessing system business mainly includes T-Box, automotive gateways and other products, with revenue primarily generated from design-wins that have been obtained. The revenue forecast is based on the design-wins that have been obtained and is analyzed and judged by referring to the implementation history and customer needs. The unit prices forecast is conducted by considering the current price levels and the annual adjustments. The amount is reasonably adjusted by combining the customer needs and the implementation history. For other technical services and relevant supporting business — which has historically maintained relatively stable scale — the prediction of the forecast period is conducted with reference to the historical level and the management's plan.

The forecast logic of revenue for each year of the forecast period is as follows:

For the years 2026 and 2027, forecasted revenue is primarily based on specific vehicle model projects of specific customers, and calculated using data including, but not limited to, recognized revenue at the time of the assessment, customer demand forecasts (product demand plans issued by automakers to the Target Company based on production plans for relevant vehicle models), project designation, historical sales volume, and expected selling price taking into account factors such as annual price reductions.

Forecasted revenue from major customers is prepared on a project basis, which primarily makes reference to two categories of bases: ① for the forecast period that can be covered by the customers' demand forecasts, the forecasts are made with reference to customers' demand forecasts and adjusted on a prudent basis; and ② as the coverage period of the customers' demand forecasts is finite, for the forecast period that can't be covered by the customers' demand forecasts, the forecasts are primarily made with reference to the historical sales trends of the products relating to the relevant projects. The table below sets out the relevant forecasted revenue amounts separately based on the differences in the aforesaid forecast bases.

With respect to the scope of major customers, for the year 2026, based on the preliminary forecasted revenue for 2026 provided by the Target Company, and in accordance with the categories of business segments, taking into account the concentration of customer revenue and the customer base across each business segment and with the coverage of more than 70% of the revenue in each major category as the selection criteria, the top 8, top 2 and top 8 customers by revenue under the three major categories, namely smart cockpit solutions, intelligent driving solutions and automotive acoustics solutions, respectively, are selected as major customers. A total of 17 customers is selected as major customers after deduplication and the scale of the revenue of the remaining customers was relatively small and more dispersed. For the year 2027, based on the major customers identified for 2026 and the available customer demand forecast information for 2027, taking into account the concentration of revenue corresponding to the demand forecasts, as the aggregated revenue corresponding to the demand forecasts of the top 12 customers in terms of the scale of revenue corresponding to the demand forecasts accounts for nearly 100% of the revenue corresponding to the demand forecasts that has been received, the top 12 customers are included in the scope of major customers. After excluding those customers already included within the scope of the 17 major customers for 2026, the remaining 7 customers are regarded as newly added major customers for 2027. At last, a total of 24 major customers is identified for 2027.

In forecasting the revenue beyond the period covered by the customers' demand forecasts, in order to objectively reflect the impact of changes in historical sales on the future revenue of the products, for vehicle models whose mass production had commenced for three years or more as of the end of 2025, reference is made to their sales trends from 2023 to 2025; for those whose mass production had commenced for less than three years, reference is made to their sales trends from the commencement of mass production to the end of 2025.

Specific forecasted revenue is as follows:

Unit: RMB million

Item	2026	2027
Revenue recognized as of January to March 2026 (A)	965.63	—
Forecasted revenue based on adjusted major customers' demand forecasts (B)	1,727.06	1,645.96
Forecasted revenue from major customers for periods not covered by the demand forecasts (C)	998.24	3,172.46
Other forecasted revenue (D)	964.03	1,485.42
Total forecasted revenue (A+B+C+D)	4,654.97	6,303.84

Note 1: Revenue recognized as of January to March 2026 is unaudited financial information;

Note 2: Forecasted revenue based on adjusted major customers' demand forecasts = adjusted demand volumes under customer demand forecasts × expected selling price;

Note 3: Forecasted revenue from major customers for periods not covered by the demand forecasts = sales volume forecast based on historical trends of product sales × expected selling price;

Note 4: Other forecasted revenue includes revenue from non-major customers, parts, etc. These items are numerous, and the revenue from each individual item is relatively small. The forecasts are mainly based on data such as customer demand forecasts and historical sales.

Note 5: Revenue under Items B and C in the table above is classified based on whether the relevant forecast periods are covered by customer demand forecasts, without any double counting. For example, assuming that the demand forecast for a project of a major customer covers only April to June 2026, the forecasted revenue from that project for such period is included in Item B. As July to December 2026 and the whole of 2027 are not covered by the demand forecast for that project, the forecasted revenue for such periods is included in Item C. Forecasted revenue for the same project in the same period is included in either Item B or Item C, but not both.

Note 6: The significant increase in forecasted revenue from major customers for periods not covered by customer demand forecasts in 2027 compared with 2026 is mainly attributable to two factors. First, customer demand forecasts cover only a limited period. At the time the revenue forecasts were prepared, more project forecast periods in 2027 than in 2026 were not covered by customer demand forecasts. Revenue for such periods being recorded under Item C could not be forecasted based on customer demand forecasts and was instead forecasted mainly by reference to historical product sales trends and other relevant factors, resulting in an increase in Item C for 2027. Second, the forecast period for Item C in 2026 is April to December 2026, whereas the forecast period for Item C in 2027 is the whole of 2027. The longer forecast period in 2027 also contributes to the higher amount under Item C for 2027.

For the year 2026, actual revenue of RMB965.63 million was adopted for the period from January to March. The forecasted revenue based on adjusted major customers' demand forecasts is projected at RMB1,727.06 million based on customers' demand forecasts starting from April, and on a prudent basis, such demand forecasts were adjusted with reference to the historical achievement rates of customer demand forecasts in prior years. Forecasted revenue from major customers for periods not covered by the demand forecasts is projected at RMB998.24 million, based on historical trends of second-half sales of the vehicle models associated with the products. Other forecasted revenue is RMB964.03 million, and the total forecasted revenue is RMB4,654.97 million.

For the year 2027, the forecasted revenue based on adjusted major customers' demand forecasts is projected at RMB1,645.96 million based on the annual demand forecasts and the planned demand forecasts for new SOP projects issued by major customers, and on a prudent basis, such demand forecasts were adjusted with reference to historical annual sales volume of the associated vehicle models. Forecasted revenue from major customers for periods not covered by the demand forecasts is projected at RMB3,172.46 million based on historical sales volume of the vehicle models associated with the products. Other forecasted revenue is RMB1,485.42 million, and the total forecasted revenue is RMB6,303.84 million.

For the years 2028 to 2030, in terms of the products of intelligent driving domain controller system and cockpit domain controller system, the growth rate in 2028 is forecasted in accordance with the major customers' projects designation, demand forecasts, SOP timing and historical trends of sales. For 2029, a growth rate of 5% is adopted with reference to the 5% growth rate in 2025 of the industrial and manufacturing sectors published by the National Bureau of Statistics of China, and reduce to 3% for 2030.

For in-vehicle infotainment systems and in-vehicle driving information display systems, the forecasted revenue for 2026 and 2027 are primarily determined with reference to the demand forecasts of specific customers and projects and adjusted on a prudent basis, which relatively objectively and prudently reflects the changes in revenue during the relevant periods. For 2028 and beyond, taking into account the changes in revenue during the historical periods and the forecast periods of 2026 and 2027, this valuation assumes that the relevant products will gradually enter a relatively stable operating stage. Therefore, the relatively significant overall decline in revenue in the recent period is not extrapolated to the subsequent years; instead, relatively smaller negative growth rates that narrow year by year are adopted. Subject to the aforesaid assumptions, given the significant decline in the forecasted revenue of the in-vehicle driving information display systems during the above periods, a relatively larger initial rate of decline is adopted for such systems. Accordingly, the underlying growth rates of the in-vehicle infotainment systems for 2028 to 2030 are set at -3%, -2% and -1%, respectively, while those of the in-vehicle driving information display systems are set at -5%, -3% and -1%, respectively, reflecting a comprehensive judgement on the continuation of the recent downward pressure on the two categories of products and the subsequent

stabilization of the business. It is worth noting that the year-on-year growth rate of -3.21% shown for the in-vehicle infotainment systems in 2028 in the table below differs from the aforesaid underlying growth rate assumption of -3%, which is because the forecasted revenue for 2027 includes the temporary incremental revenue arising from the transmission of the increase in the price of memory chips to the selling prices of products. Such factor is assumed to cease at the end of 2027. Accordingly, the revenue growth rate of -3.21% for 2028 in the table below reflects both the underlying growth rate assumption of -3% and the impact of the elimination of the temporary price increase factor.

For human-machine interaction (HMI) systems, electroacoustic systems and driver assistance systems, due to the lack of clear project designation demand forecasts as support for 2028 to 2030, based on the assumption that the business trends continue, the valuer did not expect the revenue of the relevant products will continue to grow following the trend in 2027. Instead, based on the principle of prudence, a growth rate of 5% is adopted for 2028 (with reference to the 5% growth rate of industrial manufacturing for 2025 as published by the National Bureau of Statistics of China). Based on the assumption that the business will gradually stabilize, on the basis of the 5% growth assumption for 2028, a progressive arrangement of reducing the growth rate by 1 percentage point each year is adopted, and the growth rates for 2029 and 2030 are set at 4% and 3%, respectively.

In summary, the specific projections for revenue from core business operations are as follows:

Unit: RMB million

Business segment	Names of products or services	Historical Year	Forecast Year				
		2025	2026	2027	2028	2029	2030
Smart cockpit solutions	In-vehicle infotainment systems	2,386.96	2,101.86	2,084.92	2,017.99	1,977.63	1,957.86
	Growth rate	4.34%	-11.94%	-0.81%	-3.21%	-2.00%	-1.00%
	Cockpit domain controller systems	209.08	777.89	1,257.68	1,428.64	1,500.07	1,545.07
	Growth rate	36.35%	272.05%	61.68%	13.59%	5.00%	3.00%
	Human-machine interaction (HMI) systems	645.24	662.22	705.90	741.20	770.84	793.97
	Growth rate	42.93%	2.63%	6.60%	5.00%	4.00%	3.00%
	In-vehicle driving information display systems	73.25	65.88	47.89	45.50	44.13	43.69
	Growth rate	1110.98%	-10.06%	-27.30%	-5.00%	-3.00%	-1.00%
Automotive acoustics solutions	Electroacoustic systems	560.53	595.92	658.75	691.69	719.36	740.94
	Growth rate	-2.36%	6.31%	10.54%	5.00%	4.00%	3.00%

Business segment	Names of products or services	Historical Year	Forecast Year				
		2025	2026	2027	2028	2029	2030
Intelligent driving solutions	Intelligent driving domain controllers systems	697.37	320.45	1,390.72	1,466.17	1,539.48	1,585.67
	Growth rate	109.77%	-54.05%	333.99%	5.43%	5.00%	3.00%
	Driver assistance systems	142.08	87.65	114.41	120.13	124.94	128.69
	Growth rate	16.89%	-38.31%	30.54%	5.00%	4.00%	3.00%
Other categories	Telematics system	38.58	28.25	28.52	28.81	29.09	29.39
	Growth rate	-2.27%	-26.78%	0.97%	1.00%	1.00%	1.00%
	Others	13.41	14.85	15.05	15.20	15.35	15.51
	Growth rate	-6.84%	10.75%	1.32%	1.00%	1.00%	1.00%
Total		4,766.49	4,654.97	6,303.84	6,555.32	6,720.90	6,840.77
Growth rate		19.75%	-2.34%	35.42%	3.99%	2.53%	1.78%

For the years 2025 to 2027, the relatively large fluctuations in the revenue of certain product categories are mainly attributable to the fact that the actual or forecasted revenue of each product category during such period is based on specific projects of specific customers, and the changes in revenue growth rates represent the aggregate results of the increases and decreases in the revenue of different projects. Changes in the supply stages of major projects within each product category (such as SOP and EOP (End of Production, which refers to the end of the product life cycle and the cessation of mass production)) would lead to relatively substantial fluctuations in the revenue of the appraised entity's relevant products. The overall smaller fluctuations in the revenue growth rates from 2028 to 2030 are mainly attributable to the fact that, as the forecast period extends, the reliability of forecasted revenue on a specific project basis gradually declines. As a result, the valuer primarily adopts relatively prudent growth rate assumptions that gradually stabilize in accordance with the forecast trends to forecast the overall revenue.

Specifically, for the cockpit domain controller systems, the revenue increased by 36.35% year-on-year in 2025, primarily driven by the commencement of mass production of new projects of a customer in that year, with revenue from such new projects accounting for nearly 40% of the revenue of this category in that year. In 2026, revenue of this category is expected to increase by 272.05% year-on-year, primarily driven by the commencement of mass production of a new project of another customer, with revenue from such new project expected to account for more than 60% of the revenue of this category in that year. In 2027, revenue of this category is expected to increase by 61.68% year-on-year, primarily driven by the continued volume ramp-up of the above major new projects in 2026, with revenue from the relevant projects expected to account for approximately 60% of the revenue of this category in that year.

For the in-vehicle driving information display systems, the revenue increased by 1,110.98% year-on-year in 2025, primarily driven by the commencement of mass production of new projects. The relatively low revenue base in 2024 amplified the year-on-year growth rate. The new projects of two major customers in that year contributed nearly 90% of the revenue of this category in that year. In 2026, revenue of this category is expected to decrease by 10.06% year-on-year, primarily due to the cessation of mass production of certain existing projects as a result of vehicle model facelifts and product iterations. The revenue contributed by the commencement of mass production of new projects in that year partially offset the impact of the cessation of mass production of existing projects. In 2027, revenue of this category is expected to decrease by 27.30% year-on-year, primarily due to the sales volume expectations of the vehicle models supported by existing projects being revised downward on a prudent basis during the forecast and the expected revenue from new projects being relatively low.

For the intelligent driving domain controller systems, the revenue increased by 109.77% year-on-year in 2025, primarily driven by the commencement of mass production of a new vehicle model project of a major customer, with revenue from such project accounting for nearly 90% of the revenue of this category in that year. In 2026, revenue of this category is expected to decrease by 54.05% year-on-year, primarily because the above project underwent a vehicle model facelift and ceased mass production at the end of 2025, and the principal supply project shifted to another vehicle model project of the same customer that commenced mass production in 2026. Affected by the customer's volume projections and the historical sales performance of the relevant vehicle models, the forecast revenue scale of such project was lower than that of the principal supply project in 2025, resulting in a decrease in revenue of this category. In 2027, revenue of this category is expected to increase by 333.99% year-on-year, primarily driven by the commencement of mass production of multiple new vehicle model projects of the same customer and the revenue contributed thereby. Together with the existing supply projects, the aggregate revenue from the relevant vehicle model projects is expected to account for more than 90% of the revenue of this category in that year. In addition, the pass-through of the rise in memory chip prices to selling prices is also an important reason for the revenue growth in that year.

For the driver assistance systems, the revenue is expected to decrease by 38.31% year-on-year in 2026. This category was mainly comprised of existing projects in that year, and the revenue forecast took into account fluctuations in downstream customer demand and, on a prudent basis, made a prudent downward revision to the revenue expectations of existing projects. In 2027, revenue of this category is expected to increase by 30.54% year-on-year, primarily driven by the commencement of mass production of a new project of a customer, with revenue from such project expected to account for approximately 40% of the revenue of this category in that year.

Taking into account factors such as the project-based revenue recognition and forecast logic for the relevant periods, changes in the supply stages of major projects within each product category, and the increase in product selling prices resulting from the rise in memory chip prices, the Board considers that the forecast growth rates and their significant fluctuations are fair and reasonable.

2) *Forecast on Operating Cost*

The cost forecast for the principal business is made based on the revenue forecast, with reference to the cost structure corresponding to various product series. The cost forecast is primarily analyzed and judged taking into account the historical cost composition of the assessed entity, the BOM structure of the products, changes in prices in major raw materials, direct cost in labour and manufacturing, as well as the enterprises' control and implementation on previous costs.

The cost forecast of principal business is primarily based on the following factors:

Direct material costs

Direct material costs are estimated based on the BOM structure corresponding to each product, raw material procurement prices on or around the Valuation Reference Date, supplier quotations, project quotation information and the sales plan for products during the forecast period.

For existing mass-produced projects, the unit material cost is determined mainly based on the actual executed product BOM, procurement prices and historical production costs on or around the Valuation Reference Date. For new SOP projects during the forecast period, the unit material cost is determined mainly based on the project initiation BOM, customer quotation information, supplier quotations and updated cost information developed during the project advancement. During the forecast period, direct material costs will be adjusted accordingly in line with changes in different product configurations, customer vehicle models, core component prices and product structures.

Special matters such as memory chip price increases are considered as a specific factor in this earnings forecast, and are comprehensively estimated based on the vehicle models involved, projected usage volumes, changes in procurement prices, customer compensation arrangements and the portion to be borne by the enterprise.

Production labor and manufacturing expenses

Production labor and manufacturing expenses mainly include remuneration of production staff, depreciation and amortization, utilities (water, electricity and gas), equipment maintenance and other expenses related to production line operations. The forecast is made based on the appraised entity's production plans, capacity arrangements, standard working hours, production volumes, production base distribution and manufacturing expense budgets during the forecast period.

For production labor, the forecast is made based on the production volume, staffing configuration and remuneration levels during the forecast period. For manufacturing expenses, allocation is performed based on historical expense levels, production scale during the forecast period, production line arrangements, depreciation and amortization and other factors. Depreciation and amortization are estimated in accordance with the enterprise's existing depreciation and amortization policies, based on existing production-related assets as of the Valuation Reference Date, the schedule for capitalization of construction-in-progress and the capital expenditure plan during the forecast period.

Cost control and other cost factors

In the automotive electronics industry, original equipment manufacturers typically impose annual price reduction requirements. As a Tier 1 supplier, the appraised entity faces pressure from customer annual price reductions while implementing cost control measures through supplier negotiations, bulk procurement, domestic substitution, supply chain optimization, product design optimization, process improvements and material substitution. The above factors relating to procurement cost reduction and technical cost reduction have been taken into account in this cost forecast. In addition, cost items related to product production and delivery, such as customer claims and logistics freight, are also comprehensively estimated based on historical occurrences, customer mix, product quality management standards, revenue scale during the forecast period, delivery models and transportation arrangements.

Cost and gross profit margin of principal business for the forecast period

The forecast of cost of principal business is aligned with the revenue forecast of principal business in terms of product, customer and vehicle model. Differences in gross profit margins across different products are primarily driven by changes in customer mix, vehicle model mix, product configuration, production models, project SOP timing, production ramp-up phases and the proportion of low-margin OEM business.

For the years 2026 to 2027, the cost forecast will be made mainly based on the BOM, procurement prices, production man-hours, manufacturing expense allocation and cost control conditions of mass-produced projects, projects in progress and SOP projects during the forecast period. For the year 2028 and subsequent years, on the basis of the previous estimates, the gross profit margin levels for each product will be determined prudently by taking into account factors such as product mix, customer annual price reductions, industry competition, room for cost control and project maturity.

The fluctuations in gross profit margins for in-vehicle infotainment systems, cockpit domain controller systems and similar products during the forecast period are primarily driven by the combined effect of changes in the mix of designated projects and differences in gross profit margins and SOP timeline across different models. Differences in the actual contribution period of vehicle models with different gross profit margins, coupled with dynamic adjustments in the designated model structures, result in certain changes in the gross profit margin of the aforementioned product categories in different years. The above impact of the designated projection conditions and changes in gross profit contribution across various models has been fully considered in this cost forecast.

In summary, the cost forecast of principal business has been comprehensively estimated by taking into account factors aligned with the revenue forecast, including product mix, customer mix, BOM costs, material prices, production labor, manufacturing expenses, cost control measures, customer claims, logistics freight and the price increase of memory chips.

The estimated overall gross profit margin is relatively high in 2026, which is mainly driven by the in-vehicle infotainment system, the core product, whose gross profit margin is 29.45% and accounted for 45% of revenue contribution. Its SOP projects, with high gross profit, achieve mass production for the current year, which will drive the growth in overall gross profit margin.

Lower estimated gross profit margin in 2027 is primarily attributable to the impact of the change in product mix. Revenue from the products of intelligent driving domain controller system might increase rapidly during the year, however, due to the low gross profit margin of this product, the overall gross profit margin might decrease.

For the years 2028 to 2030, based on the principle of prudence, improvement in marginal effects resulting from the scale effect for revenue haven't been considered. The forecast is made on the basis of the estimated gross profit margin in 2027, with a modest decline year by year.

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In summary, forecast logic on gross profit margin is reasonable and realizable. Details of the cost forecast of principal business are set out below:

Unit: RMB million

Business Segment	Product Category	Forecast Year				
		2026	2027	2028	2029	2030
Smart cockpit solutions	In-vehicle infotainment systems	1,482.81	1,472.97	1,425.00	1,397.08	1,383.68
	Gross profit margin	29.45%	29.35%	29.39%	29.36%	29.33%
	Cockpit domain controller systems	729.50	1,161.86	1,318.55	1,384.59	1,426.25
	Gross profit margin	6.22%	7.62%	7.71%	7.70%	7.69%
	Human-machine interaction (HMI) systems	580.54	598.91	628.97	654.24	673.99
	Gross profit margin	12.33%	15.16%	15.14%	15.13%	15.11%
	In-vehicle driving information display systems	52.63	40.88	38.84	37.68	37.31
	Gross profit margin	20.11%	14.64%	14.63%	14.62%	14.60%
Automotive acoustics solutions	Electroacoustic systems	477.17	530.06	556.70	579.11	596.62
	Gross profit margin	19.93%	19.54%	19.52%	19.50%	19.48%
Intelligent driving solutions	Intelligent driving domain controllers systems	317.13	1,368.52	1,421.82	1,492.95	1,537.79
	Gross profit margin	1.03%	1.60%	3.03%	3.02%	3.02%
	Driver assistance systems	77.14	96.72	101.57	105.66	108.85
	Gross profit margin	11.99%	15.46%	15.45%	15.43%	15.42%
Other categories	Telematics system	26.18	24.32	24.56	24.81	25.07
	Gross profit margin	7.33%	14.74%	14.73%	14.71%	14.70%
	Others	11.54	12.31	12.43	12.56	12.69
	Gross profit margin	22.29%	18.23%	18.21%	18.19%	18.18%
Total		3,754.64	5,306.53	5,528.43	5,688.68	5,802.24
Gross profit margin		19.34%	15.82%	15.66%	15.36%	15.18%

3) Forecast on Taxes and Surcharges

Taxes and surcharges of the appraised entity primarily include stamp duty, urban maintenance and construction tax, education surcharge and local education surcharge, property tax, land use tax, vehicle and vessel tax and other related taxes. In this valuation, each tax is reasonably estimated based on historical occurrence, current tax policies and business scale during the forecast period.

Stamp duty

The tax rate of stamp duty is 0.03%. Predictions for the taxes are made in accordance with principal business scale and relevant tax base pursuant to the current tax policies.

Urban maintenance and construction tax, education surcharge and local education surcharge

The tax rates of urban maintenance and construction tax, education surcharge and local education surcharge are 7%, 3% and 2%, respectively. These taxes are predicted based on value-added tax base and used applicable tax rate. Value-added tax is comprehensively predicted by considering the revenue and cost of the principal business, as well as the impact of relevant tax policies.

Property tax

Property tax of the appraised entity is calculated at ad valorem, with subsequent predictions being made based on the scale of the existing housing and buildings as of the Valuation Reference Date, excluding the non-operating proportion. The specific calculation formula is as follows:

$$\text{Property tax} = \text{Original value of the property} \times (1-30\%) \times 1.2\%$$

Land use tax

The land use tax of the appraised entity is determined in accordance with the actual area of the land occupied and the applicable tax amount, with subsequent predictions being made based on the area of the existing land with land use rights as of the Valuation Reference Date, excluding the non-operating proportion. The specific calculation formula is as follows:

$$\text{Land use tax} = \text{Actual area of the taxable land occupied} \times \text{Applicable unit tax amount}$$

Vehicle and vessel tax and other related taxes, which are relatively minor in tax amount, are predicted based on the historical occurrence and its proportion to revenue.

For the overseas subsidiary of the appraised entity, Hangsheng Technology GmbH, the trade tax rate is 16.45% and the tax rate of the solidarity surcharge is 5.50%. Taxes are predicted based on local tax policies and also reflected on the consolidated basis.

4) *Forecast on Selling Expenses*

Selling expenses mainly include employee compensation, after-sales services fees and other sales-related expenses. This prediction is made in accordance with the historical expense levels, expenses structure and changes in business scales of the appraised entity.

In terms of the expense structure, employee compensation and after-sales services fees account for a relatively high proportion of the selling expenses, while other expenses, including business entertainment expenses, travel expenses, office expenses, promotion and exhibition fee, prototype and samples expenses, material consumption expenses and other related expenses, generally show a certain correlation with business scale.

Employee compensation

Employee compensation for sales personnel is predicted based on historical compensation levels, staff allocation and changes in business scales. On the basis of analyzing the historical relationships between personnel and revenue, the appraisers made a prediction of the employee compensation during the forecast period that employee compensation will remain stable on the assumption that employee compensation will increase by 1% each year for five consecutive years.

After-sales services fees

After-sales services fees are primarily related to the revenue for principal business activities. The appraisers analyzed the historical ratio of historical after-sales service fees to the revenue of principal business, and cost prediction is made on this basis during the forecast period.

Other selling expenses

Other selling expenses mainly include business entertainment expenses, travel expenses, office expenses, promotion and exhibition fee, prototype and samples expenses, material consumption expenses and relevant expenses. Overall, the above expenses or fees are related to business scale and market development activities. The appraisers conducted an overall analysis based on historical expenses levels, expenses composition and fees control by the enterprises, and made a reasonable extension within the forecast period.

5) Forecast on Administrative Expenses

Administrative expenses primarily include employee compensation, office expenses, travel expenses, business entertainment expenses and other expenses related to administration. The forecast is made taking into account the historical expense levels, expenses structure and changes in business scales of the appraised entity. In terms of the expense structure, employee compensation accounts for a relatively high proportion of the administrative expenses, while other expenses include office expenses, travel expenses, business entertainment expenses, intermediary agencies expenses and other related expenses, whose overall expenses are related to companies' management scales, organization composition and fees control.

Employee compensation

Employee compensation for management is predicted based on historical compensation levels, staff allocation and changes in operating scales. On the basis of analyzing the historical conditions between personnel and expenses, the appraisers made a reasonable prediction of employee compensation during the forecast period that employee compensation will remain stable on the assumption that employee compensation will increase by 1% each year for five consecutive years.

Daily administration fees

Daily administration fees mainly include office expenses, travel expenses, business entertainment expenses and material consumption expenses. The above expenses are generally related to the scale of daily operations and management needs of the companies. The forecast is made by analyzing the historical expenses and fees control, pursuant to which, expenses were continued in a reasonable manner as of the forecast period.

Intermediary agencies and special expenses

Intermediary agencies and other special expenses mainly include audit, consulting and relevant services expenditures. Upon consideration of the historical expenses and excluding the impacts of contingent or phased factors, the appraisers made a reasonable prediction to the expenses during the forecast period.

Expenses in relation to leasing and operation

Expenses in relation to leasing and operation mainly include rent, utility and park renovation, as well as promotion-related expenses. During the forecast period, predictions are made in accordance with the utilization of the existing assets and historical expenses.

Share-based payments

Share-based payments are non-cash expenses recognized in accordance with relevant accounting standards and do not form the actual cash outflow under the corporate criteria of free cash flows. As the income approach used the corporate criteria of free cash flows, no prediction is made to the share-based payments.

In summary, for the year 2026, the administrative expenses are adjusted and determined with reference to implementation history and budget materials from the management with prudent analysis. For the year 2027 and subsequent years, reasonable growth assumptions will be used to forecast based on previous forecast, taking into account the operating scale of enterprises and fees features. Administrative expenses mainly include employee compensation, office expenses, travel expenses, business entertainment expenses and other administration-related expenses. This forecast is made in accordance with historical expenses levels, expenses structures and changes in operation scales of the appraised entity.

6) *Forecast on Research and Development (R&D) Fees*

R&D fees primarily include employee compensation, outsourced R&D activities fees and other R&D fees. This forecast is made in accordance with historical R&D fees, expenses structures and investment and arrangement in R&D activities of the appraised entity.

In terms of the expense structure, employee compensation accounts for a relatively high proportion of the R&D fees. Other expenses include outsourced R&D activities fees, trial production and testing costs, technical services fees and other related expenses, whose overall expenses are related to the R&D investment of the enterprise and development needs of products.

Employee compensation

Employee compensation for R&D personnel is predicted based on historical compensation levels, staff allocation and scale of R&D investments. On the basis of the historical conditions between the scales of R&D personnel and expenses, the appraisers made a prediction of employee compensation during the forecast period that employee compensation will remain stable on the assumption that employee compensation will increase by 1% each year for five consecutive years.

Outsourced R&D activities fees

Forecast on outsourced R&D activities fees is made in accordance with needs for research projects and historical expenses levels. Upon exclusion of the impact of phased factors, the appraisers made reasonable predictions of fees during the forecast period.

Other R&D fees

Other R&D fees primarily include trial production and testing costs, technical service fees, inspection fees, certification fees and material consumption costs. These expenses are generally related to product development progress and R&D investment scale. This forecast is based on a comprehensive analysis of historical expense levels, expense structure and the entity's R&D plans, with reasonable continuation assumed throughout the forecast period.

In summary, for 2026, R&D fees are primarily determined with reference to historical performance and management budgets, adjusted on the basis of prudent analysis. For 2027 and beyond, such expenses are calculated using reasonable growth assumptions based on prior forecasts, taking into account R&D investment scale and business development trends.

7) *Forecast of Finance Expenses*

Finance expenses primarily include interest expenses, interest income, exchange gains and losses and related handling fees. Based on the historical composition of finance expenses and the operating conditions of the appraised entity, the relevant items have been classified and analyzed in this assessment.

Given that the entity's cash at bank and on hand will change frequently during its process of production and operation, interest income generated from deposits is not considered in this assessment. As exchange gains and losses are significantly affected by exchange rate fluctuations and are subject to a high degree of uncertainty, no separate forecast has been made under the going concern assumption in this assessment. The appraised entity has interest-bearing debt recorded as of the Valuation Reference Date. For the forecast period, the existing level of interest-bearing debt is assumed to be maintained, and interest on borrowings is projected based on the current effective interest rates. Since the appraised entity's handling fees bear a certain proportional relationship with its operating revenue, handling fees are therefore projected based on the ratio of handling fees to operating revenue in prior years in this assessment.

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8) *Forecast of Depreciation and Amortization*

Depreciation policies of the appraised entity are as follows:

Category	Depreciation Method	Useful Life	Expected Net Salvage Rate	Annual Depreciation Rate
		(Years)	(%)	(%)
Housing and buildings	Straight-line Method	40	5.00	2.38
Machinery and equipment	Straight-line Method	10	5.00	9.50
Testing instruments	Straight-line Method	5-10	5.00	19.00-9.50
Moulds	Straight-line Method	3-5	5.00	31.67-19.00
Transportation equipment	Straight-line Method	5	5.00	19.00
Electronic and other equipment	Straight-line Method	3	5.00	31.67

The amortization policies are as follows:

Category	Useful Life	Amortization Method
Land use right	Within the period granted under use right certificate	Straight-line method
Patent and license right	Useful life specified by relevant laws or contracts	Straight-line method
Software	Expected benefit period	Straight-line method

Depreciation and amortization within the definite forecast period

For depreciation and amortization within the definite forecast period in this assessment, such depreciation and amortization to be accrued for each year within the definite forecast period are calculated based on the gross carrying amounts, net book values and commencement dates of the existing operating fixed assets, intangible assets and long-term deferred expenses as of the Valuation Reference Date, in conjunction with the adopted accounting depreciation policies (including useful life, salvage rate and depreciation method) and the economic useful life of each category of assets.

For fixed assets newly transferred from construction in progress and other non-current assets within the definite forecast period, projections are made using a uniform method starting from the point of transfer.

For non-operating fixed assets, projections are made separately after being stripped out for assessment and added back.

Depreciation and amortization within the perpetual period

The annuitization method is adopted in this assessment to forecast depreciation and amortization within the perpetual period. The specific approach and process are as follows:

- ① Based on the assets' economic useful life and their years of use, the remaining economic useful life at the end of the forecast period (i.e., the starting point of the perpetual period) is calculated. The depreciation and amortization of existing assets to be accrued for each future year over the remaining economic life (i.e., the depreciation and amortization cash flows still to be generated) are discounted to the end of the forecast period (i.e., the starting point of the perpetual period) at the discount rate. The present value is then allocated equally over the remaining economic life at the same discount rate, yielding the equal annual depreciation and amortization amount for the perpetual period.
- ② Assets need to be renewed or replaced upon the end of their economic useful life. In this assessment, the timing of future rounds of renewal expenditures is projected based on the assets' economic useful life used as the renewal cycle, and the assets' original replacement and renewal costs (calculated at their original acquisition costs in this assessment). For each round of renewal expenditure, it is assumed that a new asset is formed at the point of expenditure and will be subject to depreciation and amortization over the subsequent renewal cycle. The depreciation and amortization generated by these future rounds of renewal assets are first discounted to the timing of each renewal, and then further discounted to the end of the forecast period (the starting point of the perpetual period). The total present value of depreciation and amortization of all future renewal assets is obtained by aggregation. Such total present value is then allocated equally over the entire perpetual period at the discount rate, yielding the equal annual depreciation and amortization amount generated by future renewal assets within the perpetual period.
- ③ The annuities calculated above are summed to arrive at the total projected depreciation and amortization for each year within the perpetual period.

9) *Forecast of Capital Expenditures*

Capital expenditures within the definite forecast period

Within the definite forecast period, for maintenance capital expenditures, the renewal expenditures necessary to maintain existing production capacity are projected based on each asset's economic useful life used as the renewal cycle, and the original asset value as the full replacement cost. For expansion capital expenditures, the projection is based on the appraised entity's future revenue growth expectation, capacity matching relationship and the investment plans formulated by the management of Hangsheng Electronics, and the calculation is made using the same method as for maintenance capital expenditures based on the planned renewal timing and investment amounts within the definite forecast period.

Capital expenditures within the perpetual period

For capital expenditures within the perpetual period, the annuitization method is adopted in this assessment. Future rounds of renewal expenditures for each category of assets are uniformly discounted to the starting point of the perpetual period and then annualized, to derive the annual capital expenditure amount within the perpetuity period.

10) Forecast of Additional Working Capital

Additional working capital refers to the additional operating working capital required by the entity to maintain its existing operating scale and support its business development. It is generally projected based on changes in working capital levels for each year within the forecast period.

In this assessment, working capital refers to the difference between operating current assets and operating current liabilities. Operating current assets mainly include receivables and inventories, while operating current liabilities mainly include payables, employee benefits payable and taxes payable. In terms of calculation method, this assessment combines the historical operating conditions of the appraised entity and the turnover characteristics of each category of assets and liabilities to conduct a breakdown analysis of the relevant items, based on which the working capital levels for each year within the forecast period are projected, thereby determining the additional working capital.

The specific calculation formula for the additional working capital is as follows:

$$\text{Additional working capital} = \text{Current working capital} - \text{Previous working capital}$$

$$\text{Working capital} = \text{Minimum cash holdings} + \text{Receivables} + \text{Inventories} - \text{Payables} - \text{Employee benefits payable} - \text{Taxes payable}$$

In terms of specific treatment, receivables, inventories and payables are projected primarily based on their historical turnover rates in conjunction with changes in business scale. Employee benefits payable and taxes payable are reasonably estimated based on their settlement cycle characteristics. The minimum cash holdings are projected based on the entity's daily operating working capital turnover needs. Throughout the overall forecasting process, reasonable continuation and prudent judgment of the relevant parameters have been applied, incorporating the appraised entity's historical turnover levels and operating arrangements.

In the forecasting process of working capital, the impact of fluctuations in prices of key raw materials on procurement scale and capital turnover has been comprehensively considered. For the phased changes in fund occupation that may arise from price fluctuations, reasonable estimates have been made in this assessment based on the turnover of receivables and payables, and these have been reflected in the calculation of the additional working capital.

In summary, through comprehensive projection of operating current assets and liabilities, the working capital levels for each year within the forecast period are derived, and the changes therein are used as the additional working capital and incorporated into the income approach calculations.

11) Forecast of Enterprise Income Tax

As of the Valuation Reference Date, the parent company and subsidiaries of the appraised entity are subject to different enterprise income tax policies based on their places of registration and business nature. Among the major domestic operating entities, certain subsidiaries have obtained the qualifications of high and new technology enterprises and are subject to the preferential tax rate of 15%. Certain software enterprises qualify for relevant tax incentive policies, but have not yet actually enjoyed these benefits due to a lack of taxable income in previous periods. Certain smaller subsidiaries are subject to the policies applicable to small and low-profit enterprises. Overseas subsidiaries pay enterprise income tax in accordance with local tax policies.

This forecast analyzes and projects the enterprise income tax based on the historical operating conditions, applicable tax policies, and future profitability of each taxable entity of the appraised entity. In terms of specific treatment, projections are made on the basis of each independent taxable entity to estimate its taxable income and corresponding enterprise income tax for the forecast period. These figures are then aggregated to form the consolidated enterprise income tax forecast.

12) Forecast of Discount Rate

There are various methods and approaches to determine the discount rate. In accordance with the principle of consistency between the basis used for expected income and that for the discount rate, for the purpose of this assessment, the expected income is based on free cash flow of the entity, and the weighted average cost of capital (WACC) is adopted as the basis for the discount rate. The specific formula is as follows:

$$WACC = (Re \times We) + Rd \times (1 - T) \times Wd$$

Where: Re — cost of equity capital of the entity;

Rd — cost of debt capital;

We — Proportion of equity capital in the capital structure;

Wd — Proportion of debt capital in the capital structure;

T — Enterprise income tax rate.

In this assessment, the cost of equity capital of the entity (R_e) is calculated using the capital asset pricing model (CAPM) with the specific formula as follows:

$$R_e = R_f + \beta \times ERP + R_s$$

Where: R_f — risk-free rate of return;

β — risk factor of the entity;

ERP — equity risk premium;

R_s — company-specific risk premium.

(1) Determination of the return on equity

1) Risk-free rate of return

The risk-free rate of return (R_f) is the return on investment from a risk-free asset. For an asset to be considered risk-free, it must be free of default risk, which is a condition typically guaranteed only by the creditworthiness of the central government of a sovereign. Therefore, the risk-free rate is estimated using the yield on government bonds.

Government bonds with a maturity of 10 years and longer are selected to align with the time horizon of the market risk premium. The purpose of investing in government bonds is to hold until maturity. The coupon rate of a government bond may not equal the return on investment, and the two may equal only when the trading price of the government bond equals its par value. Besides, certain government bonds carry no coupon rate. Therefore, only the yield to maturity rate can reasonably estimate the return on investment of government bonds. In accordance with the PBOC Document No. 200 [2007], Notice of the People's Bank of China on Issues concerning Perfecting the Basis for Calculating the Yield to Maturity of Bonds in the National Inter-bank Bond Market, the yield to maturity rate of government bonds is calculated using compound interest.

In the estimation process, the following government bonds are excluded:

- ① Bonds issued by local governments via the central government;
- ② Government bonds for which yield to maturity rate data is unavailable;
- ③ Government bonds with negative yields or yields that are significantly higher or lower than the yield to maturity rate levels of other government bonds;

- ④ Government bonds traded in the inter-bank bond market, as these bonds are traded only among financial institutions and the trading entities are not representative of the general market;
- ⑤ Government bonds with trading volume in the current month, with an aim to ensure the yield period consistent with the calculation period of the yield to maturity rate.

Based on the above process, the risk-free rate of return (R_f) is estimated at 2.33%.

2) Market risk premium

The market risk premium (MRP), also referred to as the equity risk premium (ERP), represents the excess return that investors require for holding a fully diversified market portfolio over the risk-free rate of return. Since the stock market is generally regarded as a fully diversified market, the market risk premium therefore can be understood as the portion expected by the stock market in excess of the risk-free rate of return.

The Independent Valuer has conducted research on relevant data of the Chinese stock market and calculated the equity risk premium (ERP) for the Chinese stock market as follows.

- Identifying an index to measure the overall movement of the stock market: In order to estimate the return on investment in the stock market, firstly, it is necessary to determine the index that measures the volatility and change in stock market. Currently, there are many indices in Shanghai market and in Shenzhen market, but the index selected should be the one that can best reflect the changes of mainstream stocks in the market. With reference to the experience of the S&P 500 Index selected by the relevant U.S. institution when estimating the ERP, the Independent Valuer has selected CSI 300 Index for estimating the ERP of the Chinese market. CSI 300 Index is the first cross-market index that was jointly published by the Shanghai and Shenzhen Stock Exchanges on 8 April 2005. The index is comprised of 300 A-shares in the Shanghai and Shenzhen markets that are large in scale, have high liquidity and are most representative, so that they can comprehensively reflect the collective performance of A-shares in the Shanghai and Shenzhen markets. CSI 300 Index is a component index that uses the adjusted capital stock derived from the category-weighted method applied to the free-float proportion of index constituents as weights. Therefore, selecting the constituents of this index provides a more accurate reflection of the investment returns in the market.

- Selection of the return interval: The so-called return interval is considering that stock prices fluctuate randomly and there is uncertainty, in order to reasonably mitigate the disturbance caused by non-systematic fluctuations in stocks, the Independent Valuer needs to estimate the average rate of return of stock investments over a certain period of time, so as to minimize the possible differences caused by non-systematic fluctuations in stocks. Considering the characteristics of stock fluctuations in China's stock market, the Independent Valuer chose 10 years as the interval period for calculating ERP, which means that the ten-year average investment return rate of each constituent stock needs to be calculated as its possible future expected investment return rate. In addition, China's stock market originated in the early 1990s, but the market was highly irregular in its initial years and only gradually became more standardised after 1997. In view of the above, when estimating the ERP for China's stock market, the earliest rolling period for calculation was set to start from 1997. Specifically, a "forward rolling" approach was adopted to calculate the ERP for the years 2012, 2013, 2014,..., 2020 and 2021. That is, the ERP in 2012 was calculated using data from the period 2003 to 2012, where the ERP for that year represents the average annual excess return that would have been achieved if an investor had purchased the index constituent stocks in 2003 and held them until 2012. Similarly, the ERP in 2013 was calculated using data from 2004 to 2013, representing the average annual excess return from holding the index constituent stocks purchased in 2004 until 2013. By the same logic, when calculating the ERP in 2025, the Independent Valuer used the period from 2016 to 2025 (a 10-year period), and the ERP for that year represents the average annual excess return that would have been achieved if an investor had purchased the index constituent stocks in 2016 and held them until 2025.
- Determination of the components of the index: Components of CSI 300 Index change every year. As a result, the Independent Valuer have chosen the components of CSI 300 Index at the end of each year in our calculation. That is, when calculating ERP in 2024, the components of the CSI 300 Index at the end of 2024 are used; when calculating ERP in 2025, the components of the CSI 300 Index at the end of 2025 are used.
- Data collection: In this ERP calculation, the Independent Valuer utilised the iFinD financial data terminal to obtain the closing price of each selected constituent stock at the end of each year. Since the constituent stock returns should include the proceeds of annual bonus, dividend payout, the Independent Valuer needs to consider the so-called proceeds of annual bonus, dividend payout. Therefore, the year-end closing price that the Independent Valuer chooses is the year-end "restoration" price in iFinD data. For example, when calculating the ERP in 2023, the data used were the year-end adjusted closing prices from 31 December 2014 to 31 December 2023, based on 31 December 1997 as the reference date. These prices have effectively reflected the returns generated from annual dividends and distributions.
- The annual rate of return is calculated using both arithmetic mean and geometric mean:

Calculation of arithmetic mean:

Assume: The annual rate of return is R_i , then:

$$R_i = (P_i - P_{i-1})/P_{i-1} \quad (i = 1, 2, 3, \dots, N)$$

where: R_i is the rate of return in year i , P_i is the year-end closing price of year i (backward adjusted)

Assuming that the average return from year 1 to year n is A_n , then:

$$A_n = \sum_{t=1}^n R_t / N$$

where: A_n is the arithmetic mean of rates of return from year 1 to year n , $n = 1, 2, 3, \dots, 9$, N is the effective life when calculating the annual ERP.

Calculation of geometric mean:

Assuming that the geometric mean from year 1 to year i is C_i , then:

$$C_i = \sqrt[i-1]{P_i/P_1} - 1 \quad (i = 2, 3, N)$$

where: P_i is the closing price as at the end of year i (backward adjusted)

- Estimation conclusion: After calculating the arithmetic mean or geometric mean of annual return of constituent stocks of CSI 300 index, the average return rate of the 300 constituent stocks was calculated, as the arithmetic or geometric mean to calculate the ERP results for the year. The weighted average method was adopted for this average. The weight chosen was the weight of each constituent stock in the calculation of CSI 300 index. ERP for each year is estimated in the following manner, respectively:

Arithmetic mean:

$$ERP_i = A_i - R_{fi} \quad (i=1, 2, \dots, N)$$

Geometric mean:

$$ERP_i = C_i - R_{fi} \quad (i=1, 2, \dots, N)$$

Through the above process, the excess rate of return in the market (ERP_i) for each year over the 10-year calculation interval can be computed. After excluding the maximum and minimum values, the average ERP is calculated to be 6.09%, which is adopted as the final estimated equity risk premium for the market.

NO.	Year	Estimated Rm	Risk-free rate of return Rf (with remaining maturity over 10 years)	ERP (over 10 years) = Rm – Rf	Risk-free rate of return Rf (with remaining maturity over 5 years but less than 10 years)	ERP (5-10 years) = Rm – Rf
1	2016	0.85%	4.02%	-3.17%	3.14%	-2.29%
2	2017	14.40%	4.23%	10.17%	3.68%	10.72%
3	2018	3.46%	4.12%	-0.66%	3.55%	-0.09%
4	2019	9.05%	4.10%	4.95%	3.41%	5.64%
5	2020	16.89%	4.08%	12.81%	3.30%	13.59%
6	2021	17.83%	3.41%	14.42%	2.85%	14.98%
7	2022	5.19%	3.31%	1.88%	2.81%	2.38%
8	2023	5.09%	2.94%	2.15%	2.66%	2.43%
9	2024	11.37%	2.02%	9.35%	1.79%	9.58%
10	2025	10.42%	2.33%	8.09%	1.80%	8.62%
11	Average	9.46%	3.46%	6.00%	2.90%	6.56%
12	Maximum	17.83%	4.23%	14.42%	3.68%	14.98%
13	Minimum	0.85%	2.02%	-3.17%	1.79%	-2.29%
14	Average after removing maximum and minimum values	9.48%	3.54%	6.09%	2.94%	6.61%

3) Appraised entity's market risk coefficient β (Levered β)

In this valuation, the β value is calculated using the iFinD financial data terminal, with the CSI 300 Index selected as the stock market index, consistent with the CSI 300 Index used in estimating the domestic stock market risk premium.

The β calculator on the iFinD financial data terminal is used to compute the β values of the comparable companies. The above β values are levered β values, which incorporate the respective capital structures of the comparable companies.

① Unlevered β of comparable companies

The Independent Valuer calculates the Unlevered β of each comparable company using the following formula:

$$\text{Unlevered } \beta = \text{Levered } \beta / [1 + (1 - T) \times D/E]$$

Where: D — Debt value;

E — Equity value;

T — Corporate income tax rate.

After calculating the Unlevered β of the comparable companies, their average is taken as the target capital structure.

② Capital structure of the appraised entity

In determining the capital structure of the appraised entity, the following two indicators were considered and analysed in this valuation:

- The target capital structure estimated based on comparable listed companies;
- The actual capital structure of the appraised entity estimated using an iterative approach.

In the iterative approach, each iteration adopts a capital structure (D/E) corresponding to a specific cost of debt (Rd). However, changes in D/E inevitably lead to fluctuations in Rd, making it difficult to reasonably estimate Rd throughout the iterative process. Moreover, this valuation adopts the cash flow model under the invested capital approach. According to the MM theorem, the weighted average cost of capital (WACC) under this model is independent of the capital structure. That is, when the sum of debt and equity (D+E) remains constant, the WACC calculated using different D/E ratios is essentially the same. Therefore, theoretically, the Independent Valuer can select any capital structure for calculating WACC. Based on this, selecting the industry optimal capital structure, as calculated from comparable listed companies, as the target capital structure, enables a reasonable analysis and determination of the corresponding cost of debt, i.e., the industry optimal lending rate. Although there is no direct mathematical formula for estimating the Rd corresponding to the optimal capital structure, a matching Rd value can still be determined through reasonable analysis and professional judgment. In light of the above analysis, the target capital structure is adopted as the capital structure of the appraised entity in this valuation.

③ Levered β of the appraised entity under the capital structure

The determined capital structure D/E is substituted into the following formula to calculate the Levered β of the appraised entity:

$$\text{Levered } \beta = \text{Unlevered } \beta \times [1 + (1 - T) \times D/E]$$

Where: D — Debt value;

E — Equity value;

T — Corporate income tax rate.

④ Adjustment of the β coefficient

The fundamental purpose of estimating the β coefficient is to determine the discount rate, which will be used to discount future expected earnings. Therefore, the discount rate itself should be a forward-looking expected value, which requires that the β coefficient, as a core input parameter, also possesses forward-looking attributes. However, the commonly adopted method for estimating the β coefficient is based on historical data, and the resulting β coefficient is actually a historical β coefficient rather than a forward-looking expected β coefficient. For the historical β coefficient to be used to reflect current or future risks, it is necessary that the estimated β coefficient be sufficiently stable to be reliable. Therefore, the original β coefficients of comparable listed companies need to be adjusted.

In 1975, Blume pointed out in his paper *Betas and Their Regression Tendencies* (《貝塔及其回歸趨勢》) that the true value of a stock's β tends to be closer to '1' than its estimated value. He proposed two possible explanations for this "mean-reverting" tendency: first, enterprises tend to choose higher-risk investment projects in their early stages, and as time passes and risks are gradually realised, the β coefficient shows a declining trend; second, when making new investment decisions, risk-averse management tends to select less risky projects, which causes the company's β coefficient to revert towards '1'.

The Blume Adjustment is widely adopted due to its theoretical soundness and practical effectiveness. Many internationally renowned investment advisory firms use β calculation formulas similar to the Blume Adjustment. In view of this, this valuation will apply the Blume Adjustment method to revise the β coefficient estimated from historical data, so as to better align it with forward-looking expectations.

The specific formula of the adjustment approach and method proposed by Blume is as follows:

$$\beta_a = 0.65 \times \beta_h + 0.35$$

Where: β_a — the adjusted β value;

β_h — the historical β value.

4) Company-specific risk premium

The Capital Asset Pricing Model (CAPM) is primarily used to estimate the expected return of a diversified investment portfolio. When applied to a single company, it is necessary to consider the undiversified company-specific risks that the company bears relative to a diversified portfolio, and to make adjustments through a company-specific risk premium.

In this valuation, a comprehensive analysis of the potential specific risk factors of the appraised entity was conducted, taking into account the industry characteristics, business model and the company's specific circumstances. These factors primarily include customer concentration, supply chain structure, product structure, market distribution, corporate governance and management stability.

From an industry perspective, automotive electronics Tier 1 suppliers generally adopt the fixed-point development and life-cycle binding business model, with relatively high customer and supplier concentration, which is a common industry feature. The appraised entity has a presence across multiple product areas, including smart cockpits, intelligent driving and acoustic systems, with a relatively diversified product structure and broad market coverage, providing it with a certain degree of risk resilience.

At the level of Hangsheng Electronics, the appraised entity has established a relatively sound internal management system and decision-making mechanism, and its operating activities have a relatively limited degree of dependence on any single individual or single factor. However, as a non-listed company, there remains a certain gap in corporate governance standards compared to listed companies.

After considering the above factors comprehensively, this valuation concludes that the appraised entity bears a certain degree of company-specific risk, but that such risk is generally manageable. On this basis, in consideration of industry experience and valuation judgment, the company-specific risk premium is determined to be 1.50%.

(2) Determination of rate of return on debt

In determining the rate of return on debt in this valuation, a comprehensive analysis was conducted taking into account the existing interest-bearing debt structure of the appraised entity, historical financing costs, and the market interest rate environment as at the Valuation Reference Date. The valuation personnel made a reasonable judgment by reference to the maturity structure of each interest-bearing debt and the corresponding market interest rate levels, taking into account the enterprise's actual financing costs. On this basis, a weighted calculation was performed according to the scale of the debt, and the rate of return on debt for this valuation was determined to be 2.76%.

(3) Determination of discount rate

$$WACC = Re \times \frac{E}{(D+E)} + Rd \times \frac{D}{(D+E)} \times (1-T)$$

The discount rate is determined based on the Weighted Average Cost of Capital (WACC). Given that this valuation is conducted on a consolidated basis and that the applicable tax rates of different taxable entities vary, the tax components within the discount rate have been fully factored into the calculation with reference to the Hangsheng Electronics Group's overall tax burden, maintaining consistency with the basis adopted for income forecasts. Based on the foregoing, the discount rate for each year is calculated and determined by taking into account the cost of equity capital, cost of debt capital and capital structure. Accordingly, the discount rate for each year to be determined using the above formula is as follows:

Item/Year	2026	2027	2028	2029	2030	Perpetual Period
Discount rate	10.12%	10.13%	10.12%	10.12%	10.12%	10.12%

(4) Determination of value of surplus assets

The appraisers analyzed and calculated the minimum cash holding requirement for the enterprise to maintain normal operations, taking into account the business scale, capital turnover, and liquidity needs for daily operations of the appraised entity. On this basis, they conducted a comprehensive judgment of the calculated result and the size of cash at bank and on hand as of the Valuation Reference Date to determine whether the enterprise had any surplus funds.

The analysis indicated that the cash at bank and on hand held by the appraised entity as of the Valuation Reference Date were primarily utilized to meet daily operational requirements. The scale of these funds was commensurate with the enterprise's business activities, and no significant accumulation of funds exceeding normal operational needs was found. Consequently, no surplus funds were recognized in this valuation.

(5) Determination of interest-bearing debts

As of the Valuation Reference Date, the interest-bearing debts of the appraised entity consisted primarily of short-term borrowings and long-term borrowings. In this valuation, the outstanding balances were verified against information such as loan contracts and fund transaction records, with the verified book value being adopted as the appraised value.

(6) Determination of non-operating assets (liabilities)

As of the Valuation Reference Date, certain assets and liabilities of the appraised entity were not directly related to its core business operations and did not contribute to the generation of the enterprise's operating cash flow. In this valuation, such items were separately identified as non-operating assets or liabilities, and were analyzed and treated according to their respective natures. The details are as follows:

(a) Non-operating assets

Non-operating assets primarily included restricted cash at bank and on hand, trading financial assets, certain other receivables, wealth management and tax prepayments in other current assets, as well as long-term equity investments and investments in other equity instruments.

The aforementioned assets did not participate in the enterprise's daily production and operations or were classified as investment assets, which in this valuation were treated based on their nature and measurement methods. Specifically, items measured at fair value or those whose value was reasonably reflected by their book value were recognized at their verified book value; for investment assets, their appraised value was determined based on the calculation results derived from the asset-based approach.

(b) Non-operating liabilities

Non-operating liabilities primarily included certain other payables, provisions, and deferred income.

The aforementioned liabilities bore no direct relationship to the enterprise's operating activities; therefore, the analysis considered the reasons for their incurrence and the nature of future obligations. Specifically, liabilities requiring settlement based on established obligations were recognized at their book value, while items that would no longer result in future economic benefits outflows were reasonably assessed based on their specific circumstances.

(c) Deferred income tax and related adjustments

Deferred income tax assets and liabilities primarily arose from temporary differences resulting from items such as provision for impairment of assets, deferred income, and fair value changes. This valuation analyzed and treated these items by considering their underlying causes and their relationship with operating cash flows.

Items arising from accounting treatments but did not result in actual future cash inflows or outflows have not been separately reflected in the cash flows calculated using the income approach; items related to future tax obligations have been comprehensively considered during the corporate income tax estimation process. The deferred tax liabilities were recognized due to fair value changes of investments in other equity instruments. Since investments in other equity instruments have been classified as non-operating assets, with their value being separately determined and added back as of the Valuation Reference Date, there were no taxable temporary differences; consequently, the deferred tax liabilities were treated as zero.

(d) Other explanation

The portion of fixed assets leased to external parties, as well as the idle land held by Jiangxi Hangsheng Electronics Technology Co., Ltd.* (江西航盛電子科技有限公司), were treated as non-operating assets.

(e) Detailed nature and calculation of non-operating assets (liabilities)

The details of the various non-operating assets and liabilities included within the scope of this valuation are as follows:

APPENDIX V

SUMMARY AND FURTHER EXPLANATIONS OF THE ASSET VALUATION REPORT OF THE HANGSHENG ELECTRONICS GROUP

Unit: RMB million

Category	Item	Valuation	Nature and Content	Measurement Method
Non-operating assets	1. Cash at bank and on hand	45.47	Principal and interest of funds frozen by the court	Recognized at the audited book value
	2. Trading financial assets	332.93	Bank wealth management products	Recognized at the audited book value
	3. Other receivables	6.23	Current accounts	Recognized at the audited book value
	4. Other current assets	24.65	Certificates of deposit with banks and prepaid enterprise income tax	Recognized at the audited book value
	5. Long-term equity investments	25.34	20.00% equity interest in Shenzhen Hangsheng Circuit Technology Co., Ltd. (深圳市航盛電路科技股份有限公司) and 6.4740% equity interest in Zhixin Control Systems Co., Ltd. (智新控制系統有限公司)	Recognized at the audited book value
	6. Investments in other equity instruments	10.15	1.33008% equity interest in Suzhou Tolly Optonics Co., Ltd. (蘇州桐力光電股份有限公司) and 4.05% equity interest in Jiangsu Mingyue Intelligent Technology Co., Ltd. (江蘇明月智能科技有限公司)	Calculated as follows ①
	7. Fixed assets – properties leased to third parties	696.60	The portion of Hangsheng Technology Building planned to be leased to third parties and the portion of Hangsheng Industrial Park already leased to third parties	Calculated separately using the income approach, with details as follows ②
	8. Fixed assets-idle land	4.95	53,333.60 sq.m. of industrial land held by Jiangxi Hangsheng Electronics Technology Co., Ltd. that had not been developed or utilized as at the Valuation Reference Date	Calculated separately using the market approach, with details as follows ③
	9. Deferred income tax assets	0.84	Deferred income tax assets arising from certain deductible losses and impairment of fixed assets	Recognized at the audited book value
Total		1,147.17	Sum of the valuations of non-operating assets	

Category	Item	Valuation	Nature and Content	Measurement Method
Non-operating liabilities	1. Other payables	1.33	Non-operating current accounts and exchange adjustments included in other payables	Recognized at the audited book value
	2. Provisions	26.05	Quality guarantee provided	Recognized at the audited book value
	3. Deferred income	1.64	Government grants	Calculated as follows ④
	4. Deferred income tax liabilities	–	Deferred tax liabilities recognized in respect of changes in investments in other equity instruments	Calculated as follows ⑤
Total		29.02	Sum of the valuations of non-operating liabilities	
Total		1,118.14	Sum of the valuations of non-operating assets less the sum of the valuations of non-operating liabilities	

① Investments in other equity instruments

In accordance with industry practice for asset valuation and the relevant provisions of the Document of the Shanghai Municipal State-owned Assets Supervision and Administration Commission (Hu Guo Zi Wei Ping Gu [2018] No. 353), the following formula was adopted to calculate the investments in other equity instruments:

Value of partial equity interests of the shareholders = (Appraised value of the entire equity interests of the shareholders as at the Valuation Reference Date + Unpaid capital contributions) × the proportion of capital contribution by the shareholder – the unpaid capital contribution of the shareholder

The appraised value of the investments in other equity instruments calculated in accordance with the above formula amounted to RMB10.15 million.

② Fixed assets-properties leased to third parties

The properties in Hangsheng Technology Building and Hangsheng Industrial Park that have been leased or are intended for leasing had not been deployed in the production and operation of the Target Company's existing principal business as at the Valuation Reference Date, and the cash flow forecast for the principal business under the income approach did not include the rental income from such properties. Accordingly, their value was measured separately from the value of the operating assets.

The valuation adopted the income approach for real estate on a combined land-and-building basis: during the term of the lease contracts, the contractual rent was used to calculate; upon expiry of the leases or for unleased areas, reference was made to market rent, and the value was determined by discounting parameters such as the market vacancy rate, property tax and related taxes and fees, repair and maintenance and insurance operating expenses, remaining land use term, rent growth and the rate of return. Based on the calculation, the floor area of Hangsheng Technology Building treated as non-operating assets was 28,770.16 sq.m., with a corresponding appraised value of RMB588.06 million, and the floor area of Hangsheng Industrial Park treated as non-operating assets was 22,061.24 sq.m., with a corresponding appraised value of RMB108.54 million.

③ Fixed assets-idle land

The 53,333.60 sq.m. of undeveloped or unutilized industrial land held by Jiangxi Hangsheng had not been deployed in the existing principal business, nor included in the existing capacity expansion and ancillary construction plans for the principal business, and was therefore treated as a non-operating asset. The market approach was adopted for this valuation, and based on recent transaction cases of industrial land within the same supply and demand circle, the land price was determined to be RMB90 per sq.m.. According to the relevant provisions, the taxes and fees for acquiring land include deed tax and stamp duty, with an aggregate corresponding tax rate of 3.05%, resulting in land acquisition taxes and fees of RMB2.745 per sq.m.. Based on the unit land price determined from the transaction cases and the relevant acquisition taxes and fees, the appraised value of the idle land was determined to be RMB4.95 million.

④ Deferred income

The deferred income comprises government grants, which are unrelated to operating business and is deducted as non-operating liabilities. For the portion of the grants for which tax obligations had been fulfilled as at the Valuation Reference Date, the appraised value was treated as zero; for the portion for which tax obligations had not been fulfilled, the valuation was determined as the product of the book value of the deferred income and the statutory income tax rate applicable to the relevant taxpaying entity. Based on the calculation, the appraised value of the deferred income was RMB1.64 million.

⑤ Deferred income tax liabilities

The deferred tax liabilities arise from the recognition of fair value changes of investments in other equity instruments. Since investments in other equity instruments have been classified as non-operating assets, with their value being separately determined and added back as of the Valuation Reference Date, there were no taxable temporary differences; consequently, the deferred tax liabilities were treated as zero.

(7) Determination of the value of minority interests

As of the Valuation Reference Date, the appraised entity holds a 45.00% equity interest in Shenzhen Hangsheng Cheyun Technology Co., Ltd.* (深圳市航盛車雲技術有限公司), which has minority interests. In this valuation, the income approach was adopted to estimate the value of the total equity interests on a consistent basis, and the value of the minority interests was determined in proportion to their shareholding.

(8) Valuation results based on the income approach

This valuation employed the Free Cash Flow to Firm (FCFF) model – based on the total investment perspective – to forecast the value of the entire equity interests of the shareholders of the appraised entity. The specific formula is as follows:

$$\text{FCFF} = \text{Net profit} + \text{Depreciation} + \text{Amortization} + \text{Post-tax interest expense} - \text{Capital expenditures} - \text{Increase in working capital}$$
$$\text{Present value of FCFF} = \text{FCFF} \times \text{Discount coefficient}$$
$$\text{Value of the entire equity interests of the shareholders} = \text{Present value of FCFF} - \text{Minority interests} + \text{Surplus funds} + \text{Non-operating assets and liabilities} - \text{Interest-bearing debts}$$

APPENDIX V	SUMMARY AND FURTHER EXPLANATIONS OF THE ASSET VALUATION REPORT OF THE HANGSHENG ELECTRONICS GROUP
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Based on the aforementioned steps, the summary of the calculated value of the entire equity interests of the shareholders of the appraised entity is as follows:

Unit: RMB million

Item/Year	Forecast Year					
	2026	2027	2028	2029	2030	Perpetual period
Net profit	232.09	304.68	333.25	331.88	329.65	329.65
Add: Depreciation	115.02	120.92	118.82	116.42	114.69	116
Amortization	27.71	23.28	17.07	15.61	15.23	20.83
Post-tax interest expense	3.8	3.8	3.8	3.8	3.8	3.8
Less: Capital expenditures	168.16	81.37	78.47	87.99	112.82	136.52
Increase in working capital	98.62	243.28	16.68	24.6	18.94	
FCFF	111.84	128.04	377.8	355.12	331.61	333.76
Discount rate	10.12%	10.13%	10.12%	10.12%	10.12%	10.12%
Discount period	0.5	1.5	2.5	3.5	4.5	
Discount coefficient	0.9529	0.8653	0.7858	0.7135	0.648	6.4009
Present value of FCFF	106.57	110.8	296.86	253.4	214.87	2,136.37
Total present value of FCFF	3,118.87					
Value of minority interests	5.33					
Surplus funds	0.00					
Non-operating assets and liabilities	1,118.14					
Interest-bearing debts	381.3					
Value of the entire equity interests of the shareholders	3,850.40					

(9) Sensitivity analysis

In the income approach valuation model, revenue growth rate, gross profit margin and discount rate are the core parameters affecting the valuation conclusion. Accordingly, a sensitivity analysis was conducted in this valuation with respect to the above indicators, as set out below:

Unit: RMB million

Indicator	Change Rate	Valuation	Change in Valuation per 0.5% Change
Revenue growth rate	-1.00%	3,652.00	-5.15%
	-0.50%	3,751.00	-2.58%
	0.00%	3,850.40	/
	0.50%	3,950.00	2.59%
	1.00%	4,049.00	5.16%
Gross profit margin	-1.00%	3,744.00	-2.76%
	-0.50%	3,797.00	-1.39%
	0.00%	3,850.40	/
	0.50%	3,903.00	1.37%
	1.00%	3,955.00	2.72%
Discount rate	-1.00%	4,210.00	9.34%
	-0.50%	4,021.00	4.43%
	0.00%	3,850.40	/
	0.50%	3,696.00	-4.01%
	1.00%	3,556.00	-7.65%

(10) Applicability analysis of the asset-based approach

For tangible assets, the asset-based approach is based on their carrying amounts. As long as the carrying amounts are accurately recorded, the application of the asset-based approach is relatively straightforward and reliable. This approach is grounded in the balance sheet and, from the perspective of asset cost, replaces the historical cost of individual assets and liabilities with their market values (or other types of value). The value of the net assets of the enterprise is then derived by deducting the assessed value of liabilities from the sum of the assessed values of the individual assets. The assets and liabilities of the appraised entity, both on and off the balance sheet as at the Valuation Reference Date, can be fully identified, and there are no assets or liabilities that are difficult to identify or assess and that have a material impact on the value of the subject matter. Furthermore, each asset and liability can be valued individually using appropriate methods. Therefore, the asset-based approach is considered appropriate for this valuation.

(11) Key valuation inputs

Under the asset-based approach, the appraised value of the total equity of the appraised entity as at the Valuation Reference Date is the sum of the appraised value of current assets and the appraised value of non-current assets, minus the total liabilities.

Set out below are the key valuation inputs:

Current assets**(1) Current assets**

The current assets of the appraised entity include cash at bank and on hand, financial assets held for trading, notes receivables, accounts receivables, receivables financing, prepayments, other receivables, inventories and other current assets.

Inputs and computation process for the value of current assets are as follows:

1) Cash at bank and on hand

Cash at bank and on hand include cash on hand, bank deposits and other cash at bank and on hand. The appraisers checked the breakdowns of cash at bank and on hand item by item against cash journals, bank journals, general ledgers and financial statements, and verified the authenticity, ownership and availability of the funds based on counts, bank confirmation letters, bank statements and restricted information of the funds.

① Cash on hand

For cash on hand, the appraisers conducted physical counting with the cashier, and backward calculated the balances as at the Valuation Reference Date in accordance with the payment and receipt records between the counting date and the Valuation Reference Date. If the counting amount was consistent with book records, the appraised value shall be determined based on the verified amount after counting.

② Bank deposits

For bank deposits, the appraisers confirmed account balances, currency, unfulfilled matters and restrictions through verifying cash journals of banks, general ledgers, bank statements and audit confirmation information. The appraised value of RMB deposits shall be determined based on their verified book value, while the appraised value of foreign currency deposits shall be determined by converting their verified foreign currency balances at the applicable exchange rate as at the Valuation Reference Date.

③ Other cash at bank and on hand

For other cash at bank and on hand, such as deposits, the appraisers checked the deposit banks, nature of the funds, restriction conditions and relevant vouchers, and assessed their recoverability based on bank confirmation information. Upon verification, if they were authentic with explicit ownership, the appraised value shall be determined based on the verified book value.

2) Financial assets held for trading

Financial assets held for trading principally represent bank wealth management products held by Hangsheng Electronics. The appraisers reviewed the contracts for wealth management products, product manuals, bank account transaction records and audit information, so as to verify the product category, holding amount, use of the funds, method of revenue recognition, redemption at maturity and to verify if there were restrictions or material adverse matters.

Upon verification, these financial assets were measured at fair value through profit or loss (FVTPL). The fair value as at the Valuation Reference Date was used for confirmation and measurement during the audit. Where no significant matters affecting their value were identified, the appraised value shall be determined based on the verified book value.

3) Notes receivables

Notes receivables primarily consist of bank acceptance bills and commercial acceptance bills. The appraisers checked the notes and relevant original vouchers to verify the occurrence time, book balances, payees, issuers, payers, acceptors and status of the notes, and conducted analysis to the aging and the feasibility of realization.

For notes reasonably expected to be recoverable, the appraised value shall be determined based on the aggregate amount of notes receivables; for notes which subject to irrecoverability risk, the appraised value shall be determined by deducting the estimated risk losses from the amount of notes receivables, following an assessment that considered the creditworthiness of the accepting parties, the abilities to make payment at maturity, and potential risk losses.

4) Accounts receivables

The appraisers verified the breakdowns, general ledgers, financial statements and valuation declaration form, checked the sales contracts, invoices, receipt or settlement information and payment collection records, issued confirmation letters for substantial receivables, and performed alternative procedures to un-replied items through subsequent receipts, reconciliation record and original business vouchers.

On the basis of verifying economic contents and aging, the appraisers assessed the recoverability and recoverable amounts of each item based on the credit policy, outstanding amounts, the time and reason for the arrears, recovery history, the debtor's capital base, credit and current operations and management status.

For receivables with relatively short aging, having debtor of good credit or having stable business relationship, the appraised value shall be determined based on the verified book balance. For those items with conclusive evidence showing that all or part of bad debt losses have occurred, the appraised value shall be determined after deducting the losses that can be recognized. For items that have relatively long aging and whose risk losses are difficult to judge item by item, the risk losses shall be estimated with reference to the provisioning systems for bad debts and loss history and records of the companies. The provision for bad debts recorded in the accounts shall not be treated as a separate object of valuation.

5) Receivables financing

Receivables financing principally represented the bank acceptance bills held by enterprises. The appraisers checked relevant original vouchers to verify the occurrence time, book balances, payees, issuers, payers and acceptors, and conducted analysis to the aging of the notes, accepting parties and the feasibility of realization.

Upon verification, if the notes had strong realizability and low possibility to become bad debts, the appraised value shall be determined based on the verified book value; if there were matters affecting the payment, the appraised value shall be determined based on the expected recoverable amount.

6) Prepayments

The appraisers reviewed materials procurement contracts, services agreements, payment certificates and information on subsequent arrival of products, acceptances or services received. They issued confirmation letters for substantial prepayment amounts, understood the situation of the services and goods received from Valuation Reference Date to the on-site appraisal work date, and verified the goods, services or related rights that could be formed from the prepayments.

For prepayments that enabled the recovery of corresponding goods or the obtaining of relevant services and rights, the appraised value shall be determined based on the verified book value. For those items with conclusive evidence showing that corresponding goods or services could not be recovered or were unable to form corresponding assets or rights, the appraised value shall be determined as zero. The provision for bad debts recorded in the accounts shall not be treated as a separate object of valuation.

7) Other receivables

Other receivables mainly included rents receivables, amounts collected and paid by other parties, deposits and margins, etc. The appraisers reviewed the accounting books and original vouchers of major projects, issued confirmation letters for substantial receivables, and conducted verification to the reasons for forming the receivables, the settlement parties, aging, subsequent recovery and recoverability.

In valuation, the appraised value of each amount shall be determined based on the amount that could be recovered. For those items without evidence of bad debt losses, the appraised value shall be determined based on the verified book value. For those items with conclusive evidence showing that they could not be recovered, the appraised value shall be determined as zero. For items with relatively long aging, exceeding the credit period and having no business relationship for a long time, the appraised value shall be determined upon estimating the risk losses with reference to the provisioning systems for bad debts and loss history and records of the companies.

8) Inventories

Inventories comprised raw materials, consigned processing materials, finished goods, goods shipped, work in progress, and other inventory-related fulfillment costs. The appraisers checked the inventory declaration sheet against the breakdown, general ledger, financial statements and stock-in and stock-out information on record, examined internal control system, custody system and stock count system, and conducted sample checks accompanied by finance and warehouse personnel. For the inventories in and out from the Valuation Reference Date to the stock count date, their actual amount at the Valuation Reference Date were backward calculated based on relevant documentation.

① Raw materials

The appraisers understood the procurement patterns, supply-demand dynamics and market prices of raw materials, while conducting sample checks on large-value procurement contracts. In addition, they verified the quantity, quality, and usability of raw materials by combining random stocktaking, production requisition records and subsequent usage data. For raw materials purchased recently where the difference between market price and book unit price was minimal, the appraised value was determined based on the verified book value; for materials subject to significant market price fluctuations, the appraised value was determined using publicly available quotes and supplier inquiries, adjusted for reasonable transportation and miscellaneous expenses.

The appraisers conducted a special analysis on the raw materials for which impairment provisions had been made, taking into account the inventory aging, requisition status, production and sales of corresponding products, market demand, material versatility and subsequent disposal possibilities. For those with requisition demand or market demand, the value shall be determined based on the value that could continue to be used or realized. For those with no actual demand and basically no utilization value, the recoverable value shall be determined by referring to historical disposal and recycling data and combining with actual disposal conditions.

② Consigned processing materials

Consigned processing materials represented the value of materials sent to external entities for processing, with their book costs comprising the costs of materials, processing fees and reasonable associated expenses. The appraisers verified the consigned processing contracts, records regarding material issuance and processing settlement, and the details of cost accumulation and carry-over. Where the verification confirmed that costs had been recorded in a timely manner, fully carried forward, and calculated accurately, the appraised value shall be determined based on the verified book value.

③ Finished goods

The appraisers reviewed accounting records, warehouse records and inventory lists, conducted sample checks and inventory counts on finished goods, and gathered information regarding the sales markets, sales performance and market share of the relevant products. For finished goods intended for external sale, the market approach was applied. In this case, the appraised value shall be determined based on verified quantities and sales prices (excluding tax), after deducting selling expenses, sales taxes and surcharges, income taxes and profit discounts commensurate with sales conditions.

The appraised value of finished goods = Unit sales price (excluding tax) × (1 – Sales expense ratio – Sales tax and surcharge ratio – After-tax profit discounts) × Quantity

For finished goods for which impairment provision had been made, an analysis was conducted taking into account inventory aging, sales performance, market demand, product iteration and the possibility of subsequent disposal. Products with continuing market demand were valued at their net realizable value, while products with no remaining sales value were valued at their recoverable value or at zero.

④ Goods shipped

Goods shipped represented finished goods that have been inspected and accepted into storage by customers but have not yet been settled. The appraisers verified the accounting records, contracts, and shipping and acceptance documents, and determined the appraised value based on the sales price (excluding tax) stipulated in the sales contract, after deducting sales taxes and income taxes.

⑤ Work in progress

The appraisers understood the composition of work in progress, analyzed cost data, as well as cost allocation and accumulation processes, from the production and accounting departments, and conducted on-site verification of the actual progress, quality status and the possibility of future completion. For work in progress where cost accumulation was deemed reasonable and production could proceed normally, the appraised value shall be determined based on the verified book value; if there were indications of impairment, the appraised value shall be determined based on the recoverable value.

⑥ Other inventory-related fulfillment costs

Other inventory-related fulfillment costs represented the labor, procurement, outsourcing and other directly related costs incurred to fulfill signed contracts or specific business projects, which were expected to be recovered through contract settlement. The appraisers verified contracts, project progress, cost accumulation and subsequent settlement status, and determined the appraised value for costs recoverable under the contract based on the verified book value, deducting any portion lacking a basis for recoverability.

9) Other current assets

Other current assets primarily consisted of items reclassified from taxes and large-denomination certificates of deposit. The appraisers reviewed the breakdown, tax filings, bank records and relevant supporting documents to verify the origins, structure, ownership status and realizability of these assets.

Upon verification, if the large-denomination certificates of deposit reflected actual value and the amount of reclassification of taxes aligned with the relevant filings and account materials, the appraised value shall be determined based on the verified book value.

(2) Non-current assets

The non-current assets of Hangsheng Electronics include long-term equity investments, investments in other equity instruments, fixed assets, construction in progress, intangible assets, long-term deferred expenses and other non-current assets.

The input and calculation process of the value of non-current assets is as follows:

1) Long-term equity investments

The valuation personnel first verified the reasons for the formation, book value and actual conditions of long-term equity investments, investment agreements, articles of association, financial statements and operating conditions to confirm the authenticity and completeness of the investments. Then, they determined the specific valuation methods based on the availability of operating data and information on assets and liabilities for each investee.

For long-term equity investments in its controlling subsidiaries, Hangsheng Electronics actually used the asset-based approach to conduct a comprehensive valuation of the investee, and then determined the valuation of the long-term equity investments by multiplying the investee's net assets after the comprehensive valuation by Hangsheng Electronics' shareholding percentage.

Appraised value of long-term equity investments = Net assets of the investee after the comprehensive valuation × Shareholding percentage

The specific valuation process for each investee was carried out in accordance with the relevant valuation guidelines for individual entities; the total value of long-term equity investments was determined by aggregating the appraised value of each individual investment as determined by using the methods described above.

2) Investments in other equity instruments

Investments in other equity instruments are non-trading investments in equity instruments at fair value through other comprehensive income. The valuation personnel verified the investee's financial statements, investment information, shareholding percentage and net assets as at the Valuation Reference Date, and assessed whether there are any material adverse factors that could affect the realization of value.

For such investments involving relatively low shareholding percentage, the investor was not able to control, jointly control or significantly influence the investee, and failed to obtain more detailed operation and asset information to conduct a comprehensive valuation. Therefore, the appraised value was calculated based on the net assets reported in the investee's financial statements as at the Valuation Reference Date, taking into account the shareholding percentage of Hangsheng Electronics.

3) Fixed assets – buildings and structures

The buildings and structures included in the valuation scope include properties such as the Hangsheng Industrial Park and the Hangsheng Technology Building. The valuation personnel examined the asset valuation breakdown table, financial information, real estate title information, construction records and lease information to verify the name, location, structure, floor area, useful life, book value, title status and other items on a case-by-case basis.

During the on-site inspection, the valuation personnel examined the exterior appearance, structure, finishes, water supply and drainage systems, electrical systems, fire safety systems, cladding structures, repair and maintenance and usage conditions of the building. Meanwhile, the valuation personnel also review matters such as mortgages, guarantees, leases and litigation to verify the consistency of accounts and the actual status, the clear property ownerships and the actual usage condition.

① Evaluation methods

Taking into account the characteristics of the buildings and structures subject to valuation, market conditions regarding rental income from comparable properties in the surrounding area, and the availability of rental data, Hangsheng Electronics' buildings and structures as well as the corresponding land use rights were actually valued using the income approach on an integrated real estate basis.

Appraised value of the real estate = Sum of the present values of the net income of each future period

② Income period and net income

The income period was determined based on the shorter of the remaining land use term and the economic life of the building. The net income was calculated by taking into account lease restrictions, the effective rentable area, rent specified in the lease agreement and market rent, vacancy and rent collection losses, operating expenses, and other related income.

Annual net income = Annual rental income + Other income – Operating expenses

③ Rate of return and growth factors

The rate of return was determined using a cumulative approach, taking into account factors such as the risk-free rate, investment risk compensation, management burden compensation, liquidity compensation, and investment benefits, while also referencing local benchmark land prices and market data for comparable real estate. Trends in rent and net income were assessed based on market research and the terms of existing lease agreements.

Rate of return = Risk-free rate + Investment risk compensation rate + Management burden compensation rate + Lack of liquidity compensation rate – Benefits from investment

Fixed assets – equipment

Equipment-related fixed assets include machinery and equipment, transportation equipment, electronic equipment, molds and testing instruments. Based on the equipment inventory and valuation breakdown table, the valuation personnel examined fixed asset cards, financial ledgers, purchase contracts, accounting vouchers, equipment replacement and scrapping records, and repair and maintenance records, and at the same time conducted on-site inspections to verify the quantity, specifications, models, operation status, ownership and actual usage of the equipment, ensuring that the records are consistent with the actual situation without any duplications or omissions.

① Machinery and equipment, electronic equipment, molds and testing instruments

Machinery and equipment, electronic equipment, molds and testing instruments that are in normal working condition were valued using the replacement cost method. The full replacement cost was determined based on market inquiries, quotes from manufacturers or distributors, publicly available price data and necessary price index adjustments, and was calculated by taking into account reasonable expenses such as transportation and miscellaneous charges, installation and commissioning costs, as well as the impact of deductible value-added tax.

Appraised value of equipment = Full replacement cost × Comprehensive newness rate

The comprehensive newness rate was determined by combining on-site inspections with the theoretical newness rate. On-site inspections focused on the wear and tear, precision, maintenance, operating environment, intensity of use, malfunctions and technical condition of the equipment's major components; while the theoretical newness rate was determined based on the equipment's economic useful life, years of use and remaining useful life.

Theoretical newness rate = Remaining useful life ÷ (Years of use + Remaining useful life) × 100%

For small-sized equipment with low value but in large quantities, the appraised value was determined based on spot-check verification, taking into account book records, market prices, technology update speed and actual condition of use. For idle, pending-repair, obsolete or inoperable equipment, the valuation was determined based on its recoverable value.

② Transportation equipment

For vehicles with an active second-hand trading market where comparable sales data is available, the market approach was used for valuation. The valuation personnel collected transaction data through channels such as second-hand car trading websites, dealerships and trading markets, and selected sales cases that are comparable to the subject vehicle in terms of make and model, registration date, mileage, configuration, condition and transaction date.

The vehicle appraised value was determined by analyzing the adjusted transaction prices of comparable cases which were adjusted based on factors such as transaction date, transaction circumstances, vehicle model and configuration, mileage, and vehicle condition. For transportation equipment lacking market data, the appraised value was determined by using the replacement cost method in conjunction with the actual technical condition.

5) Construction in progress

Construction in progress mainly comprises civil construction works and equipment installation works, which are valued using the cost approach. The valuation personnel checked the detailed ledgers, accounting vouchers, construction contracts, payment records and project progress information, conducted on-site inspections of the physical construction, and interviewed engineering and technical personnel to verify the actual progress, construction quality and actual payment status.

For projects where construction progress proceeds as planned, the physical quality meets the design requirements and actual payments are consistent with the book records, the appraised value was determined based on the verified construction and acquisition costs. For projects involving relatively large values or longer construction periods, a reasonable cost of funds was charged. For temporary projects involving relatively small amounts or shorter construction periods, the appraised value was determined based on the verified book value.

6) Intangible assets

① Land use rights

The land use rights held by Hangsheng Electronics have been considered together in the valuation of the buildings and structures using the income approach on an integrated real estate basis, and the relevant value has been included in the appraised value of the buildings and structures. Accordingly, the land use rights are not appraised separately to avoid double valuation.

② Purchased software

Purchased software was appraised using the cost approach. Based on the original purchase cost of the software, the valuation personnel calculated the replacement cost by taking into account changes in the price index from the date of purchase to the Valuation Reference Date, and determined the value reduction based on the software's economic useful life, years of use, actual operating condition and technological substitution, thereby determining the appraised value.

$$\text{Appraised value of purchased software} = \text{Replacement cost} \times \text{Ratio of remaining economic life}$$

③ Trademark rights

Trademark rights were appraised using the cost approach. The valuation personnel verified the ownership, registration status, scope of application and maintenance status of the trademark, and determined the replacement cost based on the reasonable costs required to establish the trademark rights, including design, registration, review and necessary maintenance costs. As the trademarks included in the scope of valuation mainly served the functions of identification and prevention of legal risks, and the relevant formation costs were readily available, the cost approach can reasonably reflect their value.

$$\text{Appraised value of trademark rights} = \text{Design costs} + \text{Registration costs} + \text{Review and other necessary costs}$$

④ Technology-related intangible assets, including patent rights, software copyrights and work copyrights

The value of technology-related intangible assets is primarily reflected in the future income generated by the products or businesses to which they are associated. Hangsheng Electronics adopted the income sharing method in practice, under which the relevant patent rights, software copyrights and work copyrights were collectively appraised as a portfolio of intangible assets to reflect the synergistic contribution of such assets to the operating income of the enterprise.

$$\text{Appraised value of technology-related intangible assets} = \text{Expected income for each period} \times \text{Sum of the discounted present values of the intangible asset sharing rate}$$

The revenue period is determined on the basis of the economic life of the technical assets rather than simply by reference to the legal protection period. Comprehensive consideration is given to factors including the technical advancement, substitutability, product life cycle, industry technology iteration, market competition, the enterprise's actual application and R&D substitution arrangements. The relevant revenue forecasts are determined prudently by reference to historical operations, orders on hand, the latest operating conditions and industry development trends.

The income sharing ratio is determined using the hierarchical analysis method. It is based on the industry average level and adjusted for factors such as technological level, maturity, implementation conditions, economic benefits, protection efforts and industry position. As technology iterates and competition changes, the contribution of the technical assets to revenue is reasonably reduced in accordance with their economic characteristics.

The discount rate is determined using the risk accumulation method. The risk-free rate of return is matched with the revenue period, while the risk premium rate is determined by comprehensively considering technology risk, market risk, capital risk and management risk.

Discount rate for intangible asset = risk-free rate of return + risk premium rate

7) Long-term deferred expenses

Long-term deferred expenses mainly comprise deferred expenditures such as building renovation and decoration. The appraisers verified the original amounts incurred, amortization periods, amortization records, beneficiaries and the benefit to be received after the Valuation Reference Date, and determined whether such items had already been reflected in the appraised value of buildings and structures.

For ancillary decoration and renovation works already included in the appraisal of buildings and structures, the appraised value is determined to be zero to avoid double valuation. For items that continue to generate corresponding rights or assets within the future benefit period, the appraised value is determined by reference to the value corresponding to the remaining benefit period.

8) Other non-current assets

Other non-current assets mainly comprise prepayments for the acquisition of assets. The appraisers reviewed the procurement contracts, supply agreements, payment vouchers and related materials, verified the performance of the contracts and confirmed whether the timing and amounts of payments were consistent with the contractual terms, while also paying attention to any restrictions on contractual rights.

Where it is verified that the corresponding assets can be obtained, the contractual rights are not subject to any restrictions and the book records are true and accurate, the appraised value is determined on the basis of the verified book value.

(3) Current liabilities

The current liabilities of Hangsheng Electronics include short-term borrowings, notes payable, accounts payable, advances from customers, contract liabilities, employee remuneration payable, taxes payable, other payables and other current liabilities. Non-current liabilities include estimated liabilities, deferred income and deferred income tax liabilities.

The appraised value of liabilities is based on the liabilities actually borne by the enterprise as at the Valuation Reference Date. The appraisers verified the authenticity, completeness, settlement conditions and subsequent payment or performance status of each liability, and determined the appraised value according to the actual obligations.

The inputs and calculation process for the value of current liabilities are as follows:

1) Short-term borrowings

The appraisers reviewed loan contracts, mortgage contracts, accounting and payment vouchers, and reconciled them with bank confirmation documents to confirm the lending institutions, borrowing amounts, terms, interest rates and amounts repayable as at the Valuation Reference Date. Where the borrowings were verified to be authentic, correct and actually repayable after the Valuation Reference Date, the appraised value is determined on the basis of the verified book value.

2) Notes payable

The appraisers examined accounting vouchers, payment vouchers, bank confirmation documents, inventory of notes and the notes payable subsidiary ledger, and investigated the drawer, acceptor, term, amount and authenticity of the note transactions. Where the notes payable transactions were verified to be authentic and correct, the appraised value is determined on the basis of the verified book value.

3) Accounts payable

The appraisers reviewed the original vouchers, ledgers, procurement contracts, acceptance documents and subsequent payment records, and verified the business contents, settlement methods, occurrence dates and amounts of accounts payable, and performed circularization for large-amount items. Where no amounts that did not require payment or that had been double-recorded were identified, the appraised value is determined on the basis of the verified book value.

4) Advances from customers

The appraisers checked the occurrence dates of advances from customers and the corresponding projects, reviewed original vouchers, contracts and ledgers, and performed circularization for large-amount items to confirm that the liabilities were authentic and correct. For advances from customers in respect of which corresponding obligations remained to be performed as at the Valuation Reference Date, the appraised value is determined on the basis of the verified book value.

5) Contract liabilities

The appraisers conducted sample checks on contracts, orders, collection vouchers, ledgers and performance records, and verified the authenticity and completeness of the contract liabilities and the unperformed contractual obligations as at the Valuation Reference Date. Where the amounts recorded in the accounts, statements and supporting documents were verified to be consistent, the appraised value is determined on the basis of the verified book value.

6) Employee remuneration payable

The appraisers obtained an understanding of the employee composition and remuneration system, verified the most recent proof of employee remuneration payment, the basis for accruals and accounting vouchers as at the Valuation Reference Date, and examined whether the employee remuneration payable constituted the obligations actually borne by the enterprise. Where verified to be correct, the appraised value is determined on the basis of the book value.

7) Taxes payable

The appraisers obtained an understanding of the types of tax, tax rates and payment systems applicable to the enterprise, reviewed the most recent tax payment certificates, tax filing materials and accounting vouchers as at the Valuation Reference Date, and verified the basis and the amounts of taxes payable as at the Valuation Reference Date. For taxes verified to be actually borne by the enterprise, the appraised value is determined on the basis of the book value.

8) Other payables

Other payables mainly comprise collections and payments on behalf of others, deposits and guarantees and employee reimbursement amounts. The appraisers checked the subsidiary ledgers, reviewed relevant documents, agreements and subsequent payment materials, and considered the reasons for their occurrence, settlement method, date of occurrence, amount and whether payment was required on an item-by-item basis. Circularization was performed for large-amount items.

On the basis of confirming that all book balances constitute liabilities actually borne by the enterprise, the appraised value is determined on the basis of the verified book value.

9) Other current liabilities

Other current liabilities mainly comprise endorsed notes that have not been derecognized at the end of the period and value-added tax pending write-off. The appraisers verified the relevant notes, documents, subsidiary ledgers and tax calculation materials, and confirmed their authenticity and the correctness of the amounts. Upon verification, the appraised value is determined on the basis of the book value.

(4) Non-current liabilities

1) Estimated liabilities

Estimated liabilities mainly comprise product quality guarantees. The appraisers reviewed the measurement working papers provided by the enterprise, quality warranty policies, historical claims data and subsequent actual occurrence, and verified the basis for recognition, measurement method and accuracy of the estimated liabilities. Where verified to constitute actual obligations to be actually borne by the enterprise, the appraised value is determined on the basis of the verified book value.

2) Deferred income

Deferred income mainly comprises project subsidies allocated by relevant government departments. The appraisers reviewed government subsidy approval documents, allocation documents, accounting vouchers, bank receipt slips and project materials, and verified the reasons for recognition, accounting basis, balances, corresponding projects and the fulfilment of the accompanying conditions.

Upon verification, the funds have been actually received, the relevant conditions have been fulfilled in accordance with the regulations, there is no subsequent obligation of repayment, and they do not constitute a real liability for the enterprise to settle in cash or other assets in the future. Therefore, deferred income is not recognized as an appraised value for the liability actually borne by the enterprise as at the Valuation Reference Date.

3) Deferred income tax liabilities

Deferred income tax liabilities mainly arise from taxable temporary differences recognized in respect of changes in the fair value of investments in other equity instruments. The appraisers examined investment materials, accounting records and the basis for calculation of deferred income tax, and analyzed, in conjunction with the corresponding asset appraisal conclusions and tax bases, whether the temporary differences will still reverse in future periods and constitute tax obligations.

Where it was verified that the temporary differences will still reverse and constitute the basis for tax obligations in the future, the appraised value is determined on the basis of the verified book value.

(12) VALUATION CONCLUSION OF THE ASSET-BASED APPROACH

As at the Valuation Reference Date of 31 December 2025, the carrying amount of the total assets in the parent company's financial statements was RMB3,596.79 million, with an appraised value of RMB4,845.59 million, representing an appraised appreciation of RMB1,248.80 million and an appreciation rate of 34.72%.

The carrying amount of total liabilities in the parent company's financial statements was RMB1,862.48 million, with an appraised value of RMB1,844.72 million, representing an appraised depreciation of RMB17.76 million and a depreciation rate of 0.95%.

The carrying amount of the total equity in the parent company's financial statements was RMB1,734.31 million, with an appraised value of RMB3,000.87 million, representing an appraised appreciation of RMB1,266.56 million and an appreciation rate of 73.03%.

For details of the valuation conclusion, please refer to the Summary Table of Asset Valuation Results and the Valuation Breakdown Table.

Summary Table of Asset Valuation Results

Valuation Reference Date: 31 December 2025

Appraised entity: Shenzhen Hangsheng Electronics Co., Ltd.

Amounts in RMB million

Item	Carrying Amount A	Appraised Value B	Appreciation and Depreciation C=B-A	Appreciation Rate % D=C/A×100%
1 Current assets	2,887.10	2,925.30	38.20	1.32
2 Non-current assets	709.69	1,920.29	1,210.60	170.58
3 Of which: Long-term equity investments	281.17	613.99	332.82	118.37
4 Investments in other equity instruments	9.86	10.15	0.30	3.00
5 Fixed assets	361.09	1,135.40	774.32	214.44
6 Construction in progress	11.50	11.53	0.03	0.23
7 Intangible assets	26.66	137.45	110.80	415.64
8 Long-term deferred expenses	8.62	0.96	-7.65	-88.82
9 Other non-current assets	10.81	10.81	–	–

Item		Carrying Amount A	Appraised Value B	Appreciation and Depreciation C=B-A	Appreciation Rate % $D=C/A \times 100\%$
10	Total assets	3,596.79	4,845.59	1,248.80	34.72
11	Current liabilities	1,821.71	1,821.71	–	–
12	Non-current liabilities	40.77	23.01	-17.76	-43.56
13	Total liabilities	1,862.48	1,844.72	-17.76	-0.95
14	Total equity	1,734.31	3,000.87	1,266.56	73.03

That is, the appraised value of the total equity interest of the shareholders of Shenzhen Hangsheng Electronics Co., Ltd. is RMB3,000.87 million.

(13) ANALYSIS OF THE DIFFERENCES BETWEEN THE VALUATION CONCLUSIONS UNDER THE INCOME APPROACH AND THE ASSET-BASED APPROACH

The asset-based approach primarily reflects the replacement value of the enterprise's existing assets from the perspective of asset replacement. It represents the socially necessary labor consumed in asset investment (construction and acquisition costs). Such construction and acquisition costs generally vary with changes in the national economy. However, this approach fails to fully reflect the enterprise's comprehensive value in terms of customer resources, project reserves, technological capabilities and future profitability.

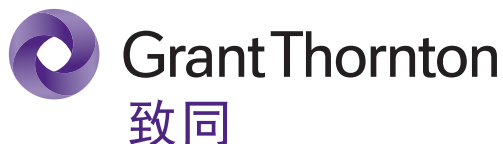
In contrast, the income approach determines the enterprise's value from the perspective of its future going concern and cash flow generation capabilities, by forecasting its future operating results and discounting them to present value, and is therefore more capable of fully reflecting the enterprise's overall profitability and development potential.

As a Tier 1 automotive electronics supplier, Hangsheng Electronics' business is characterized by a distinct project-driven model, with revenue primarily derived from projects in production, designated projects and projects to be mass-produced in the future. In addition to its existing assets, the enterprise's value is more significantly reflected in its customer resources, vehicle model designation project reserves, product R&D capabilities, mass production and delivery capabilities, and the sustainable profitability arising from the future project ramp-ups. The asset-based approach fails to fully reflect the synergies and future profitability arising from the above factors. The income approach, however, can comprehensively reflect the enterprise's existing project base and future business development potential in the valuation results through forecasts of future cash flows.

In view of the purpose of this valuation, both transaction parties are more concerned with the future operating conditions and profitability of the enterprise. Therefore, the results of the income approach have been adopted as the final valuation conclusion in this valuation.

APPENDIX VI REPORT FROM REPORTING ACCOUNTANTS

The following is the full text of the report issued by the Reporting Accountant, Grant Thornton Zhitong Certified Public Accountants LLP (Chinese Certified Public Accountants), which has been prepared for the purpose of incorporation into this circular.



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FIBOCOM WIRELESS INC.

ACCOUNTANT'S REPORT ON THE DISCOUNTED CASH FLOW CALCULATIONS FOR
THE EQUITY VALUATION OF SHENZHEN HANGSHENG ELECTRONICS CO., LTD.

To the Board of Directors of Fibocom Wireless Inc.:

We have reviewed the discounted cash flow calculation process prepared by the Board of Directors of Fibocom Wireless Inc. (the “**Company**”) for the business valuation to assess the fair value of the equity interest in Shenzhen Hangsheng Electronics Co., Ltd. as at 31 December 2025 (the “**Valuation**”). The Valuation has been prepared by Shanghai Zhonghua Assets Appraisal Co., Ltd. on 24 June 2026. The Valuation has been prepared using the discounted cash flow method and is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

DIRECTORS' RESPONSIBILITIES

The directors of the Company (the “**Directors**”) are responsible for the preparation of the discounted future cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted cash flows for the Valuation, applying an appropriate basis of preparation, and making estimates that are reasonable in the circumstances.

The Directors accept full responsibility for this profit forecast.

INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements set out in the Code of Ethics for Chinese Certified Public Accountants (the “**Code**”) and the Independence Standards for Chinese Certified Public Accountants applicable to audits of public interest entities. The Code is founded on fundamental principles of integrity, objectivity, independence, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the *Chinese Standards on Quality Management No. 5101 – Quality Management for Engagements*, which requires us to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS’ RESPONSIBILITIES

Our responsibility is to express an assurance conclusion on whether the calculations of the discounted future cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you as required by Rule 14.60A(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Chinese Certified Public Accountants Other Assurance Standards No. 3101 – Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether, so far as the calculations are concerned, the Directors have properly compiled the discounted future cash flows in accordance with the Assumptions. We performed procedures on the arithmetical calculations and the compilations of the discounted cash flows in accordance with the Assumptions. Our work does not constitute any valuation opinion on Shenzhen Hangsheng Electronics Co., Ltd..

As the Valuation relates to discounted future cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results, and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

CONCLUSION

In our opinion, so far as the calculations are concerned, the discounted future cash flows have been properly compiled, in all material respects, in accordance with the Assumptions as set out in the Valuation.

Grant Thornton Zhitong
Certified Public Accountants LLP

China • Beijing

Chinese Certified Public Accountants: Zhao Juanjuan
(Project Partner)

Chinese Certified Public Accountants: Zhou Yilan

29 June 2026

APPENDIX VII LETTER FROM THE BOARD

29 June 2026

The Listing Division

The Stock Exchange of Hong Kong Limited

12th Floor, Two Exchange Square

8 Connaught Place, Central, Hong Kong

Dear Sirs,

**MAJOR TRANSACTION IN RELATION TO ACQUISITION OF THE 37.16%
EQUITY INTERESTS IN SHENZHEN HANGSHENG ELECTRONICS CO., LTD.**

We refer to the valuation report (Hu Zhong Ping Bao Zi [2026] No. 0610) dated 24 June 2026 in relation to the valuation of the total equity interests in Shenzhen Hangsheng Electronics Co., Ltd. (“**Hangsheng Electronics**”) as at 31 December 2025 prepared by Shanghai Zhonghua Assets Appraisal Co., Ltd. (上海眾華資產評估有限公司) (“**Independent Valuer**”) (the “**Valuation**”).

Since the consideration in respect of the acquisition of all the shares in the share capital of Hangsheng Electronics took account of the valuation of the total equity interests attributable to the shareholders of Hangsheng Electronics as at the Valuation Reference Date adopting the income approach, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, Rule 14.60A of the Listing Rules is applicable.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from our reporting accountants, Grant Thornton Zhitong Certified Public Accountants LLP, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

Pursuant to the requirements of the Listing Rules, we are of the opinion that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully
By order of the Board
Fibocom Wireless Inc.
Zhang Tianyu
Chairman

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, save as disclosed in the table below, none of the Directors, Supervisors or the chief executive has any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations within the meaning of Part XV of the SFO which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(i) Interests in the Company

Name of Director, Supervisor or Chief Executive	Nature of Interest	Number and Class of Shares/Underlying Shares Held	Percentage of Total Issued Share Capital of the Company (%)	Long/Short Position
Mr. Zhang Tianyu	Beneficial owner	281,512,495 A Shares	31.33%	Long
	Interest in controlled corporation	2,627,960 A Shares	0.29%	
Mr. Ying Lingpeng	Beneficial owner	25,526,106 A Shares	2.84%	Long
	Interest in controlled corporation	19,281,816 A Shares	2.15%	
Mr. Xu Ning	Beneficial owner	96,001 A Shares	0.01%	Long

(ii) Interests in Associated Corporations

Name of Director, Supervisor or Chief Executive	Nature of Interest	Member Company of the Group	Approximate Shareholding Percentage	Long/Short Position
Mr. Ying Lingpeng	Beneficial owner	Shenzhen Favalon Technology Co., Ltd.	4.5%	Long
Mr. Ying Lingpeng	Beneficial owner	Shenzhen FAIOT Gongying Enterprise Management Partnership (Limited Partnership)	5.0%	Long

3. DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts or letters of appointment with each of the Directors. The principal terms of such service contracts and letters of appointment include (a) term of service; (b) termination in accordance with their respective terms; and (c) dispute resolution provisions. These service contracts and letters of appointment may be renewed from time to time in accordance with our Articles of Association and applicable laws, rules and regulations. Save as disclosed above, as at the Latest Practicable Date, none of the Directors has entered into, or has proposed to enter into, any service contract with any member of the Enlarged Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group since 31 December 2025, being the date to which the latest published audited financial statements of the Group were made up or subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Enlarged Group.

6. EXPERT AND CONSENT

The qualification of the expert who has given its opinion or advice contained in this circular is as follows:

Name	Qualification
Grant Thornton Zhitong Certified Public Accountants LLP	Certified public accountants
Shanghai Zhonghua Assets Appraisal Co., Ltd.	Independent and qualified valuation institution in the PRC

As at the Latest Practicable Date, all of the experts set out above:

- (i) did not have any beneficial shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group; and
- (ii) did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Company were made up.

All of the experts set out above had given and had not withdrawn their written consents to the issue of this circular with the inclusion of their reports, opinions or statements (as the case may be) as set out in this circular and references to their name in the form and context in which they are included.

7. INTERESTS IN ASSETS

As at the Latest Practicable Date, (i) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group; and (ii) none of the Directors or expert named in paragraph 6 of this Appendix had any direct or indirect interest in any assets which had been, since 31 December 2025 (being the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2025, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

10. MISCELLANEOUS

- (a) The Joint Company Secretaries of the Company are Mr. Chen Shijiang and Ms. Yung Mei Yee. Ms. Yung is a fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (b) The registered address of the Company is Room 1101, Tower A, Building 6, Shenzhen International Innovation Valley, Dashi 1st Road, Xili Community, Xili Subdistrict, Nanshan District, Shenzhen.
- (c) Computershare Hong Kong Investor Services Limited, the share registrar of the Company, is located at Shops 1712-1716, Floor 17, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong.

11. MATERIAL CONTRACTS

As at the date of this circular, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are, or may be, material:

- (a) the cornerstone investment agreement dated 11 October 2025 entered into among the Company, Hong Kong Qindao Gantong Co., Limited (香港勤道贛通有限公司), CITIC Securities (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited and SDICS International Securities (Hong Kong) Limited with respect to a subscription of Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of RMB500,000,000;

- (b) the cornerstone investment agreement dated 11 October 2025 entered into among the Company, Pacific Asset Management Co., Limited (太平洋資產管理有限責任公司), CITIC Securities (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited and SDICS International Securities (Hong Kong) Limited with respect to a subscription of Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of USD16,000,000;
- (c) the cornerstone investment agreement dated 11 October 2025 entered into among the Company, CPIC Investment Management (H.K.) Company Limited (中國太保投資管理(香港)有限公司), CITIC Securities (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited and SDICS International Securities (Hong Kong) Limited with respect to a subscription of Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of USD4,000,000;
- (d) the cornerstone investment agreement dated 11 October 2025 entered into among the Company, GF Fund Management Co., Ltd. (廣發基金管理有限公司), CITIC Securities (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited and SDICS International Securities (Hong Kong) Limited with respect to a subscription of Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of USD12,800,000;
- (e) the cornerstone investment agreement dated 11 October 2025 entered into among the Company, GF International Investment Management Limited (廣發國際資產管理有限公司), CITIC Securities (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited and SDICS International Securities (Hong Kong) Limited with respect to a subscription of Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of USD7,200,000;
- (f) the cornerstone investment agreement dated 11 October 2025 entered into among the Company, RUIHUA (INTERNATIONAL) INVESTMENT LIMITED, CITIC Securities (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited and SDICS International Securities (Hong Kong) Limited with respect to a subscription of Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of USD13,000,000;
- (g) the cornerstone investment agreement dated 11 October 2025 entered into among the Company, Genimous Investment (Hong Kong) Co., Limited (智度投資(香港)有限公司), CITIC Securities (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited and SDICS International Securities (Hong Kong) Limited with respect to a subscription of Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of USD10,000,000;

- (h) the cornerstone investment agreement dated 11 October 2025 entered into among the Company, Mr. Zhang Xiaolei (張曉雷), CITIC Securities (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited and SDICS International Securities (Hong Kong) Limited with respect to a subscription of Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of USD15,000,000;
- (i) the cornerstone investment agreement dated 11 October 2025 entered into among the Company, Guotai Junan Investments (Hong Kong) Limited, CITIC Securities (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited and SDICS International Securities (Hong Kong) Limited with respect to a subscription of Shares at the Offer Price in the aggregate amount of the Hong Kong dollar equivalent of RMB60,000,000;
- (j) the cornerstone investment agreement dated 11 October 2025 entered into among the Company, Dream'ee (Hong Kong) Open-ended Fund Company, CITIC Securities (Hong Kong) Limited, CLSA Limited, CMB International Capital Limited and SDICS International Securities (Hong Kong) Limited with respect to a subscription of Shares at the Offer Price in the aggregate amount of HKD40,000,000;
- (k) the underwriting agreement dated 12 October 2025 entered into among the Company, CITIC Securities (Hong Kong) Limited, CLSA Limited, SDICS International Securities (Hong Kong) Limited, CMB International Capital Limited, ABCI Securities Company Limited, China Sunrise Securities (International) Limited and Futu Securities International (Hong Kong) Limited with respect to the Hong Kong Public Offering;
- (l) the underwriting agreement dated 20 October 2025 entered into among the Company, CITIC Securities (Hong Kong) Limited, CLSA Limited, SDICS International Securities (Hong Kong) Limited, CMB International Capital Limited, ABCI Securities Company Limited, China Sunrise Securities (International) Limited and Futu Securities International (Hong Kong) Limited with respect to the International Offering;
- (m) certain share purchase agreements dated 29 June 2026 entered into between the Company and the respective Sellers (as well as the Third Parties, where applicable), relating to the sale by the respective Sellers and the acquisition by the Company of Target Equity Interests;
- (n) the performance undertaking and profit compensation agreement dated 29 June 2026 entered into between the Company and each Compensating Obligor (as amended by the supplemental performance undertaking and profit compensation agreement dated 23 September 2026);

- (o) the share pledge agreement in connection with the maximum debt limit dated 29 June 2026 entered into between the Company and each Pledgor (as amended by the supplemental share pledge agreement dated 23 September 2026);
- (p) the acting in concert agreement dated 29 June 2026 entered into between the Company and each Concert Party (as amended by the supplemental acting in concert agreement entered into between the Company, each Concert Party and Hangsheng Electronics, dated 23 September 2026); and
- (q) the equity transfer agreement dated 20 August 2026 entered into among the Company, Ningbo Guangyi Enterprise Management Partnership (Limited Partnership) (寧波廣翼企業管理合夥企業(有限合夥)) and Ningbo Guangxing Enterprise Management Partnership (Limited Partnership) (寧波廣行企業管理合夥企業(有限合夥)) (the employee shareholding platforms of Faiot Co., Ltd. (上海廣翼智聯科技有限公司), for which Fibocom Investment Development Inc. (深圳市廣和通投資發展有限公司), a wholly-owned subsidiary of the Company, serves as the executive partner), Faiot Co., Ltd., and Luxshare Precision Industry Co., Ltd. (立訊精密工業股份有限公司), pursuant to which the Company, Ningbo Guangyi Enterprise Management Partnership (Limited Partnership) and Ningbo Guangxing Enterprise Management Partnership (Limited Partnership) agreed to sell an aggregate of 100% equity interests in Faiot Co., Ltd. to Luxshare Precision Industry Co., Ltd. at a base transfer price of RMB120,000,000, with the final transfer price to be adjusted accordingly based on the net assets of Faiot Co., Ltd. as at the completion date as defined in such agreement.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.fibocom.com) and the Stock Exchange (www.hkexnews.hk) during the period of 14 days from the date of this circular:

- (i) the SPAs;
- (ii) the Performance Undertaking and Profit Compensation Agreement;
- (iii) the Share Pledge Agreement in connection with the maximum debt limit;
- (iv) the Acting in Concert Agreement;
- (v) the Supplemental Performance Undertaking and Profit Compensation Agreement;
- (vi) the Supplemental Share Pledge Agreement;
- (vii) the Supplemental Acting in Concert Agreement;

- (viii) the asset valuation report of Hangsheng Electronics Group;
- (ix) the accountants' report of Hangsheng Electronics Group, the content of which is set out in Appendix II;
- (x) the unaudited pro forma financial information of the Enlarged Group, the content of which is set out in Appendix IV;
- (xi) the letter from Grant Thornton Zhitong Certified Public Accountants dated 29 June 2026 in relation to the profit forecast of the Shenzhen Hangsheng Electronics Co., Ltd., the text of which is set out in Appendix VI;
- (xii) the letter from the Board dated 29 June 2026 in relation to the profit forecast of the Shenzhen Hangsheng Electronics Co., Ltd., the text of which is set out in Appendix VII;
and
- (xiii) the consent as referred to in the section headed "6. EXPERT AND CONSENT" of this Appendix.

**Fibocom Wireless Inc.
For the year 2023**

AUDITOR'S REPORT

Grant Thornton Zhitong Certified Public Accountants LLP

AUDITOR’S REPORT

Zhi Tong Shen Zi (2024) No. 441A004088

To all shareholders of Fibocom Wireless Inc.:**I. AUDIT OPINION**

We have audited the financial statements of Fibocom Wireless Inc. (hereinafter referred to as “the Company”), which comprise the consolidated and company balance sheets as at 31 December 2023, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders’ equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared, in all material respects, in accordance with China Accounting Standards for Business Enterprises, and present fairly the consolidated and company financial position of the Company as at 31 December 2023, and the consolidated and company results of operations and cash flows for the year then ended.

II. BASIS FOR AUDIT OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

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

(I) Revenue recognition

For the related disclosures, please refer to Note III.25 and Note V.42 to the financial statements.

1. Description of the matter

The Company's sales revenue for 2023 amounted to RMB7,715,829,000, representing an increase of 36.65% over the same period of the prior year, with overseas revenue accounting for more than 50%. In accordance with the sales contracts and the accounting policies, the Company recognises sales revenue when the customer obtains control of the relevant goods or services.

We focused on the occurrence and cut-off of revenue recognition. As revenue is one of the key performance indicators of the Company and the Company's revenue increased significantly, the inherent risk of misstatement is relatively high. Accordingly, we identified revenue recognition of the Company as a key audit matter.

2. Audit response

The principal procedures we performed in respect of this matter included:

- (1) obtaining an understanding of the design of the internal controls relating to revenue recognition, testing the key internal controls, and evaluating the effectiveness of the design and operation of the internal controls relating to revenue recognition;
- (2) inspecting significant sales contracts on a sample basis, identifying the contractual terms and conditions relating to the transfer of control, and assessing whether the accounting policy adopted by the Company for the recognition of revenue from product sales complies with China Accounting Standards for Business Enterprises;
- (3) obtaining the schedule of revenue details and analysing whether the movements in major customers were reasonable; performing annual and monthly fluctuation analyses of revenue and analyses of movements in gross profit margins by product type, in order to determine whether there were any abnormal fluctuations;
- (4) selecting samples and inspecting the supporting documents relating to revenue recognition, including sales contracts, invoices, delivery notes, logistics information and customer acknowledgements of receipt (export customs declarations), and evaluating whether the related revenue recognition complied with the Company's accounting policy for revenue recognition; in respect of overseas revenue, logging on to the platform of the State Administration of Foreign Exchange to verify the sales foreign exchange receipt data and to verify the authenticity of collections from overseas sales;
- (5) performing cut-off testing on revenue recorded before and after the balance sheet date and checking acknowledgements of receipt and other supporting documents, in order to evaluate whether revenue was recognised in the appropriate accounting period;

- (6) selecting samples and obtaining confirmations of transaction amounts and closing balances of accounts receivable;
- (7) inspecting collections from sales and subsequent collections, so as to further verify the authenticity of sales.

(II) Provision for bad debts of accounts receivable

For the related disclosures, please refer to Note III.11 and Note V.3 to the financial statements.

1. Description of the matter

As at 31 December 2023, the balance of the Company's accounts receivable amounted to RMB1,974,782,200 and the provision for bad debts amounted to RMB35,463,800, with a relatively high carrying amount.

The balance of the loss allowance for accounts receivable reflects management's best estimate of expected credit losses at the balance sheet date, made using the expected credit loss model under "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments". As management's determination of the expected credit losses of accounts receivable involves significant accounting estimates and judgements, we identified the provision for bad debts of accounts receivable as a key audit matter.

2. Audit response

The principal procedures we performed in respect of this matter included:

- (1) obtaining an understanding of the design of the internal controls relating to expected credit losses of accounts receivable, testing the key internal controls, and evaluating the effectiveness of the design and operation of the internal controls relating to expected credit losses of accounts receivable;
- (2) obtaining the ageing analysis of accounts receivable and inspecting customer revenue on a sampling basis, so as to assess the accuracy of the ageing analysis of accounts receivable;
- (3) analysing and evaluating the reasonableness of the accounting policies and estimates relating to expected credit losses, including the basis for determining the portfolios of accounts receivable, the judgements applied in making individually assessed provisions for bad debts, and the expected credit losses corresponding to the portfolios of accounts receivable;

- (4) analysing the amounts and circumstances of actual bad debts historically incurred in respect of similar accounts receivable and, taking into account factors such as customer credit standing and market conditions, evaluating the reasonableness of the key assumptions adopted by management in respect of the expected credit losses of accounts receivable;
- (5) inspecting subsequent collections of accounts receivable and evaluating the adequacy of the provision for bad debts of accounts receivable.

IV. OTHER INFORMATION

Management of the Company is responsible for the other information. The other information comprises the information included in the Company's 2023 annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation of the financial statements in accordance with China Accounting Standards for Business Enterprises to achieve fair presentation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL
STATEMENTS**

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

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the auditing standards to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on the information available up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Grant Thornton Zhitong Certified Public
Accountants LLP

Chinese Certified Public Accountant
(Engagement Partner)

Zhao Juanjuan

Beijing, China

Chinese Certified Public Accountant

Zhou Yilan

22 March 2024

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2023

Prepared by: Fibocom Wireless Inc.

Unit: RMB Yuan

Item	Note	Closing balance		Balance at the end of prior year	
		Consolidated	Company	Consolidated	Company
Current assets:					
Cash at bank and on hand	V.1	1,025,157,462.83	704,377,093.09	863,848,511.82	581,912,453.89
Notes receivable	V.2	86,513,733.16	104,182,434.79	62,003,009.10	51,330,371.45
Accounts receivable	V.3	1,939,318,405.36	1,113,075,079.75	2,193,079,369.25	1,409,453,987.04
Receivables financing	V.4	324,464,562.94	14,133,985.65	201,939,643.35	15,858,669.91
Prepayments	V.5	18,289,698.08	60,295,662.44	5,042,284.57	23,250.89
Other receivables	V.6	31,312,353.60	1,019,630,221.72	71,010,099.65	504,475,090.51
Inventories	V.7	1,285,628,531.94	672,210,625.84	1,096,605,202.25	651,049,921.39
Other current assets	V.8	774,968,271.59	488,493,565.62	496,447,025.11	366,241,750.62
Total current assets		5,485,653,019.50	4,176,398,668.90	4,989,975,145.10	3,580,345,495.70
Non-current assets:					
Long-term equity investments	V.9	60,476,831.28	976,381,458.46	63,132,110.82	893,579,549.20
Investments in other equity instruments	V.10	217,279,698.02	–	112,135,441.00	–
Fixed assets	V.11	151,563,058.85	48,857,533.14	184,151,627.45	66,496,820.41
Construction in progress	V.12	66,689,229.85	66,689,229.85	53,811,423.13	51,984,168.47
Right-of-use assets	V.13	37,136,045.55	8,659,969.80	41,074,564.09	13,800,353.84
Intangible assets	V.14	421,652,052.76	208,925,603.42	418,623,383.63	183,201,486.85
Development expenditure	V.15	12,685,718.24	7,001,345.45	23,984,663.98	14,592,791.94
Goodwill	V.16	311,218,904.57	–	311,218,904.57	–
Long-term deferred expenses	V.17	98,025,951.87	82,977,594.69	96,420,225.56	86,157,621.74
Deferred tax assets	V.18	119,727,727.74	23,341,493.77	95,100,936.11	19,853,290.00
Other non-current assets	V.19	113,177,861.93	110,438,709.56	8,101,561.80	8,101,561.80
Total non-current assets		1,609,633,080.66	1,533,272,938.14	1,407,754,842.14	1,337,767,644.25
Total assets		7,095,286,100.16	5,709,671,607.04	6,397,729,987.24	4,918,113,139.95

APPENDIX IX**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023**

Item	Note	Closing balance		Balance at the end of prior year	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term borrowings	V.21	274,055,371.87	254,055,371.87	688,581,953.54	648,565,646.69
Notes payable	V.22	211,750,434.91	192,423,958.41	169,853,528.82	173,039,405.92
Accounts payable	V.23	1,726,224,805.85	1,229,288,462.27	1,707,826,065.35	1,335,290,397.23
Contract liabilities	V.24	49,375,734.00	51,618,921.14	67,056,695.32	42,817,771.76
Employee benefits payable	V.25	185,806,853.74	52,597,827.87	144,329,851.58	41,115,972.36
Taxes payable	V.26	179,089,590.89	18,845,041.08	104,587,353.81	1,557,451.36
Other payables	V.27	112,600,360.71	702,002,287.18	170,208,229.91	238,847,102.13
Non-current liabilities due					
within one year	V.28	536,019,957.55	410,900,578.61	131,957,948.51	5,561,138.39
Other current liabilities	V.29	40,088,545.00	18,715,597.53	16,274,531.12	20,750,488.67
Total current liabilities		3,315,011,654.52	2,930,448,045.96	3,200,676,157.96	2,507,545,374.51
Non-current liabilities:					
Long-term borrowings	V.30	394,472,166.51	99,980,000.00	599,920,762.68	200,000,000.00
Lease liabilities	V.31	22,921,615.81	4,097,006.71	27,290,399.67	9,698,569.18
Long-term payables	V.32	–	–	3,603,405.21	–
Long-term employee benefits					
payable	V.33	7,885,826.73	–	7,040,576.84	–
Provisions	V.34	173,820,290.47	–	102,440,700.87	–
Deferred income	V.35	13,288,034.01	13,288,034.01	952,716.42	952,716.42
Deferred tax liabilities	V.18	39,277,654.97	–	27,556,876.62	–
Total non-current liabilities		651,665,588.50	117,365,040.72	768,805,438.31	210,651,285.60
Total liabilities		3,966,677,243.02	3,047,813,086.68	3,969,481,596.27	2,718,196,660.11

APPENDIX IX**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023**

Item	Note	Closing balance		Balance at the end of prior year	
		Consolidated	Company	Consolidated	Company
Share capital	V.36	765,805,784.00	765,805,784.00	631,721,135.00	631,721,135.00
Capital reserve	V.37	689,185,700.23	667,876,489.24	629,408,102.28	624,469,296.85
Less: Treasury shares	V.38	95,892,767.14	95,892,767.14	42,039,041.81	42,039,041.81
Other comprehensive income	V.39	98,697,588.44	6,688,874.04	34,287,732.90	6,688,874.04
Surplus reserve	V.40	166,663,984.43	166,663,984.43	126,519,514.39	126,519,514.39
Retained earnings	V.41	1,508,620,652.64	1,150,716,155.79	1,048,350,948.21	852,556,701.37
Total equity attributable to shareholders of the parent company		3,133,080,942.60	2,661,858,520.36	2,428,248,390.97	2,199,916,479.84
Non-controlling interests		-4,472,085.46		—	
Total shareholders' equity		3,128,608,857.14	2,661,858,520.36	2,428,248,390.97	2,199,916,479.84
Total liabilities and shareholders' equity		7,095,286,100.16	5,709,671,607.04	6,397,729,987.24	4,918,113,139.95

Legal Representative:
Zhang Tianyu

**Officer in Charge of
Accounting:**
Wang Hongyan

**Head of the Accounting
Department:**
Wang Junfei

APPENDIX IX**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023****CONSOLIDATED AND COMPANY INCOME STATEMENT**

For the year ended 31 December 2023

Prepared by: Fibocom Wireless Inc.

Unit: RMB Yuan

Item	Note	Current period		Prior period	
		Consolidated	Company	Consolidated	Company
I. Revenue	V.42	7,715,828,997.07	4,535,444,158.67	5,646,415,531.98	4,384,808,045.38
Less: Operating costs	V.42	5,930,406,432.49	4,003,994,678.17	4,507,296,214.89	4,012,558,646.96
Taxes and surcharges	V.43	18,415,965.38	9,474,602.13	13,048,586.96	7,681,173.09
Selling expenses	V.44	270,631,008.28	66,646,331.63	169,280,993.15	51,951,387.23
General and administrative expenses	V.45	171,841,433.40	74,272,828.38	92,388,290.42	63,972,084.66
Research and development expenses	V.46	707,523,173.03	203,202,507.42	565,319,478.88	171,201,130.89
Finance costs	V.47	30,295,402.69	-17,792,165.13	49,244,426.05	32,842,589.52
Including: Interest expenses		42,391,628.71	24,836,955.50	26,623,398.96	19,760,483.47
Interest income		20,201,303.06	36,620,566.07	6,169,707.91	5,666,999.18
Add: Other income	V.48	60,976,832.64	13,373,590.84	69,358,427.85	23,179,105.94
Investment income (losses to be presented with “-”)	V.49	5,693,219.29	202,650,231.38	47,406,706.54	228,311,754.87
Including: Share of profit of associates and joint ventures		2,016,777.10	-65,597.36	23,213,350.16	26,830,289.36
Credit impairment losses (losses to be presented with “-”)	V.50	8,331,910.76	-862,833.35	-1,474,008.50	-467,915.08
Asset impairment losses (losses to be presented with “-”)	V.51	-37,718,587.92	-4,008,209.00	-8,738,212.78	-6,680,882.05
Gains on disposal of assets (losses to be presented with “-”)	V.52	102,640.86	—	-6,805.15	—
II. Operating profit (losses to be presented with “-”)		624,101,597.43	406,798,155.94	356,383,649.59	288,943,096.71
Add: Non-operating income	V.53	10,070.00	5,000.00	8,993.38	8,993.38
Less: Non-operating expenses	V.54	1,017,786.62	682,273.36	1,196,360.40	1,053,399.22
III. Total profit (total losses to be presented with “-”)		623,093,880.81	406,120,882.58	355,196,282.57	287,898,690.87
Less: Income tax expense	V.55	58,105,317.61	4,676,182.22	-9,636,999.21	-17,086,095.26

APPENDIX IX
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023**

Item	Note	Current period		Prior period	
		Consolidated	Company	Consolidated	Company
IV. Net profit (net losses to be presented with “-”)		564,988,563.20	401,444,700.36	364,833,281.78	304,984,786.13
(I) Classified by continuity of operations:					
Including: Net profit from continuing operations (net losses to be presented with “-”)		564,988,563.20	401,444,700.36	364,833,281.78	304,984,786.13
Net profit from discontinued operations (net losses to be presented with “-”)					
(II) Classified by ownership:					
Including: Net profit attributable to shareholders of the parent company (net losses to be presented with “-”)		563,554,950.37	401,444,700.36	364,833,281.78	304,984,786.13
Profit or loss attributable to non-controlling interests (net losses to be presented with “-”)		1,433,612.83		–	
V. Other comprehensive income, net of tax		64,409,855.54	–	12,568,901.30	15,256,957.09
Other comprehensive income attributable to shareholders of the parent company, net of tax		64,409,855.54	–	12,568,901.30	15,256,957.09
(I) Other comprehensive income that will not be reclassified to profit or loss		53,732,095.45	–	-928,424.90	–
1. Changes arising from remeasurement of defined benefit plans		1,873,902.69	–	-2,977,423.96	–
2. Changes in fair value of investments in other equity instruments		51,858,192.76	–	2,048,999.06	–

APPENDIX IX
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023**

Item	Note	Current period		Prior period	
		Consolidated	Company	Consolidated	Company
(II) Other comprehensive income that will be reclassified to profit or loss		10,677,760.09	–	13,497,326.20	15,256,957.09
1. Share of other comprehensive income of investees accounted for using the equity method that will be reclassified to profit or loss		–	–	8,568,083.05	15,256,957.09
2. Exchange differences on translation of foreign currency financial statements		10,677,760.09	–	4,929,243.15	–
Other comprehensive income attributable to non-controlling interests, net of tax		–		–	
VI. Total comprehensive income		629,398,418.74	401,444,700.36	377,402,183.08	320,241,743.22
Total comprehensive income attributable to shareholders of the parent company		627,964,805.91	401,444,700.36	377,402,183.08	
Total comprehensive income attributable to non-controlling interests		1,433,612.83		–	
VII. Earnings per share					
(I) Basic earnings per share		0.74		0.49	
(II) Diluted earnings per share		0.74		0.49	

Legal Representative:
Zhang Tianyu

**Officer in Charge of
Accounting:**
Wang Hongyan

**Head of the Accounting
Department:**
Wang Junfei

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2023

Prepared by: Fibocom Wireless Inc.

Unit: RMB Yuan

Item	Note	Current period		Prior period	
		Consolidated	Company	Consolidated	Company
I. Cash flows from operating activities:					
Cash received from sales of goods and rendering of services		7,827,407,195.41	4,868,459,008.95	5,093,356,308.33	4,428,375,836.87
Refunds of taxes and surcharges received		436,298,355.72	382,114,675.81	480,145,907.66	433,769,307.60
Other cash received relating to operating activities	V.56	64,367,192.39	438,074,031.93	47,682,863.33	165,243,193.39
Sub-total of cash inflows from operating activities		8,328,072,743.52	5,688,647,716.69	5,621,185,079.32	5,027,388,337.86
Cash paid for goods purchased and services received		6,470,828,510.36	4,254,557,913.33	4,353,834,499.88	4,264,705,769.00
Cash paid to and on behalf of employees		821,951,084.58	197,739,793.83	612,373,038.44	190,362,297.83
Payments of taxes and surcharges		183,029,096.92	50,667,115.05	191,435,282.76	114,832,474.99
Other cash paid relating to operating activities	V.56	198,279,845.42	174,749,190.83	163,993,377.52	237,099,949.04
Sub-total of cash outflows from operating activities		7,674,088,537.28	4,677,714,013.04	5,321,636,198.60	4,807,000,490.86
Net cash flows from operating activities		653,984,206.24	1,010,933,703.65	299,548,880.72	220,387,847.00
II. Cash flows from investing activities:					
Cash received from disposal of investments		440,742,700.00	400,000,000.00	483,000,000.00	483,000,000.00
Cash received from investment income		1,875,567.32	1,542,897.23	1,442,276.71	72,193,150.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		—	—	8,224.10	8,224.10

APPENDIX IX**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023**

Item	Note	Current period		Prior period	
		Consolidated	Company	Consolidated	Company
Net cash received from disposal of subsidiaries and other business units		–	–	–	–
Other cash received relating to investing activities	V.56	4,177,600.00	4,177,600.00	58,216,520.84	–
Sub-total of cash inflows from investing activities		446,795,867.32	405,720,497.23	542,667,021.65	555,201,374.10
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		155,567,505.30	103,541,275.36	172,554,124.43	127,528,051.12
Cash paid for investments		574,407,677.53	569,632,657.53	549,000,000.00	670,438,621.83
Net cash paid for acquisition of subsidiaries and other business units		–	–	–	–
Other cash paid relating to investing activities		–	557,168,384.45	–	–
Sub-total of cash outflows from investing activities		729,975,182.83	1,230,342,317.34	721,554,124.43	797,966,672.95
Net cash flows from investing activities		-283,179,315.51	-824,621,820.11	-178,887,102.78	-242,765,298.85
III. Cash flows from financing activities:					
Cash received from capital contributions		198,581,583.11	188,581,583.11	32,260,898.36	32,260,898.36
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries		10,000,000.00		–	
Cash received from borrowings		980,213,491.03	960,213,491.03	1,508,175,890.43	1,469,449,657.10
Other cash received relating to financing activities	V.56	35,578,807.63	33,251,689.13	4,537,066.31	
Sub-total of cash inflows from financing activities		1,214,373,881.77	1,182,046,763.27	1,544,973,855.10	1,501,710,555.46
Cash repayments of borrowings		1,200,983,308.08	1,049,444,320.00	1,183,087,529.55	1,183,087,529.55
Cash paid for distribution of dividends, profits or interest		106,685,373.56	87,464,592.90	109,284,206.58	101,886,054.15

APPENDIX IX**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023**

Item	Note	Current period		Prior period	
		Consolidated	Company	Consolidated	Company
Including: Dividends and profits paid to non-controlling shareholders by subsidiaries		–		–	
Other cash paid relating to financing activities	V.56	115,406,813.96	75,038,172.89	15,911,345.78	7,253,731.33
Sub-total of cash outflows from financing activities		1,423,075,495.60	1,211,947,085.79	1,308,283,081.91	1,292,227,315.03
Net cash flows from financing activities		-208,701,613.83	-29,900,322.52	236,690,773.19	209,483,240.43
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-400,405.35	-738,728.60	25,071,689.75	20,956,968.85
V. Net increase in cash and cash equivalents		161,702,871.55	155,672,832.42	382,424,240.88	208,062,757.43
Add: Cash and cash equivalents at the beginning of the year		816,559,554.39	534,627,707.54	434,135,313.51	326,564,950.11
VI. Cash and cash equivalents at the end of the year		978,262,425.94	690,300,539.96	816,559,554.39	534,627,707.54

Legal Representative:
Zhang Tianyu

Officer in Charge of Accounting:
Wang Hongyan

Head of the Accounting Department:
Wang Junfei

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2023

Prepared by: Fibocom Wireless Inc.

Unit: RMB Yuan

Item	Current period							Total shareholders' equity
	Equity attributable to shareholders of the parent company							
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Non-controlling interests
I. Balance at the end of prior year	631,721,135.00	629,408,102.28	42,039,041.81	34,287,732.90	-	126,519,514.39	1,048,350,948.21	-
II. Balance at the beginning of the year	631,721,135.00	629,408,102.28	42,039,041.81	34,287,732.90	-	126,519,514.39	1,048,350,948.21	-
III. Changes for the year (decreases to be presented with "-")								
(I) Total comprehensive income	134,084,649.00	59,777,597.95	53,853,725.33	64,409,855.54	-	40,144,470.04	460,269,704.43	-4,472,085.46
(II) Capital contributed and reduced by shareholders	-	-	-	64,409,855.54	-	-	563,554,950.37	1,433,612.83
1. Ordinary shares contributed by shareholders	7,803,098.00	186,059,148.95	53,853,725.33	-	-	-	-	-5,905,698.29
2. Amounts of share-based payments recognised in shareholders' equity	7,884,972.00	157,751,003.11	-	-	-	-	-	10,000,000.00
3. Others	2,061,600.00	29,250,087.76	22,945,608.00	-	-	-	-	-
(III) Profit distribution	-2,143,474.00	-941,941.92	30,908,117.33	-	-	-	-	-15,905,698.29
1. Appropriation to surplus reserve	-	-	-	-	-	40,144,470.04	-103,285,245.94	-
2. Distribution to shareholders	-	-	-	-	-	40,144,470.04	-40,144,470.04	-
(IV) Internal transfers within shareholders' equity	-	-	-	-	-	-	-63,140,775.90	-
1. Transfer of capital reserve to share capital	126,281,551.00	-126,281,551.00	-	-	-	-	-	-
IV. Balance at the end of the year	126,281,551.00	-126,281,551.00	-	98,697,588.44	-	-	1,508,620,652.64	-
	765,805,784.00	689,185,700.23	95,892,767.14	166,663,984.43	-	166,663,984.43	3,128,608,857.14	-4,472,085.46

Legal Representative:
Zhang TianyuOfficer in Charge of Accounting:
Wang HongyanHead of the Accounting Department:
Wang Junfei

APPENDIX IX

AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023

Item	Equity attributable to shareholders of the parent company							Prior period		
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Non-controlling interests	Total shareholders' equity	
I. Balance at the end of prior year	414,188,321.00	656,429,980.88	31,915,913.35	21,718,831.60	-	96,002,226.50	796,664,466.71	-	1,953,087,913.34	
Add: Changes in accounting policies	-	-	-	-	-	18,809.28	169,283.53	-	188,092.81	
II. Balance at the beginning of the year	414,188,321.00	656,429,980.88	31,915,913.35	21,718,831.60	-	96,021,035.78	796,833,750.24	-	1,953,276,006.15	
III. Changes for the year (decreases to be presented with "-")										
(I) Total comprehensive income	217,532,814.00	-27,021,878.60	10,123,128.46	12,568,901.30	-	30,498,478.61	251,517,197.97	-	474,972,384.82	
(II) Capital contributed and reduced by shareholders	10,488,801.00	180,022,134.40	10,123,128.46	-	-	-	364,833,281.78	-	377,402,183.08	
1. Ordinary shares contributed by shareholders	10,726,249.00	180,335,931.11	-	-	-	-	-	-	191,062,180.11	
2. Amounts of share-based payments recognised in shareholders' equity	-	2,258,154.77	-	-	-	-	-	-	2,258,154.77	
3. Others	-237,448.00	-2,571,951.48	10,123,128.46	-	-	-	-	-	-12,932,527.94	
(III) Profit distribution	-	-	-	-	-	30,498,478.61	-113,316,083.81	-	-82,817,605.20	
1. Appropriation to surplus reserve	-	-	-	-	-	30,498,478.61	-30,498,478.61	-	-	
2. Distribution to shareholders	-	-	-	-	-	-	-82,817,605.20	-	-82,817,605.20	
(IV) Internal transfers within shareholders' equity	207,044,013.00	-207,044,013.00	-	-	-	-	-	-	-	
1. Transfer of capital reserve to share capital	207,044,013.00	-207,044,013.00	-	-	-	-	-	-	-	
IV. Balance at the end of the year	631,721,135.00	629,408,102.28	42,039,041.81	34,287,732.90	-	126,519,514.39	1,048,350,948.21	-	2,428,248,390.97	

Legal Representative:
Zhang Tianyu

Officer in Charge of Accounting:
Wang Hongyan

Head of the Accounting Department:
Wang Junfei

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2023

Prepared by: Fibocom Wireless Inc.

Unit: RMB Yuan

Item	Share capital	Capital reserve	Less: Treasury shares	Current period			Total shareholders' equity
				Other comprehensive income	Special reserve	Surplus reserve	
I. Balance at the end of prior year	631,721,135.00	624,469,296.85	42,039,041.81	6,688,874.04	-	126,519,514.39	2,199,916,479.84
II. Balance at the beginning of the year	631,721,135.00	624,469,296.85	42,039,041.81	6,688,874.04	-	126,519,514.39	2,199,916,479.84
III. Changes for the year (decreases to be presented with "+")	134,084,049.00	43,407,192.39	53,853,725.33	-	-	40,144,470.04	461,942,040.52
(I) Total comprehensive income	-	-	-	-	-	-	401,444,700.36
(II) Capital contributed and reduced by shareholders	7,803,098.00	169,688,743.39	53,853,725.33	-	-	-	123,638,116.06
1. Ordinary shares contributed by shareholders	7,884,972.00	157,751,003.11	-	-	-	-	165,635,975.11
2. Amounts of share-based payments recognised in shareholders' equity	2,061,600.00	29,250,087.76	22,945,608.00	-	-	-	8,366,079.76
3. Others	-2,143,474.00	-17,312,347.48	30,908,117.33	-	-	-	-50,363,938.81
(III) Profit distribution	-	-	-	-	-	40,144,470.04	-63,140,775.90
1. Appropriation to surplus reserve	-	-	-	-	-	40,144,470.04	-
2. Distribution to shareholders	-	-	-	-	-	-	-63,140,775.90
(IV) Internal transfers within shareholders' equity	126,281,551.00	-126,281,551.00	-	-	-	-	-
1. Transfer of capital reserve to share capital	126,281,551.00	-126,281,551.00	-	-	-	-	-
IV. Balance at the end of the year	765,805,784.00	667,876,489.24	95,892,767.14	6,688,874.04	-	166,663,984.43	2,661,858,520.36

Legal Representative:
Zhang TianyuOfficer in Charge of Accounting:
Wang HongyanHead of the Accounting Department:
Wang Junfei

APPENDIX IX

AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023

Item	Prior period					Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	Retained earnings
I. Balance at the end of prior year	414,188,321.00	650,225,341.70	31,915,913.35	-8,568,083.05	96,002,226.50	660,718,715.52
Add: Changes in accounting policies	-	-	-	-	18,809.28	169,283.53
II. Balance at the beginning of the year	414,188,321.00	650,225,341.70	31,915,913.35	-8,568,083.05	96,021,035.78	660,887,999.05
III. Changes for the year (decreases to be presented with "-")						
(I) Total comprehensive income	217,532,814.00	-25,756,044.85	10,123,128.46	15,256,957.09	30,498,478.61	191,668,702.32
(II) Capital contributed and reduced by shareholders	10,488,801.00	181,287,968.15	10,123,128.46	15,256,957.09	-	304,984,786.13
1. Ordinary shares contributed by shareholders	10,726,249.00	180,335,931.11	-	-	-	181,653,640.69
2. Amounts of share-based payments recognised in shareholders' equity	-	3,392,916.92	-	-	-	191,062,180.11
3. Others	-237,448.00	-2,440,879.88	10,123,128.46	-	-	3,392,916.92
(III) Profit distribution	-	-	-	-	-	-12,801,456.34
1. Appropriation to surplus reserve	-	-	-	-	-	-82,817,605.20
2. Distribution to shareholders	-	-	-	-	-	-
(IV) Internal transfers within shareholders' equity	207,044,013.00	-207,044,013.00	-	-	-	-
1. Transfer of capital reserve to share capital	207,044,013.00	-207,044,013.00	-	-	-	-
IV. Balance at the end of the year	631,721,135.00	624,469,296.85	42,039,041.81	6,688,874.04	126,519,514.39	852,556,701.37
Legal Representative: Zhang Tianyu	Officer in Charge of Accounting: Wang Hongyan					Head of the Accounting Department: Wang Junfei

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

(Unless otherwise stated, all amounts are expressed in RMB Yuan)

I. GENERAL INFORMATION OF THE COMPANY**1. Overview of the Company**

Fibocom Wireless Inc. (hereinafter referred to as the Company) was formerly known as Fibocom Industry Development Co., Ltd., which was established on 11 November 1999 upon approval and registration by the Shenzhen Administration for Market Regulation, with unified social credit code 9144030071524640XY; it was reorganised into a joint stock limited company in December 2014. In March 2017, upon approval by the China Securities Regulatory Commission in the “Reply on Approving the Initial Public Offering of Shares by Fibocom Wireless Inc”. (Zheng Jian Xu Ke [2017] No. 366), the Company issued 20,000,000 ordinary shares (A shares) to the public at an issue price of RMB10.45 per share, and was listed on the ChiNext Board of the Shenzhen Stock Exchange. Following several share incentive schemes, transfers of capital reserve to share capital and additional share issuances, as at 31 December 2023 the total share capital of the Company had increased to 765,805,784 shares. The Company’s headquarters is located at Room 1101, Block A, Building 6, Shenzhen International Innovation Valley, Dashi 1st Road, Nanshan District, Shenzhen.

The Company has established a corporate governance structure comprising the general meeting of shareholders, the board of directors and the supervisory board, and has set up departments including sales, procurement, research and development, and finance.

Nature of business and principal operating activities of the Company and its subsidiaries (hereinafter referred to as “the Group”): the Group is principally engaged in the design, research and development and sales services of wireless communication modules and communication solutions for their application industries. Its principal products include wireless communication modules based on 2G, 3G, 4G, 5G and NB-IoT technologies as well as communication solutions based on the industry applications thereof. Its principal product, wireless communication modules, is currently mainly applied in the fields of mobile payment, smart grid, internet of vehicles, security surveillance and mobile internet, enabling terminal equipment to access wireless communication networks so as to complete the transmission and interaction of data.

These financial statements and the notes thereto were approved by the forty-third meeting of the third session of the Board of Directors of the Company on 22 March 2024.

2. Scope of the consolidated financial statements

The subsidiaries included in the scope of consolidation of these financial statements are as follows:

No.	Full name	Abbreviation
1	Shenzhen Fibocom Wireless Communication Software Co., Ltd.	Fibocom Software
2	Fibocom Wireless (H.K.) Limited	Hong Kong Fibocom
3	Fibocom Wireless Taiwan Co., Ltd.	Taiwan Fibocom
4	Fibocom Wireless USA Inc.	U.S. Fibocom
5	THINGSMATRIX INC.	THINGSMATRIX
6	Zhejiang Nodecom Technology Co., Ltd.	Zhejiang Nodecom
7	Xi'an Fibocom Wireless Software Co., Ltd.	Xi'an Software
8	Shenzhen Fibocom Investment Development Co., Ltd.	Fibocom Investment
9	FIA Inc.	FIA
10	Shenzhen Favalon Technology Co., Ltd.	Favalon Technology
11	Fibocom Wireless EU GmbH	EU Fibocom
12	Xi'an Fibocom Wireless Communication Co., Ltd.	Xi'an Communications
13	Shenzhen Guangtong Yilian Technology Co., Ltd.	Guangtong Yilian
14	FAIOT Co., Ltd.	Shanghai Faiot
15	Shanghai Faiot Software Co., Ltd.	Shanghai Faiot Software
16	Shanghai Favalon Technology Co., Ltd.	Shanghai Favalon
17	Shenzhen Yaboda Technology Co., Ltd.	Yaboda
18	Shenzhen Fibocom Technology Co., Ltd.	Fibocom Technology
19	Shenzhen Favalon Software Co., Ltd.	Favalon Software
20	Rolling Wireless Technology Co. Ltd	Rolling Wireless
21	ROLLING WIRELESS (H.K.) LIMITED	Rolling Wireless (H.K.) Limited
22	Rolling Wireless S.à r.l.	Rolling Wireless S.à r.l.
23	ROLLING WIRELESS FRANCE	Rolling Wireless France
24	Rolling Wireless German GmbH	Rolling Wireless German GmbH
25	ROLLING WIRELESS TECHNOLOGY (H.K.) LIMITED	Rolling Wireless Technology (H.K.) Limited
26	Rolling Wireless Communication Technology (Shenzhen) Ltd	Rolling Wireless Communication Technology (Shenzhen)

No.	Full name	Abbreviation
27	Rolling Wireless J.P. Limited	Rolling Wireless J.P. Limited
28	Rolling Wireless (K.R.) Limited	Rolling Wireless (K.R.) Limited
29	Rolling Wireless Hungary	Rolling Wireless Hungary
30	Shenzhen Chiyao Enterprise Management Consulting Partnership (Limited Partnership)	Shenzhen Chiyao
31	Shenzhen Chishang Enterprise Management Consulting Partnership (Limited Partnership)	Shenzhen Chishang
32	Shenzhen Chisheng Enterprise Management Consulting Partnership (Limited Partnership)	Shenzhen Chisheng
33	Shenzhen Chiqing Enterprise Management Consulting Partnership (Limited Partnership)	Shenzhen Chiqing
34	Shenzhen Guangtong Chuangyuan Enterprise Management Center (Limited Partnership)	Guangtong Chuangyuan
35	Shenzhen Chijun Enterprise Management Consulting Partnership (Limited Partnership)	Shenzhen Chijun
36	Ningbo Guangxing Enterprise Management Partnership (Limited Partnership)	Ningbo Guangxing
37	Ningbo FAIOT Enterprise Management Partnership (Limited Partnership)	Ningbo FAIOT
38	Ningbo Guangyi Enterprise Management Partnership (Limited Partnership)	Ningbo Guangyi
39	Shenzhen FAIOT Gongying Enterprise Management Partnership (Limited Partnership)	FAIOT Gongying

For details of the scope of consolidation of the financial statements for the year and changes therein, please refer to Note VII.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and their application guidance, interpretations and other relevant provisions issued by the Ministry of Finance (collectively referred to as the “China Accounting Standards for Business Enterprises”). In addition, the Company discloses relevant financial information in accordance with the “Rules for the Compilation and Disclosure of Information by Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (revised in 2023)” issued by the China Securities Regulatory Commission.

These financial statements have been presented on a going concern basis.

The Company's accounting is based on the accrual basis. Except for certain financial instruments, these financial statements have been prepared on the historical cost basis of measurement. Where an asset is impaired, a corresponding provision for impairment is made in accordance with the relevant requirements.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company determines its policies for depreciation of fixed assets, amortisation of intangible assets, capitalisation criteria for research and development expenditure and revenue recognition in the light of its own characteristics of production and operation. For the specific accounting policies, please refer to Note III.15, Note III.18, Note III.19 and Note III.25.

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

These financial statements comply with the requirements of the Accounting Standards for Business Enterprises, and present truly and completely the consolidated and Company financial position of the Company as at 31 December 2023, and the consolidated and Company results of operations and the consolidated and Company cash flows for 2023.

2. Accounting period

The accounting period of the Company is the calendar year, i.e. from 1 January to 31 December each year.

3. Operating cycle

The operating cycle of the Company is 12 months.

4. Functional currency

The Company and its domestic subsidiaries adopt Renminbi (RMB) as their functional currency. The subsidiaries of the Company determine their functional currencies on the basis of the primary economic environment in which they operate, and their financial statements are translated into RMB when the financial statements are prepared. The currency adopted by the Company in preparing these financial statements is RMB.

5. Method for determining the materiality criteria and the basis of selection

Item	Materiality criterion
Material receivables and payables for which bad debt provision is made on an individual basis	The amount of a receivable or payable for which bad debt provision is made on an individual basis accounts for $\geq 0.5\%$ of the Company's consolidated net assets
Material construction in progress	The amount of an individual construction in progress project accounts for $\geq 1\%$ of the Company's consolidated net assets
Material investing activity items	The amount of an individual investing activity accounts for $\geq 1\%$ of the Company's consolidated net assets
Material research and development projects	The closing balance of an individual project accounts for $\geq 1\%$ of the Company's consolidated net assets
Material joint ventures or associates	The investment income recognised in respect of an individual entity accounts for $\geq 10\%$ of the Company's consolidated profit before tax

6. Accounting treatment of business combinations involving entities under common control and business combinations not involving entities under common control**(1) Business combinations involving entities under common control**

For a business combination involving entities under common control, the assets and liabilities of the combined party acquired by the combining party in the combination are measured at their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the consideration for the combination and the carrying amount of the net assets acquired in the combination is adjusted against capital reserve; where the capital reserve is insufficient to absorb the difference, the excess is adjusted against retained earnings.

Business combinations involving entities under common control achieved in stages through multiple transactions

The assets and liabilities of the combined party acquired by the combining party in the combination are measured at their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date; the difference between the sum of the carrying amount of the investment held before the combination and the carrying amount of the consideration newly paid at the combination date and the carrying amount of the net assets acquired in the combination is adjusted against capital reserve, and where the capital reserve is insufficient to absorb the difference, the excess is adjusted against retained earnings. For the long-term equity investment held by the combining party before it obtained control over the combined party, the related profit or loss, other comprehensive income and other changes in owners' equity that have been recognised during the period from the later of the date on which the original equity interest was acquired and the date on which the combining party and the combined party came under the common ultimate control of the same party to the combination date are respectively offset against the opening retained earnings of the comparative reporting period or profit or loss for the current period.

(2) Business combinations not involving entities under common control

For a business combination not involving entities under common control, the cost of combination is the fair value, at the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for control of the acquiree. At the acquisition date, the assets, liabilities and contingent liabilities of the acquiree acquired are recognised at fair value.

The excess of the cost of combination over the acquirer's share of the fair value of the identifiable net assets of the acquiree acquired in the combination is recognised as goodwill, which is subsequently measured at cost less accumulated impairment provisions; the excess of the acquirer's share of the fair value of the identifiable net assets of the acquiree acquired in the combination over the cost of combination is recognised in profit or loss for the current period after reassessment.

Business combinations not involving entities under common control achieved in stages through multiple transactions

The cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the equity interest in the acquiree held immediately before the acquisition date. The equity interest in the acquiree held immediately before the acquisition date is remeasured at its fair value at the acquisition date, and the difference between the fair value and its carrying amount is recognised in investment income for the current period; other comprehensive income and changes in other owners' equity relating to the equity interest in the acquiree held before the acquisition date are transferred to profit or loss for the period in which the acquisition date falls, except for other comprehensive income arising from changes in the net liabilities or net assets of a defined benefit plan remeasured by the investee and other comprehensive income relating to investments in non-trading equity instruments previously designated as at fair value through other comprehensive income.

(3) Treatment of transaction costs relating to business combinations

Intermediary fees, such as fees for auditing, legal services and valuation and advisory services, and other related administrative expenses incurred for a business combination are recognised in profit or loss for the current period when incurred. Transaction costs of the equity securities or debt securities issued as consideration for the combination are included in the initially recognised amount of the equity securities or debt securities.

7. Criteria for determining control and method of preparing the consolidated financial statements

(1) Criteria for determining control

The scope of consolidation of the consolidated financial statements is determined on the basis of control. Control means that the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement in the relevant activities of the investee, and has the ability to affect the amount of those returns through its power over the investee. Where changes in the relevant facts and circumstances give rise to changes in the relevant elements involved in the definition of control, the Company will perform a reassessment.

In determining whether a structured entity should be included in the scope of consolidation, the Company assesses whether it controls the structured entity on the basis of all relevant facts and circumstances, including assessing the purpose and design of the structured entity, identifying the types of variable returns, and determining whether it bears part or all of the variability of returns through its involvement in the relevant activities of the structured entity.

(2) Method of preparing the consolidated financial statements

The consolidated financial statements are prepared by the Company on the basis of the financial statements of the Company and its subsidiaries and other relevant information. In preparing the consolidated financial statements, the accounting policies and accounting periods of the Company and its subsidiaries are required to be consistent, and significant transactions and balances between the companies within the Group are eliminated.

For a subsidiary or business acquired through a business combination involving entities under common control during the reporting period, it is deemed to have been included in the scope of consolidation of the Company from the date on which it came under the control of the ultimate controlling party, and its results of operations and cash flows from the date on which it came under the control of the ultimate controlling party are included in the consolidated income statement and the consolidated cash flow statement respectively.

For a subsidiary or business acquired through a business combination not involving entities under common control during the reporting period, the income, expenses and profits of such subsidiary or business from the acquisition date to the end of the reporting period are included in the consolidated income statement, and its cash flows are included in the consolidated cash flow statement.

The portion of the shareholders' equity of a subsidiary that is not attributable to the Company is presented separately as non-controlling interests under shareholders' equity in the consolidated balance sheet; the portion of the net profit or loss of a subsidiary for the current period attributable to non-controlling interests is presented as "Profit or loss attributable to non-controlling interests" under the net profit item in the consolidated income statement. Where the losses of a subsidiary borne by non-controlling shareholders exceed the non-controlling shareholders' share of the opening balance of owners' equity of that subsidiary, the excess is still offset against non-controlling interests.

(3) Acquisition of equity interests held by non-controlling shareholders of subsidiaries

The difference between the cost of the long-term equity investment newly acquired as a result of the acquisition of a non-controlling interest and the share of the net assets of the subsidiary calculated continuously from the acquisition date or the combination date in proportion to the additional shareholding acquired, and the difference between the consideration received from the partial disposal of an equity investment in a subsidiary without loss of control and the corresponding share of the net assets of the subsidiary calculated continuously from the acquisition date or the combination date attributable to the disposed long-term equity investment, are both adjusted against capital reserve in the consolidated balance sheet; where the capital reserve is insufficient to absorb such difference, the excess is adjusted against retained earnings.

(4) Treatment of loss of control over a subsidiary

Where control over a former subsidiary is lost as a result of the disposal of part of an equity investment or for other reasons, the remaining equity interest is remeasured at its fair value at the date on which control is lost; the difference between the sum of the consideration received from the disposal of the equity interest and the fair value of the remaining equity interest, less the sum of the share of the carrying amount of the net assets of the former subsidiary calculated continuously from the acquisition date in proportion to the original shareholding and goodwill, is recognised in investment income for the period in which control is lost.

Other comprehensive income relating to the equity investment in the former subsidiary shall, upon the loss of control, be accounted for on the same basis as would have been required if the former subsidiary had directly disposed of the related assets or liabilities, and changes in other owners' equity relating to the former subsidiary accounted for under the equity method shall be transferred to profit or loss for the current period upon the loss of control.

8. Classification of joint arrangements and accounting treatment of joint operations

A joint arrangement is an arrangement of which two or more parties have joint control. The joint arrangements of the Company are classified into joint operations and joint ventures.

(1) Joint operations

A joint operation is a joint arrangement whereby the Company has rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognises the following items in relation to its interest in a joint operation, and accounts for them in accordance with the requirements of the relevant Accounting Standards for Business Enterprises:

- A. its assets, including its share of any assets held jointly;
- B. its liabilities, including its share of any liabilities incurred jointly;
- C. its revenue from the sale of its share of the output arising from the joint operation;
- D. its share of the revenue from the sale of the output by the joint operation;
- E. its expenses, including its share of any expenses incurred jointly by the joint operation.

(2) Joint ventures

A joint venture is a joint arrangement whereby the Company has rights only to the net assets of the arrangement.

The Company accounts for its investments in joint ventures in accordance with the requirements applicable to the equity method of accounting for long-term equity investments.

9. Criteria for determining cash and cash equivalents

Cash comprises cash on hand and deposits that are readily available for payment. Cash equivalents are investments held by the Company that are short-term, highly liquid, readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

10. Foreign currency transactions and translation of foreign currency financial statements***(1) Foreign currency transactions***

Foreign currency transactions of the Company are translated into the functional currency at the spot exchange rate prevailing at the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated at the spot exchange rate at the balance sheet date. Exchange differences arising from differences between the spot exchange rate at the balance sheet date and the spot exchange rate at the date of initial recognition or at the previous balance sheet date are recognised in profit or loss for the current period; foreign currency non-monetary items measured at historical cost continue to be translated at the spot exchange rate prevailing at the date of the transaction; foreign currency non-monetary items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair value is determined, and the difference between the translated amount in the functional currency and the original amount in the functional currency is recognised in profit or loss for the current period or in other comprehensive income according to the nature of the non-monetary item.

(2) Translation of foreign currency financial statements

At the balance sheet date, when the foreign currency financial statements of overseas subsidiaries are translated, the asset and liability items in the balance sheet are translated at the spot exchange rate at the balance sheet date, and the shareholders' equity items, other than "Retained earnings", are translated at the spot exchange rates prevailing at the dates on which they arose.

The income and expense items in the income statement are translated at the spot exchange rates prevailing at the dates of the transactions.

All items in the cash flow statement are translated at the spot exchange rates prevailing at the dates of the cash flows. The effect of exchange rate changes on cash is presented separately as a reconciling item in the cash flow statement under the item “Effect of foreign exchange rate changes on cash and cash equivalents”.

The differences arising from the translation of the financial statements are presented under the item “Other comprehensive income” within the shareholders’ equity items in the balance sheet.

On disposal of a foreign operation resulting in the loss of control, the exchange differences on translation of foreign currency financial statements relating to that foreign operation presented under the shareholders’ equity items in the balance sheet are transferred, in full or in proportion to the interest in the foreign operation disposed of, to profit or loss for the period in which the disposal takes place.

11. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(1) Recognition and derecognition of financial instruments

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

A financial asset is derecognised when one of the following conditions is met:

- ① the contractual rights to receive the cash flows from the financial asset expire;
- ② the financial asset has been transferred and the transfer satisfies the conditions for derecognition of transfers of financial assets set out below.

A financial liability, or part of it, is derecognised when the present obligation of the financial liability has been discharged in whole or in part. Where the Company (as debtor) and a creditor enter into an agreement to replace an existing financial liability by assuming a new financial liability, and the contractual terms of the new financial liability are substantially different from those of the existing financial liability, the existing financial liability is derecognised and the new financial liability is recognised at the same time.

Financial assets bought or sold in a regular way are recognised and derecognised on a trade date basis.

(2) Classification and measurement of financial assets

On initial recognition, the Company classifies financial assets into the following three categories on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Financial assets are measured at fair value on initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are recognised directly in profit or loss for the current period; for financial assets of other categories, the related transaction costs are included in the initially recognised amount. For receivables arising from the sale of products or the rendering of services that do not contain, or do not take into account, a significant financing component, the Company takes the amount of consideration to which it expects to be entitled as the initially recognised amount.

Financial assets at amortised cost

The Company classifies a financial asset that meets both of the following conditions and has not been designated as at fair value through profit or loss as a financial asset at amortised cost:

- the Company's business model for managing the financial asset is to hold the financial asset in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from a financial asset measured at amortised cost that is not part of any hedging relationship are recognised in profit or loss for the current period upon derecognition, amortisation using the effective interest method or recognition of impairment.

Financial assets at fair value through other comprehensive income

The Company classifies a financial asset that meets both of the following conditions and has not been designated as at fair value through profit or loss as a financial asset at fair value through other comprehensive income:

- the Company's business model for managing the financial asset is achieved both by collecting contractual cash flows and by selling the financial asset;
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, such financial assets are subsequently measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss for the current period, and other gains or losses are recognised in other comprehensive income. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is transferred out of other comprehensive income and recognised in profit or loss for the current period.

Financial assets at fair value through profit or loss

Apart from the financial assets measured at amortised cost and the financial assets at fair value through other comprehensive income described above, the Company classifies all other financial assets as financial assets at fair value through profit or loss. On initial recognition, in order to eliminate or significantly reduce an accounting mismatch, the Company irrevocably designates certain financial assets that would otherwise be measured at amortised cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.

After initial recognition, such financial assets are subsequently measured at fair value, and the resulting gains or losses (including interest and dividend income) are recognised in profit or loss for the current period, unless the financial asset is part of a hedging relationship.

However, for investments in non-trading equity instruments, the Company irrevocably designates them, on initial recognition, as financial assets at fair value through other comprehensive income. Such designation is made on an investment-by-investment basis, and the relevant investments meet the definition of an equity instrument from the perspective of the issuer.

After initial recognition, such financial assets are subsequently measured at fair value. Dividend income that satisfies the relevant conditions is recognised in profit or loss, and other gains or losses and changes in fair value are recognised in other comprehensive income. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is transferred out of other comprehensive income and recognised in retained earnings.

The business model for managing financial assets refers to how the Company manages its financial assets in order to generate cash flows. The business model determines whether the source of the cash flows of the financial assets managed by the Company is the collection of contractual cash flows, the sale of financial assets, or both. The Company determines the business model for managing financial assets on the basis of objective facts and the specific business objectives for managing the financial assets determined by key management personnel.

The Company assesses the contractual cash flow characteristics of its financial assets in order to determine whether the contractual cash flows arising from the relevant financial assets on specified dates are solely payments of principal and interest on the principal amount outstanding. Principal refers to the fair value of the financial asset at initial recognition; interest comprises consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period, and for other basic lending risks, costs and profit. In addition, the Company assesses contractual terms that may change the timing or amount of the contractual cash flows of a financial asset in order to determine whether they meet the requirements of the above contractual cash flow characteristics.

Only when the Company changes its business model for managing financial assets are all affected financial assets reclassified on the first day of the first reporting period following the change in the business model; otherwise, financial assets shall not be reclassified after initial recognition.

Financial assets are measured at fair value on initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are recognised directly in profit or loss for the current period; for financial assets of other categories, the related transaction costs are included in the initially recognised amount. For accounts receivable arising from the sale of products or the rendering of services that do not contain, or do not take into account, a significant financing component, the Company takes the amount of consideration to which it expects to be entitled as the initially recognised amount.

(3) Classification and measurement of financial liabilities

On initial recognition, the financial liabilities of the Company are classified into: financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. For financial liabilities that are not classified as at fair value through profit or loss, the related transaction costs are included in their initially recognised amounts.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise held-for-trading financial liabilities and financial liabilities designated, on initial recognition, as at fair value through profit or loss. Such financial liabilities are subsequently measured at fair value, and gains or losses arising from changes in fair value, together with dividends and interest expenses relating to such financial liabilities, are recognised in profit or loss for the current period.

Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, and gains or losses arising from derecognition or amortisation are recognised in profit or loss for the current period.

Distinction between financial liabilities and equity instruments

A financial liability is a liability that meets any of the following conditions:

- ① a contractual obligation to deliver cash or another financial asset to another party.
- ② a contractual obligation to exchange financial assets or financial liabilities with another party under potentially unfavourable conditions.
- ③ a non-derivative contract that will or may be settled in the enterprise's own equity instruments, under which the enterprise will deliver a variable number of its own equity instruments.
- ④ a derivative contract that will or may be settled in the enterprise's own equity instruments, other than a derivative contract that will be settled by exchanging a fixed amount of cash or another financial asset for a fixed number of the enterprise's own equity instruments.

An equity instrument is a contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities.

If the Company cannot unconditionally avoid settling a contractual obligation by delivering cash or another financial asset, that contractual obligation meets the definition of a financial liability.

If a financial instrument will or may be settled in the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument serve as a substitute for cash or another financial asset, or serve to entitle the holder of the instrument to a residual interest in the assets of the issuer after deducting all of its liabilities. In the former case, the instrument is a financial liability of the Company; in the latter case, the instrument is an equity instrument of the Company.

(4) Derivative financial instruments and embedded derivatives

Derivative financial instruments are initially measured at fair value on the date on which the derivative transaction contract is entered into, and are subsequently measured at fair value. A derivative financial instrument with a positive fair value is recognised as an asset, and one with a negative fair value is recognised as a liability. Any gain or loss arising from changes in fair value that does not qualify for hedge accounting is recognised directly in profit or loss for the current period.

For a hybrid instrument that contains an embedded derivative, where the host contract is a financial asset, the hybrid instrument as a whole is subject to the relevant requirements for the classification of financial assets. Where the host contract is not a financial asset, the hybrid instrument is not accounted for at fair value through profit or loss, the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative is separated from the hybrid instrument and accounted for as a stand-alone derivative financial instrument. Where the embedded derivative cannot be measured separately either at acquisition or at a subsequent balance sheet date, the hybrid instrument as a whole is designated as a financial asset or financial liability at fair value through profit or loss.

(5) *Fair value of financial instruments*

The methods for determining the fair values of financial assets and financial liabilities are set out in Note III.12.

(6) *Impairment of financial assets*

The Company accounts for impairment and recognises a loss allowance for the following items on the basis of expected credit losses:

- financial assets at amortised cost;
- receivables and debt instrument investments at fair value through other comprehensive income;
- contract assets as defined in “Accounting Standard for Business Enterprises No. 14 – Revenue”;
- lease receivables;
- financial guarantee contracts (other than those measured at fair value through profit or loss, those arising from transfers of financial assets that do not qualify for derecognition, and those arising from continuing involvement in transferred financial assets).

Measurement of expected credit losses

Expected credit losses are the weighted average of credit losses on financial instruments, with the respective risks of a default occurring as the weights. Credit losses are the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate, i.e. the present value of all cash shortfalls.

The Company recognises expected credit losses by taking into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and by calculating, with the respective risks of a default occurring as the weights, the probability-weighted amount of the present value of the difference between the contractual cash flows receivable and the cash flows expected to be received.

The Company measures expected credit losses separately for financial instruments at different stages. Where the credit risk of a financial instrument has not increased significantly since initial recognition, the financial instrument is at Stage 1 and the Company measures the loss allowance at an amount equal to the expected credit losses within the next 12 months; where the credit risk of a financial instrument has increased significantly since initial recognition but the financial instrument is not yet credit-impaired, the financial instrument is at Stage 2 and the Company measures the loss allowance at an amount equal to the lifetime expected credit losses of the instrument; where a financial instrument has become credit-impaired since initial recognition, the financial instrument is at Stage 3 and the Company measures the loss allowance at an amount equal to the lifetime expected credit losses of the instrument.

For financial instruments with low credit risk at the balance sheet date, the Company assumes that their credit risk has not increased significantly since initial recognition and measures the loss allowance at an amount equal to the expected credit losses within the next 12 months.

Lifetime expected credit losses are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. Expected credit losses within the next 12 months are the expected credit losses resulting from default events on a financial instrument that are possible within the 12 months after the balance sheet date (or, if the expected life of the financial instrument is less than 12 months, over its expected life), and represent a portion of the lifetime expected credit losses.

In measuring expected credit losses, the maximum period the Company considers is the maximum contractual period over which the enterprise is exposed to credit risk (including consideration of extension options).

For financial instruments at Stage 1 and Stage 2 and those with low credit risk, the Company calculates interest income on the basis of the gross carrying amount before deducting the impairment allowance and the effective interest rate. For financial instruments at Stage 3, the Company calculates interest income on the basis of the amortised cost, being the gross carrying amount less the impairment allowance recognised, and the effective interest rate.

For receivables such as notes receivable, accounts receivable, receivables financing and other receivables, where the credit risk characteristics of a particular customer are significantly different from those of the other customers in the portfolio, or where the credit risk characteristics of that customer have changed significantly, the Company makes bad debt provision for that receivable on an individual basis. Apart from receivables for which bad debt provision is made on an individual basis, the Company groups receivables into portfolios based on credit risk characteristics and calculates bad debt provision on a portfolio basis.

Notes receivable and accounts receivable

For notes receivable and accounts receivable, whether or not they contain a significant financing component, the Company always measures the loss allowance at an amount equal to the lifetime expected credit losses.

Where the information about expected credit losses on an individual financial asset cannot be assessed at a reasonable cost, the Company groups notes receivable and accounts receivable into portfolios based on credit risk characteristics and calculates expected credit losses on a portfolio basis. The bases for determining the portfolios are as follows:

A. Notes receivable

- Notes receivable portfolio 1: Bank acceptance bills
- Notes receivable portfolio 2: Commercial acceptance bills

B. Accounts receivable

- Accounts receivable portfolio 1: Portfolio of balances with related parties within the scope of consolidation
- Accounts receivable portfolio 2: Receivables from other customers

For notes receivable grouped into portfolios, the Company calculates expected credit losses by reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, and by using the exposure at default and the lifetime expected credit loss rate.

For accounts receivable grouped into portfolios, the Company calculates expected credit losses by reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, and by preparing a comparison table of the ageing of accounts receivable and the lifetime expected credit loss rates. The ageing of accounts receivable is calculated from the date of recognition.

Other receivables

The Company groups other receivables into a number of portfolios based on credit risk characteristics and calculates expected credit losses on a portfolio basis. The bases for determining the portfolios are as follows:

- Other receivables portfolio 1: Portfolio of balances with related parties within the scope of consolidation
- Other receivables portfolio 2: Portfolio of export tax refunds receivable
- Other receivables portfolio 3: Portfolio of deposits and guarantee deposits receivable
- Other receivables portfolio 4: Portfolio of receivables from related parties and other investments
- Other receivables portfolio 5: Portfolio of current account balances and other characteristics

For other receivables grouped into portfolios, the Company calculates expected credit losses by using the exposure at default and the expected credit loss rate for the next 12 months or the lifetime. For other receivables grouped into portfolios by ageing, the ageing is calculated from the date of recognition.

Debt investments and other debt investments

For debt investments and other debt investments, the Company calculates expected credit losses, according to the nature of the investments and based on the various types of counterparties and risk exposures, by using the exposure at default and the expected credit loss rate for the next 12 months or the lifetime.

Assessment of significant increases in credit risk

The Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument at the balance sheet date with the risk of a default occurring at the date of initial recognition, so as to determine the relative change in the risk of a default occurring over the expected life of the financial instrument.

In determining whether credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, including forward-looking information, that is available without undue additional cost or effort. The information considered by the Company includes:

- failure of the debtor to pay principal and interest by the contractual due dates;
- an actual or expected significant deterioration in the external or internal credit rating (if any) of the financial instrument;
- an actual or expected significant deterioration in the operating results of the debtor;
- existing or expected changes in the technological, market, economic or legal environment that will have a significant adverse effect on the debtor's ability to repay the Company.

Depending on the nature of the financial instruments, the Company assesses whether credit risk has increased significantly on an individual financial instrument basis or on a portfolio basis. Where the assessment is performed on a portfolio basis, the Company may classify financial instruments on the basis of common credit risk characteristics, such as past due information and credit risk ratings.

Credit-impaired financial assets

The Company assesses at the balance sheet date whether financial assets measured at amortised cost and debt investments at fair value through other comprehensive income are credit-impaired. A financial asset becomes credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- significant financial difficulty of the issuer or the debtor;
- a breach of contract by the debtor, such as a default or delinquency in the payment of interest or principal;
- the Company, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that would not otherwise be granted under any other circumstances;
- it is probable that the debtor will enter bankruptcy or undergo other financial reorganisation;
- the disappearance of an active market for that financial asset because of the financial difficulty of the issuer or the debtor.

Presentation of the allowance for expected credit losses

In order to reflect changes in the credit risk of financial instruments since initial recognition, the Company remeasures expected credit losses at each balance sheet date, and the resulting increase in, or reversal of, the loss allowance shall be recognised in profit or loss for the current period as an impairment loss or gain. For financial assets measured at amortised cost, the loss allowance reduces the carrying amount of the financial asset presented in the balance sheet; for debt investments at fair value through other comprehensive income, the Company recognises the loss allowance in other comprehensive income without reducing the carrying amount of the financial asset.

Write-off

If the Company no longer reasonably expects that the contractual cash flows of a financial asset will be recovered in whole or in part, it directly writes down the gross carrying amount of that financial asset. Such a write-down constitutes a derecognition of the relevant financial asset. This normally occurs when the Company determines that the debtor has no assets or sources of income capable of generating sufficient cash flows to repay the amount to be written down. However, financial assets that have been written down may still be subject to enforcement activities in accordance with the Company's procedures for recovering amounts due.

Where a financial asset previously written down is subsequently recovered, the recovery is accounted for as a reversal of impairment loss and recognised in profit or loss for the period in which the recovery occurs.

(7) *Transfer of financial assets*

A transfer of financial assets refers to the assignment or delivery of a financial asset to a party other than the issuer of that financial asset (the transferee).

Where the Company has transferred substantially all the risks and rewards of ownership of a financial asset to the transferee, it derecognises the financial asset; where the Company has retained substantially all the risks and rewards of ownership of the financial asset, it does not derecognise the financial asset.

Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership of a financial asset, it is accounted for as follows: where the Company has given up control of the financial asset, it derecognises the financial asset and recognises the assets and liabilities arising therefrom; where the Company has not given up control of the financial asset, it recognises the relevant financial asset to the extent of its continuing involvement in the transferred financial asset and recognises the related liability accordingly.

(8) Offsetting of financial assets and financial liabilities

Where the Company has a legal right to offset recognised financial assets and financial liabilities and such legal right is currently enforceable, and the Company intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously, the financial asset and the financial liability are presented in the balance sheet at the net amount after offsetting. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other.

12. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When the Company measures a relevant asset or liability at fair value, it assumes that the orderly transaction to sell the asset or transfer the liability takes place in the principal market for the relevant asset or liability; where there is no principal market, the Company assumes that the transaction takes place in the most advantageous market for the relevant asset or liability. The principal market (or the most advantageous market) is the market that the Company can access at the measurement date. The Company uses the assumptions that market participants would use when pricing the asset or liability with the objective of maximising their economic benefits.

For a financial asset or financial liability with an active market, the Company determines its fair value using the quoted price in the active market. Where a financial instrument has no active market, the Company determines its fair value using valuation techniques.

When a non-financial asset is measured at fair value, consideration is given to a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are applicable in the current circumstances and for which sufficient available data and other information exist to support them, giving priority to the use of relevant observable inputs, and uses unobservable inputs only where observable inputs are unavailable or impracticable to obtain.

Assets and liabilities measured or disclosed at fair value in the financial statements are categorised within the fair value hierarchy on the basis of the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are obtainable at the measurement date; Level 2 inputs are inputs other than Level 1 inputs that are directly or indirectly observable for the relevant asset or liability; Level 3 inputs are unobservable inputs for the relevant asset or liability.

At each balance sheet date, the Company reassesses the assets and liabilities recognised in the financial statements that are measured at fair value on a recurring basis in order to determine whether any transfers between levels of the fair value hierarchy have occurred.

13. Inventories

(1) Classification of inventories

The Company's inventories are classified into materials for consignment processing, finished goods, goods shipped, materials in transit, raw materials, contract fulfilment costs, etc.

(2) Method of measuring inventories issued

Inventories of the Company are measured at actual cost upon acquisition. Raw materials, finished goods and materials for consignment processing, etc. are measured using the moving weighted average method when issued.

(3) Basis for determining and method of making provision for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. Where the net realisable value is lower than the cost, a provision for decline in value of inventories is made.

Net realisable value is the estimated selling price of inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the related taxes and surcharges. In determining the net realisable value of inventories, the Company bases its determination on conclusive evidence obtained and also takes into consideration the purpose of holding the inventories and the effect of events after the balance sheet date.

The Company normally makes provision for decline in value of inventories on an individual inventory item basis. For inventories with large quantities and low unit prices, provision for decline in value of inventories is made by category of inventories.

At the balance sheet date, where the factors that previously caused inventories to be written down have ceased to exist, the provision for decline in value of inventories is reversed to the extent of the amount previously provided.

(4) Inventory count system

The Company adopts the perpetual inventory system.

(5) Amortisation methods for low-value consumables and packaging materials

Low-value consumables of the Company are amortised using the one-off write-off method when issued for use.

14. Long-term equity investments

Long-term equity investments comprise equity investments in subsidiaries, joint ventures and associates. An investee over which the Company is able to exercise significant influence is an associate of the Company.

(1) Determination of initial investment cost

Long-term equity investments arising from business combinations: for a long-term equity investment acquired through a business combination involving entities under common control, the share of the carrying amount of the owners' equity of the party being combined in the consolidated financial statements of the ultimate controlling party at the combination date is taken as the investment cost; for a long-term equity investment acquired through a business combination not involving entities under common control, the combination cost is taken as the investment cost of the long-term equity investment.

For long-term equity investments acquired by other means: for a long-term equity investment acquired by payment of cash, the purchase consideration actually paid is taken as the initial investment cost; for a long-term equity investment acquired by issuing equity securities, the fair value of the equity securities issued is taken as the initial investment cost.

(2) Subsequent measurement and method of recognising profit or loss

Investments in subsidiaries are accounted for using the cost method, unless the investment satisfies the conditions for classification as held for sale; investments in associates and joint ventures are accounted for using the equity method.

For a long-term equity investment accounted for using the cost method, cash dividends or profits declared by the investee are recognised as investment income and included in profit or loss for the period, other than cash dividends or profits declared but not yet distributed that are included in the consideration or price actually paid at the time the investment was acquired.

For a long-term equity investment accounted for using the equity method, where the initial investment cost exceeds the share of the fair value of the investee's identifiable net assets attributable to the Company at the time of investment, the investment cost of the long-term equity investment is not adjusted; where the initial investment cost is less than the share of the fair value of the investee's identifiable net assets attributable to the Company at the time of investment, the carrying amount of the long-term equity investment is adjusted and the difference is recognised in profit or loss for the period in which the investment is made.

When the equity method is adopted, investment income and other comprehensive income are recognised respectively based on the share of the investee's net profit or loss and other comprehensive income to be enjoyed or borne, and the carrying amount of the long-term equity investment is adjusted accordingly; the carrying amount of the long-term equity investment is reduced correspondingly by the portion attributable to the Company calculated on the basis of the profits or cash dividends declared by the investee; for other changes in the owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment is adjusted and the amount is included in capital reserve (other capital reserve). In recognising the share of the investee's net profit or loss, such share is recognised after adjusting the investee's net profit on the basis of the fair values of the investee's identifiable assets, etc. at the time the investment was acquired and in accordance with the Company's accounting policies and accounting periods.

Where, as a result of additional investment or other reasons, the Company is able to exercise significant influence or joint control over, but not control of, an investee, the sum of the fair value of the previously held equity interest plus the cost of the additional investment is taken, at the date of conversion, as the initial investment cost under the equity method. Where the previously held equity interest was classified as a non-trading equity instrument investment measured at fair value through other comprehensive income, the accumulated changes in fair value relating thereto that were previously included in other comprehensive income are transferred to retained earnings upon the change to the equity method.

Where the Company loses joint control of or significant influence over an investee as a result of the disposal of part of an equity investment or other reasons, the remaining equity interest after the disposal is accounted for in accordance with "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments" from the date on which joint control or significant influence is lost, and the difference between its fair value and its carrying amount is recognised in profit or loss for the period. Other comprehensive income recognised in respect of the original equity investment under the equity method is accounted for, upon discontinuation of the equity method, on the same basis as would have been applicable had the investee directly disposed of the related assets or liabilities; other changes in owners' equity relating to the original equity investment are transferred to profit or loss for the period.

Where the Company loses control of an investee as a result of the disposal of part of an equity investment or other reasons and the remaining equity interest after the disposal enables the Company to exercise joint control or significant influence over the investee, the equity method is adopted and the remaining equity interest is adjusted as if it had been accounted for using the equity method from the date of acquisition; where the remaining equity interest after the disposal does not enable the Company to exercise joint control or significant influence over the investee, it is accounted for in accordance with the relevant provisions of “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, and the difference between its fair value and its carrying amount at the date on which control is lost is recognised in profit or loss for the period.

Where the Company’s shareholding percentage decreases as a result of a capital increase by other investors and, as a result, the Company loses control of the investee but is able to exercise joint control or significant influence over it, the Company recognises, based on the new shareholding percentage, its share of the increase in the investee’s net assets arising from the capital increase and share expansion, and the difference between such share and the original carrying amount of the long-term equity investment corresponding to the portion of the decrease in shareholding percentage to be transferred out is recognised in profit or loss for the period; thereafter, adjustments are made based on the new shareholding percentage as if the equity method had been adopted from the date the investment was acquired.

Unrealised gains or losses on internal transactions between the Company and its associates and joint ventures are recognised as investment income or loss on an offsetting basis, to the extent of the portion attributable to the Company calculated according to the shareholding percentage. However, unrealised losses on internal transactions between the Company and the investee that represent impairment losses on the assets transferred are not offset.

(3) Basis for determining joint control of or significant influence over an investee

Joint control refers to the sharing of control over an arrangement in accordance with the relevant agreement, whereby decisions on the relevant activities of the arrangement require the unanimous consent of the parties sharing control. In determining whether joint control exists, it is first determined whether the arrangement is collectively controlled by all the parties or by a group of the parties, and then whether decisions on the relevant activities of the arrangement require the unanimous consent of those parties that collectively control the arrangement. Where all the parties or a group of the parties must act in concert in order to decide on the relevant activities of an arrangement, all the parties or that group of parties are regarded as collectively controlling the arrangement; where two or more combinations of parties are able to collectively control an arrangement, joint control does not exist. Protective rights held are not taken into account in determining whether joint control exists.

Significant influence refers to the power of an investor to participate in the decision-making on the financial and operating policies of an investee, but not to control, or jointly control with other parties, the formulation of such policies. In determining whether significant influence can be exercised over an investee, consideration is given to the voting shares of the investee held directly or indirectly by the investor, as well as to the effect of currently exercisable potential voting rights held by the investor and other parties assuming their conversion into equity interests in the investee, including the effect of currently convertible warrants, share options and convertible corporate bonds, etc. issued by the investee.

Where the Company directly, or indirectly through its subsidiaries, holds 20% (inclusive of 20%) or more but less than 50% of the voting shares of an investee, it is generally considered to have significant influence over the investee, unless there is clear evidence that in such circumstances it cannot participate in the production and operating decisions of the investee and therefore does not have significant influence; where the Company holds less than 20% (exclusive) of the voting shares of an investee, it is generally not considered to have significant influence over the investee, unless there is clear evidence that in such circumstances it is able to participate in the production and operating decisions of the investee and therefore has significant influence.

(4) Method of impairment testing and method of making provision for impairment

For investments in subsidiaries, associates and joint ventures, the method of making provision for impairment of assets is set out in Note III.20.

15. Fixed assets

(1) Conditions for recognition of fixed assets

Fixed assets of the Company are tangible assets held for the production of goods, the rendering of services, rental or administrative purposes with a useful life exceeding one accounting year.

A fixed asset is recognised only when it is probable that the economic benefits associated with the fixed asset will flow into the enterprise and the cost of the fixed asset can be measured reliably.

Fixed assets of the Company are initially measured at the actual cost at the time of acquisition.

Subsequent expenditure relating to a fixed asset is included in the cost of the fixed asset when it is probable that the related economic benefits will flow into the Company and its cost can be measured reliably; day-to-day repair costs of fixed assets that do not satisfy the conditions for capitalisation of subsequent expenditure on fixed assets are recognised, when incurred, in profit or loss for the period or included in the cost of the related assets according to the beneficiary. The carrying amount of the replaced part is derecognised.

(2) Depreciation methods for each class of fixed assets

The Company provides depreciation using the straight-line method. Depreciation of a fixed asset commences when it reaches its intended usable condition and ceases upon derecognition or upon classification as a non-current asset held for sale. Without taking into account provision for impairment, the Company determines the annual depreciation rates of each class of fixed assets by reference to the class of fixed assets, the estimated useful life and the estimated residual value as follows:

Category	Useful life (years)	Residual value rate %	Annual depreciation rate %
R&D and automated testing equipment	5	5.00	19.00
Motor vehicles	5	5.00	19.00
Office equipment and others	3-5	5.00	31.67-19.00
Machinery and equipment	3-10	5.00	31.67-9.50

For fixed assets in respect of which provision for impairment has been made, the depreciation rate is determined after further deducting the accumulated amount of provision for impairment of fixed assets already made.

(3) The method of impairment testing and the method of making provision for impairment of fixed assets are set out in Note III.20.***(4) At the end of each year, the Company reviews the useful lives, estimated net residual values and depreciation methods of fixed assets.***

Where the estimated useful life differs from the previous estimate, the useful life of the fixed asset is adjusted; where the estimated net residual value differs from the previous estimate, the estimated net residual value is adjusted.

(5) Disposal of fixed assets

A fixed asset is derecognised when it is disposed of or when no economic benefits are expected to be generated from its use or disposal. The amount of the proceeds from the sale, transfer, retirement or damage of a fixed asset, net of its carrying amount and the related taxes and surcharges, is recognised in profit or loss for the period.

16. Construction in progress

The cost of construction in progress of the Company is determined based on the actual construction expenditure, including all necessary construction expenditure incurred during the construction period, borrowing costs eligible for capitalisation before the construction reaches its intended usable condition, and other related expenses.

Construction in progress is transferred to fixed assets when it reaches its intended usable condition.

The method of making provision for impairment of construction in progress is set out in Note III.20.

17. Borrowing costs***(1) Principles for recognition of capitalisation of borrowing costs***

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised and included in the cost of the related asset; other borrowing costs are recognised as expenses in the amount incurred and included in profit or loss for the period when incurred. Capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- ① expenditure on the asset has been incurred, which includes expenditure incurred in the form of cash payments, transfers of non-cash assets or the assumption of interest-bearing debts for the acquisition, construction or production of a qualifying asset;
- ② borrowing costs have been incurred;
- ③ the acquisition, construction or production activities necessary to bring the asset to its intended usable or saleable condition have commenced.

(2) Capitalisation period of borrowing costs

When a qualifying asset acquired, constructed or produced by the Company reaches its intended usable or saleable condition, capitalisation of borrowing costs ceases. Borrowing costs incurred after a qualifying asset reaches its intended usable or saleable condition are recognised as expenses in the amount incurred and included in profit or loss for the period when incurred.

Where the acquisition, construction or production of a qualifying asset is abnormally interrupted and the interruption lasts for more than 3 consecutive months, capitalisation of borrowing costs is suspended; borrowing costs incurred during normal interruptions continue to be capitalised.

(3) Capitalisation rate of borrowing costs and method of calculating the capitalised amount

The interest expense actually incurred on specific borrowings during the period, less any interest income earned on the unused borrowings deposited with banks or investment income obtained from temporary investments thereof, is capitalised; for general borrowings, the capitalised amount is determined by multiplying the weighted average of the asset expenditure by which the accumulated asset expenditure exceeds the specific borrowings by the capitalisation rate of the general borrowings occupied. The capitalisation rate is determined based on the weighted average interest rate of the general borrowings.

During the capitalisation period, exchange differences on foreign currency specific borrowings are capitalised in full; exchange differences on foreign currency general borrowings are recognised in profit or loss for the period.

18. Intangible assets

The Company's intangible assets include land use rights, development platforms, software, customer relationships and trademarks and patents, etc.

Intangible assets are initially measured at cost and their useful lives are analysed and determined upon acquisition. An intangible asset with a finite useful life is amortised over its estimated useful life from the date on which it is available for use, using an amortisation method that reflects the expected pattern of realisation of the economic benefits related to the asset; where the expected pattern of realisation cannot be determined reliably, the straight-line method is adopted. Intangible assets with indefinite useful lives are not amortised.

The amortisation methods for intangible assets with finite useful lives are as follows:

Category	Useful life (years)	Amortisation method	Remarks
Development platforms	5-10	Straight-line method	Intangible assets with a contractual term are amortised over the contractual term, and those without a contractual term are amortised over 10 years
Software	3-10	Straight-line method	Intangible assets with a contractual term are amortised over the contractual term, and those without a contractual term are amortised over 10 years
Trademarks and patents, etc.	2-10	Straight-line method	Intangible assets with a contractual term are amortised over the contractual term, and those without a contractual term are amortised over 10 years
Land use rights	30	Straight-line method	Intangible assets with a contractual term are amortised over the contractual term, and those without a contractual term are amortised over 10 years
Customer relationships	7	Straight-line method	

At the end of each year, the Company reviews the useful lives and amortisation methods of intangible assets with finite useful lives. Where they differ from previous estimates, the previous estimates are adjusted and the adjustment is accounted for as a change in accounting estimate.

Where it is expected at the balance sheet date that an intangible asset can no longer bring future economic benefits to the enterprise, the entire carrying amount of that intangible asset is transferred to profit or loss for the period.

The method of making provision for impairment of intangible assets is set out in Note III.20.

19. Research and development expenditure

The Company's research and development expenditure comprises expenditure directly related to the Company's research and development activities, including employee benefits of research and development personnel, depreciation charges, outsourced research and development expenses, material costs and other expenses.

The Company classifies expenditure on internal research and development projects into research phase expenditure and development phase expenditure.

Research phase expenditure is recognised in profit or loss for the period when incurred.

Development phase expenditure may be capitalised only when all of the following conditions are satisfied, namely: it is technically feasible to complete the intangible asset so that it will be available for use or sale; there is the intention to complete the intangible asset and use or sell it; the manner in which the intangible asset will generate economic benefits, including the ability to demonstrate the existence of a market for the products produced using the intangible asset or for the intangible asset itself, and, where the intangible asset is to be used internally, the ability to demonstrate its usefulness; there are adequate technical, financial and other resources to support the completion of the development of the intangible asset, and the ability to use or sell the intangible asset exists; the expenditure attributable to the development phase of the intangible asset can be measured reliably. Development expenditure that does not satisfy the above conditions is recognised in profit or loss for the period.

The Company's research and development projects enter the development phase upon satisfaction of the above conditions and after technical and economic feasibility studies have been conducted and the projects have been formally approved.

Capitalised development phase expenditure is presented as development expenditure in the balance sheet and is transferred to intangible assets from the date on which the project reaches its intended use.

Capitalisation conditions for specific research and development projects:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

The Company has established a dedicated research and development team to conduct research on the relevant technologies. Having been verified at the planning and conceptual design phase, the technical feasibility of the project has been fully demonstrated, and the project entered the development and verification phase after passing the final decision review of the Company's product committee. Accordingly, it can be fully demonstrated that the research and development investment is technically feasible.

- (2) There is the intention to complete the intangible asset and use or sell it;

Through the research and development of major projects, the Company further enriches its product lines. On the one hand, this enables the Company to provide corresponding products to different categories of customers in the market according to their needs and to satisfy the continuously growing market demand of downstream customers, thereby further expanding the application fields of the Company's products and enhancing its profitability. On the other hand, it is an inevitable measure for the Company to continue to consolidate its principal business, comprehensively enhance its technological research and development capabilities, further improve its market layout and market competitiveness, and gradually become a leading enterprise in the cellular wireless communication module industry. The Company needs to invest on an ongoing basis in order to seize business opportunities as the wave of the Internet of Everything is about to arrive. The Company therefore has the intention to complete and use the projects under research and development.

- (3) The manner in which the intangible asset will generate economic benefits, including the ability to demonstrate the existence of a market for the products produced using the intangible asset or for the intangible asset itself, and, where the intangible asset is to be used internally, its usefulness shall be demonstrated;

For each research and development project, the Company conducts a comprehensive and systematic market analysis of the project and, for each project, prepares profit forecast data for the project life cycle based on inputs and outputs. Only major projects that meet the Company's profitability requirements may proceed to the next stage of development work and be accounted for on a capitalised basis. Based on the profit forecasts, it is estimated that all capitalised research and development expenses can be recovered through future sales.

- (4) There are adequate technical, financial and other resources to support the completion of the development of the intangible asset, and the ability to use or sell the intangible asset exists;

In terms of technology, since its establishment the Company has been committed to technological research and development, solution design and application promotion in the field of wireless communication for the Internet of Things and the mobile Internet. It has built strong research and development capabilities in communication technology, radio frequency technology, data transmission technology and signal processing technology, and possesses extensive experience in the development of wireless communication module products. Its current research and development team has established a well-developed technological innovation system with sustained innovation capability, providing reliable technical support for the implementation of the projects. In terms of finance, the Company currently has satisfactory operating results, a sound credit standing and smooth financing channels, and is able to provide adequate funding support for the implementation of the fundraising investment projects and the sale of the products. In terms of other resources, the Company has accumulated extensive sales channels and customer resources by virtue of its excellent product performance, and has at the same time cultivated a group of experienced management and research and development personnel, which can fully support the development of the fundraising investment projects and the sale of the products.

- (5) The expenditure attributable to the development phase of the intangible asset can be measured reliably;

Apart from employee benefits, research and development expenses can all be collected by department and by project. Each research and development staff member is required to complete a weekly timesheet, and the hours worked by each research and development staff member on a project are collected by project. After the finance department collects the weekly timesheets each month, employee benefits are reasonably allocated according to the project hours reported. Therefore, once the capitalisation date of a particular project has been determined, the expenses of that project incurred after the capitalisation date can be collected.

20. Impairment of assets

Impairment of long-term equity investments in subsidiaries and associates, fixed assets, construction in progress, right-of-use assets, intangible assets, goodwill, etc. (other than inventories, deferred tax assets and financial assets) is determined using the following methods:

At the balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. Where such an indication of impairment exists, the Company estimates the recoverable amount of the asset and performs an impairment test. Goodwill arising from a business combination, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication of impairment.

The recoverable amount is determined as the higher of the fair value of the asset less costs of disposal and the present value of the estimated future cash flows of the asset. The Company estimates the recoverable amount on an individual asset basis; where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs. An asset group is identified on the basis of whether the principal cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

Where the recoverable amount of an asset or asset group is lower than its carrying amount, the Company writes down its carrying amount to the recoverable amount, and the amount written down is recognised in profit or loss for the period, with a corresponding provision for impairment of assets being made.

For the purpose of goodwill impairment testing, the carrying amount of goodwill arising from a business combination is allocated, from the acquisition date, to the relevant asset groups on a reasonable basis; where it is difficult to allocate the goodwill to the relevant asset groups, it is allocated to the relevant sets of asset groups. The relevant asset group or set of asset groups is one that is able to benefit from the synergies of the business combination and is not larger than the reporting segment determined by the Company.

When performing the impairment test, where there is an indication of impairment of an asset group or set of asset groups related to goodwill, the asset group or set of asset groups excluding goodwill is first tested for impairment, its recoverable amount is calculated and the corresponding impairment loss is recognised. Thereafter, the asset group or set of asset groups including goodwill is tested for impairment by comparing its carrying amount with its recoverable amount; where the recoverable amount is lower than the carrying amount, an impairment loss on goodwill is recognised.

Once an impairment loss on an asset has been recognised, it is not reversed in subsequent accounting periods.

21. Long-term deferred expenses

Long-term deferred expenses incurred by the Company are measured at actual cost and amortised evenly over the expected beneficial period. For long-term prepaid expense items that cannot benefit subsequent accounting periods, the entire unamortised value is recognised in profit or loss for the period.

22. Employee benefits***(1) Scope of employee benefits***

Employee benefits refer to all forms of remuneration or compensation given by an enterprise in exchange for services rendered by employees or for the termination of employment relationships. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided by an enterprise to employees' spouses, children, dependants, family members of deceased employees and other beneficiaries also constitute employee benefits.

Based on liquidity, employee benefits are presented in the balance sheet under the items "Employee benefits payable" and "Long-term employee benefits payable" respectively.

(2) Short-term employee benefits

In the accounting period in which employees render services, the Company recognises as liabilities the employee wages and bonuses actually incurred, as well as the social insurance premiums such as medical insurance premiums, work injury insurance premiums and maternity insurance premiums and the housing provident fund contributions paid for employees in accordance with the prescribed bases and rates, and includes them in profit or loss for the period or in the cost of the related assets.

(3) Post-employment benefits

Post-employment benefit plans comprise defined contribution plans and defined benefit plans. A defined contribution plan is a post-employment benefit plan under which an enterprise, after paying fixed contributions into a separate fund, assumes no further payment obligation; a defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Defined contribution plans

Defined contribution plans comprise basic pension insurance and unemployment insurance, etc.

In the accounting period in which employees render services, the amount payable calculated in accordance with the defined contribution plan is recognised as a liability and included in profit or loss for the period or in the cost of the related assets.

Defined benefit plans

For defined benefit plans, actuarial valuations are performed by an independent actuary at the annual balance sheet date, and the cost of providing the benefits is determined using the projected unit credit method. The employee benefit costs arising from the Company's defined benefit plans comprise the following components:

- ① Service cost, comprising current service cost, past service cost and gains or losses on settlement. Current service cost is the increase in the present value of the defined benefit plan obligation resulting from employee service in the current period; past service cost is the increase or decrease in the present value of the defined benefit plan obligation relating to employee service in prior periods resulting from an amendment to the defined benefit plan.
- ② Net interest on the net defined benefit liability or net defined benefit asset, comprising interest income on plan assets, interest expense on the defined benefit plan obligation and interest on the effect of the asset ceiling.
- ③ Changes arising from the remeasurement of the net defined benefit liability or net defined benefit asset.

Unless another accounting standard requires or permits employee benefit costs to be included in the cost of an asset, the Company includes items ① and ② above in profit or loss for the period; item ③ is included in other comprehensive income and is not reversed to profit or loss in subsequent accounting periods, and upon termination of the original defined benefit plan the amounts previously included in other comprehensive income are transferred in full to retained earnings within equity.

(4) Termination benefits

Where the Company provides termination benefits to employees, the employee benefit liability arising from the termination benefits is recognised, and included in profit or loss for the period, at the earlier of the following dates: when the Company can no longer unilaterally withdraw the termination benefits offered under a plan to terminate employment relationships or a curtailment proposal; and when the Company recognises the costs or expenses related to a restructuring that involves the payment of termination benefits.

Where an internal retirement plan for employees is implemented, the economic compensation prior to the formal retirement date constitutes termination benefits, and the wages and social insurance premiums, etc. proposed to be paid to the internally retired employees for the period from the date on which the employees cease to render services to the normal retirement date are recognised in profit or loss for the period on a one-off basis. Economic compensation after the formal retirement date (such as normal pension benefits) is accounted for as post-employment benefits.

(5) Other long-term benefits

Where other long-term employee benefits provided by the Company to employees satisfy the conditions of a defined contribution plan, they are accounted for in accordance with the above provisions relating to defined contribution plans. Where they satisfy the conditions of a defined benefit plan, they are accounted for in accordance with the above provisions relating to defined benefit plans, except that the component of the related employee benefit costs representing “changes arising from the remeasurement of the net defined benefit liability or net defined benefit asset” is included in profit or loss for the period or in the cost of the related assets.

23. Provisions

Where an obligation related to a contingency satisfies all of the following conditions, the Company recognises it as a provision:

- (1) the obligation is a present obligation assumed by the Company;
- (2) the performance of the obligation is likely to result in an outflow of economic benefits from the Company;
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to perform the related present obligation, taking into account comprehensively such factors as the risks, uncertainties and time value of money relating to the contingency. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. At the balance sheet date, the Company reviews the carrying amounts of provisions and adjusts the carrying amounts to reflect the current best estimates.

Where all or part of the expenditure required to settle a recognised provision is expected to be compensated by a third party or another party, the compensation amount is separately recognised as an asset only when it is virtually certain to be received. The amount of compensation recognised does not exceed the carrying amount of the liability recognised.

24. Share-based payments and equity instruments

(1) Types of share-based payments

Share-based payments of the Company are classified into equity-settled share-based payments and cash-settled share-based payments.

(2) Method for determining the fair value of equity instruments

For the options and other equity instruments granted by the Company for which an active market exists, the Company determines their fair value at the quoted prices in the active market. For the options and other equity instruments granted for which no active market exists, the Company determines their fair value using an option pricing model or other methods. The option pricing model selected takes the following factors into consideration: A. the exercise price of the option; B. the term of the option; C. the current price of the underlying shares; D. the expected volatility of the share price; E. the expected dividends on the shares; F. the risk-free interest rate within the term of the option.

(3) Basis for determining the best estimate of the number of equity instruments expected to vest

At each balance sheet date during the vesting period, the Company makes the best estimate based on the latest available subsequent information, such as changes in the number of employees expected to satisfy the vesting conditions, and revises the estimated number of equity instruments expected to vest. On the vesting date, the final estimated number of equity instruments expected to vest shall be consistent with the actual number vested.

(4) Accounting treatment relating to the implementation, modification and termination of share-based payment plans

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. Where the equity instruments vest immediately after the grant, the fair value of the equity instruments is recognised in the relevant costs or expenses on the grant date, with a corresponding increase in capital reserve. Where the equity instruments vest only after the completion of services during the vesting period or upon the satisfaction of specified performance conditions, at each balance sheet date during the vesting period, the services received in the current period are recognised in the relevant costs or expenses and capital reserve based on the best estimate of the number of equity instruments expected to vest, at the fair value of the equity instruments at the grant date. After the vesting date, no adjustment is made to the relevant costs or expenses and total owners' equity already recognised.

Cash-settled share-based payments are measured at the fair value of the liability assumed by the Company that is determined based on shares or other equity instruments. Where the equity instruments vest immediately after the grant, the fair value of the liability assumed by the Company is recognised in the relevant costs or expenses on the grant date, with a corresponding increase in liabilities. For cash-settled share-based payments that vest only after the completion of services during the vesting period or upon the satisfaction of specified performance conditions, at each balance sheet date during the vesting period, the services received in the current period are recognised in costs or expenses and the corresponding liabilities, based on the best estimate of the vesting position and at the fair value of the liability assumed by the Company. At each balance sheet date and on the settlement date prior to the settlement of the relevant liability, the fair value of the liability is remeasured, with the changes recognised in profit or loss for the current period.

Where the Company modifies a share-based payment plan, if the modification increases the fair value of the equity instruments granted, the Company recognises a corresponding increase in the services received based on the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the fair value of the additional equity instruments is recognised as a corresponding increase in the services received. The increase in the fair value of the equity instruments refers to the difference between the fair value at the modification date of the equity instruments before and after the modification. If the modification reduces the total fair value of the share-based payment or modifies the terms and conditions of the share-based payment plan in a manner that is otherwise unfavourable to the employees, the Company continues to account for the services received as if the modification had never occurred, unless the Company cancels part or all of the equity instruments granted.

If, during the vesting period, the equity instruments granted are cancelled (other than a cancellation resulting from the failure to satisfy a non-market vesting condition), the Company accounts for the cancellation of the equity instruments granted as an acceleration of vesting, and immediately recognises in profit or loss for the current period the amount that would otherwise have been recognised over the remainder of the vesting period, with a corresponding recognition in capital reserve. Where an employee or another party is able to choose to satisfy a non-vesting condition but fails to do so during the vesting period, the Company accounts for this as a cancellation of the equity instruments granted.

(5) *Restricted shares*

Under the share incentive plan, the Company grants restricted shares to the incentive recipients, who first subscribe for the shares; if the unlocking conditions specified in the share incentive plan are not subsequently satisfied, the Company repurchases the shares at the pre-agreed price. Where the restricted shares issued to employees have completed the registration and other capital increase procedures in accordance with the relevant regulations, on the grant date the Company recognises share capital and capital reserve based on the subscription monies received from the employees, and at the same time recognises treasury shares and other payables in respect of the repurchase obligation.

25. Revenue

(1) *General principles*

The Company recognises revenue when it has satisfied the performance obligations in a contract, that is, when the customer obtains control of the relevant goods or services.

Where a contract contains two or more performance obligations, the Company allocates, at the inception of the contract, the transaction price to each single performance obligation in proportion to the relative stand-alone selling prices of the goods or services promised under each single performance obligation, and measures revenue at the transaction price allocated to each single performance obligation.

A performance obligation is satisfied over time if one of the following conditions is met; otherwise, the performance obligation is satisfied at a point in time:

- (1) The customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs.
- (2) The customer is able to control the goods under construction in the course of the Company's performance.

- (3) The goods produced in the course of the Company's performance have no alternative use, and the Company has an enforceable right to payment for performance completed to date throughout the contract term.

For a performance obligation satisfied over time, the Company recognises revenue over that period according to the progress towards complete satisfaction of the performance obligation. Where the progress of performance cannot be reasonably determined, the Company recognises revenue to the extent of the costs incurred that are expected to be recovered, until such time as the progress of performance can be reasonably determined.

For a performance obligation satisfied at a point in time, the Company recognises revenue at the point in time when the customer obtains control of the relevant goods or services. In assessing whether the customer has obtained control of the goods or services, the Company considers the following indicators:

- (1) The Company has a present right to payment for the goods or services, that is, the customer has a present obligation to pay for the goods.
- (2) The Company has transferred the legal title of the goods to the customer, that is, the customer has legal title to the goods.
- (3) The Company has transferred physical possession of the goods to the customer, that is, the customer has physical possession of the goods.
- (4) The Company has transferred the significant risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the significant risks and rewards of ownership of the goods.
- (5) The customer has accepted the goods or services.
- (6) Other indicators that the customer has obtained control of the goods.

(2) *Specific methods*

The specific methods of revenue recognition adopted by the Company are as follows:

Product sales are mainly divided into domestic sales and overseas sales, and the specific methods of revenue recognition are as follows:

Specific method of revenue recognition for domestic sales: revenue is recognised on the basis of the relevant documents when the products have been dispatched and the delivery note or consignment note signed by the buyer has been obtained;

Specific method of revenue recognition for overseas sales: overseas sales are mainly settled on FOB and EXW terms. Under the FOB model, the Company recognises revenue upon completion of the customs declaration and commodity inspection formalities; under the EXW model, the Company recognises revenue when the products are delivered, the right to receive payment has been obtained and the related economic benefits are probable to flow in.

26. Contract costs

Contract costs comprise the incremental costs of obtaining a contract and the costs to fulfil a contract.

The incremental costs of obtaining a contract refer to the costs that the Company would not have incurred had the contract not been obtained (such as sales commissions). Where such costs are expected to be recovered, the Company recognises them as an asset as costs of obtaining a contract. Expenditures other than the incremental costs expected to be recovered that are incurred by the Company in obtaining a contract are recognised in profit or loss for the current period when incurred.

Costs incurred to fulfil a contract that do not fall within the scope of inventories or other accounting standards for business enterprises and that meet all of the following conditions are recognised by the Company as an asset as costs to fulfil a contract:

- (1) the costs relate directly to an existing or anticipated contract, including direct labour, direct materials, manufacturing overheads (or similar expenses), costs that are explicitly chargeable to the customer and other costs that are incurred only because of the contract;
- (2) the costs enhance the resources of the Company that will be used in satisfying performance obligations in the future;
- (3) the costs are expected to be recovered.

Assets recognised as costs of obtaining a contract and assets recognised as costs to fulfil a contract (hereinafter collectively referred to as “assets related to contract costs”) are amortised on the same basis as the recognition of revenue from the goods or services to which such assets relate, and are recognised in profit or loss for the current period.

Where the carrying amount of an asset related to contract costs exceeds the difference between the following two items, the Company recognises a provision for impairment for the excess and recognises it as an asset impairment loss:

- (1) the remaining consideration that the Company expects to be entitled to receive in exchange for transferring the goods or services to which the asset relates;
- (2) the costs estimated to be incurred in transferring the related goods or services.

27. Government grants

Government grants are recognised when the conditions attaching to the government grants are satisfied and the grants can be received.

Government grants in the form of monetary assets are measured at the amount received or receivable. Government grants in the form of non-monetary assets are measured at fair value; where the fair value cannot be obtained reliably, they are measured at a nominal amount of RMB1.

Government grants related to assets refer to government grants obtained by the Company for the purpose of acquiring, constructing or otherwise forming long-term assets; other government grants are classified as government grants related to income.

For a government grant for which the government document does not expressly specify the object of the grant, the portion of the government grant corresponding to the value of the long-term asset, where a long-term asset can be formed, is treated as a government grant related to assets, and the remaining portion is treated as a government grant related to income; where it is difficult to distinguish between them, the government grant is treated as a whole as a government grant related to income.

Government grants related to assets are recognised as deferred income and are recognised in profit or loss on a reasonable and systematic basis over the useful life of the related asset. Government grants related to income that are used to compensate for related costs, expenses or losses already incurred are recognised in profit or loss for the current period; those used to compensate for related costs, expenses or losses of subsequent periods are recognised as deferred income and are recognised in profit or loss for the current period in the periods in which the related costs, expenses or losses are recognised. Government grants measured at a nominal amount are recognised directly in profit or loss for the current period. The Company applies a consistent method to the accounting treatment of identical or similar government grant transactions.

Government grants related to the Company's ordinary activities are recognised in other income in accordance with the substance of the economic transaction. Government grants not related to ordinary activities are recognised in non-operating income.

Where a government grant already recognised is required to be refunded, if the carrying amount of the related asset was reduced upon initial recognition, the carrying amount of the asset is adjusted; if a balance of related deferred income exists, the carrying amount of the related deferred income is reduced, with any excess recognised in profit or loss for the current period; in other cases, the refund is recognised directly in profit or loss for the current period.

For interest subsidies obtained on policy-based preferential loans, where the fiscal authority allocates the interest subsidy funds to the lending bank, the amount of the borrowing actually received is taken as the carrying value of the borrowing on initial recognition, and borrowing costs are calculated based on the principal of the borrowing and the policy-based preferential interest rate. Where the fiscal authority allocates the interest subsidy funds directly to the Company, the interest subsidy is offset against borrowing costs.

28. Deferred tax assets and deferred tax liabilities

Income tax comprises current tax and deferred tax. Except for goodwill adjustments arising from business combinations and deferred tax relating to transactions or events recognised directly in owners' equity, which is recognised in owners' equity, income tax is recognised as income tax expense in profit or loss for the current period.

The Company recognises deferred tax using the balance sheet liability method on the basis of the temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the taxable temporary difference arises from the following transactions:

- (1) the initial recognition of goodwill, or the initial recognition of an asset or a liability in a transaction which has the following characteristics: the transaction is not a business combination, and at the time of the transaction it affects neither accounting profit nor taxable income (other than a single transaction in which the assets and liabilities initially recognised give rise to equal taxable and deductible temporary differences);
- (2) in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences, deductible losses that can be carried forward to subsequent years and tax credits, the Company recognises the resulting deferred tax assets to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except where the deductible temporary difference arises from the following transactions:

- (1) the transaction is not a business combination, and at the time of the transaction it affects neither accounting profit nor taxable income (other than a single transaction in which the assets and liabilities initially recognised give rise to equal taxable and deductible temporary differences);
- (2) in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, the corresponding deferred tax assets are recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable income will be available in the future against which the deductible temporary difference can be utilised.

At the balance sheet date, the Company measures deferred tax assets and deferred tax liabilities at the tax rates applicable to the period in which the asset is expected to be recovered or the liability is expected to be settled, and reflects the income tax effect of the expected manner of recovery of the asset or settlement of the liability at the balance sheet date.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. If it is no longer probable that sufficient taxable income will be available in future periods to allow the benefit of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset is written down. Any amount written down is reversed when it becomes probable that sufficient taxable income will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are presented at the net amount after offsetting when all of the following conditions are satisfied:

- (1) the taxable entity within the Company has a legally enforceable right to settle current tax assets and current tax liabilities on a net basis;
- (2) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax administration authority on the same taxable entity within the Company.

29. Leases***(1) Identification of a lease***

At the inception of a contract, the Company, whether as lessee or as lessor, assesses whether the customer in the contract has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use and has the right to direct the use of the identified asset throughout that period of use. Where one party to a contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration, the Company determines that the contract is, or contains, a lease.

(2) The Company as lessee

At the commencement date of a lease, the Company recognises a right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low-value assets to which the practical expedient is applied.

For the accounting policy for right-of-use assets, please refer to Note III.30.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease; where the interest rate implicit in the lease cannot be determined, the incremental borrowing rate is used as the discount rate. Lease payments comprise: fixed payments and in-substance fixed payments, less any amounts of lease incentives where lease incentives exist; variable lease payments that depend on an index or a rate; the exercise price of a purchase option, provided that the lessee is reasonably certain to exercise that option; amounts payable for exercising an option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; and amounts expected to be payable under residual value guarantees provided by the lessee. Subsequently, interest expense on the lease liability for each period during the lease term is calculated at a constant periodic rate of interest and is recognised in profit or loss for the current period. Variable lease payments not included in the measurement of the lease liability are recognised in profit or loss for the current period when actually incurred.

Short-term leases

A short-term lease is a lease that, at the commencement date of the lease, has a lease term of not more than 12 months, other than a lease that contains a purchase option.

The Company recognises the lease payments of short-term leases in the cost of the related asset or in profit or loss for the current period on a straight-line basis over the periods of the lease term.

For short-term leases, the Company elects, by class of underlying asset, to apply the above practical expedient to items among the following types of assets that meet the criteria for short-term leases.

- Office equipment
- R&D testing equipment

Leases of low-value assets

A lease of a low-value asset is a lease for which the value of the single underlying asset, when it is new, is less than RMB40,000.

The Company recognises the lease payments of leases of low-value assets in the cost of the related asset or in profit or loss for the current period on a straight-line basis over the periods of the lease term.

For leases of low-value assets, the Company elects to apply the above practical expedient on a lease-by-lease basis according to the specific circumstances of each lease.

Lease modifications

Where a lease is modified and all of the following conditions are satisfied, the Company accounts for the lease modification as a separate lease: (1) the lease modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the increase in consideration is commensurate with the stand-alone price of the increase in the scope of the lease, as adjusted for the circumstances of the particular contract.

Where a lease modification is not accounted for as a separate lease, at the effective date of the lease modification the Company reallocates the consideration of the modified contract, redetermines the lease term, and remeasures the lease liability at the present value calculated using the revised lease payments and the revised discount rate.

Where a lease modification results in a decrease in the scope of the lease or a shortening of the lease term, the Company reduces the carrying amount of the right-of-use asset accordingly, and recognises the relevant gain or loss on the partial or full termination of the lease in profit or loss for the current period.

For other lease modifications resulting in a remeasurement of the lease liability, the Company adjusts the carrying amount of the right-of-use asset accordingly.

(3) The Company as lessor

When acting as lessor, the Company classifies a lease that transfers substantially all the risks and rewards incidental to ownership of an asset as a finance lease, and classifies leases other than finance leases as operating leases.

Finance leases

For a finance lease, at the commencement date of the lease the Company records the net investment in the lease as the carrying value of the finance lease receivable. The net investment in the lease is the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the commencement date of the lease, discounted using the interest rate implicit in the lease. As lessor, the Company calculates and recognises interest income for each period during the lease term at a constant periodic rate of interest. Variable lease payments obtained by the Company as lessor that are not included in the measurement of the net investment in the lease are recognised in profit or loss for the current period when actually incurred.

The derecognition and impairment of finance lease receivables are accounted for in accordance with “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” and “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”.

Operating leases

Rentals under operating leases are recognised by the Company in profit or loss for the current period on a straight-line basis over the periods of the lease term. Initial direct costs incurred in connection with an operating lease are capitalised and amortised over the lease term on the same basis as the recognition of rental income, and are recognised in profit or loss on a periodic basis. Variable lease payments obtained in connection with an operating lease that are not included in the lease receipts are recognised in profit or loss for the current period when actually incurred.

Lease modifications

Where an operating lease is modified, the Company accounts for the modification as a new lease from the effective date of the modification, and any lease receipts received in advance or receivable relating to the lease before the modification are regarded as receipts of the new lease.

Where a finance lease is modified and all of the following conditions are satisfied, the Company accounts for the modification as a separate lease: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the increase in consideration is commensurate with the stand-alone price of the increase in the scope of the lease, as adjusted for the circumstances of the particular contract.

Where a modification of a finance lease is not accounted for as a separate lease, the Company accounts for the modified lease in the following circumstances respectively: (1) if the lease would have been classified as an operating lease had the modification been in effect at the inception date of the lease, the Company accounts for it as a new lease from the effective date of the lease modification, and takes the net investment in the lease immediately before the effective date of the lease modification as the carrying amount of the leased asset; (2) if the lease would have been classified as a finance lease had the modification been in effect at the inception date of the lease, the Company accounts for it in accordance with the provisions of “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” regarding the modification or renegotiation of a contract.

30. Right-of-use assets

(1) Recognition criteria for right-of-use assets

A right-of-use asset is the right of the Company, as lessee, to use the underlying asset during the lease term.

At the commencement date of the lease, a right-of-use asset is initially measured at cost. Such cost comprises: the amount of the initial measurement of the lease liability; lease payments made at or before the commencement date of the lease, less any amounts of lease incentives already enjoyed where lease incentives exist; initial direct costs incurred by the Company as lessee; and the costs estimated to be incurred by the Company as lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms of the lease. The Company, as lessee, recognises and measures the costs of dismantling and restoration in accordance with “Accounting Standards for Business Enterprises No. 13 – Contingencies”. Subsequent adjustments are made for any remeasurement of the lease liability.

(2) Depreciation method for right-of-use assets

The Company provides depreciation using the straight-line method. Where the Company, as lessee, is reasonably certain to obtain ownership of the underlying asset by the end of the lease term, depreciation is provided over the remaining useful life of the underlying asset. Where it is not reasonably certain that ownership of the underlying asset will be obtained by the end of the lease term, depreciation is provided over the shorter of the lease term and the remaining useful life of the underlying asset.

(3) For the impairment testing method and the method of providing for impairment of right-of-use assets, please refer to Note III.20.

31. Repurchase of shares

Shares repurchased by the Company are accounted for as treasury shares before they are cancelled or transferred, and all expenditures on the repurchase of shares are transferred to the cost of treasury shares. The consideration paid and transaction costs incurred in a share repurchase reduce owners' equity, and no gain or loss is recognised upon the repurchase, transfer or cancellation of the Company's shares.

Upon the transfer of treasury shares, the difference between the amount actually received and the carrying amount of the treasury shares is recognised in capital reserve; where the capital reserve is insufficient to absorb the difference, the shortfall is offset against surplus reserve and retained earnings. Upon the cancellation of treasury shares, share capital is reduced by the par value of the shares multiplied by the number of shares cancelled, and the difference between the carrying amount of the treasury shares cancelled and their par value is offset against capital reserve; where the capital reserve is insufficient to absorb the difference, the shortfall is offset against surplus reserve and retained earnings.

32. Significant accounting judgements and estimates

The Company continually evaluates the significant accounting estimates and key assumptions adopted, based on historical experience and other factors, including reasonable expectations of future events. The significant accounting estimates and key assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next accounting year are set out below:

Classification of financial assets

The significant judgements involved in the Company's determination of the classification of financial assets include the analysis of the business model and the contractual cash flow characteristics.

The Company determines the business model for managing financial assets at the level of a portfolio of financial assets, taking into consideration factors such as the manner in which the performance of the financial assets is evaluated and reported to key management personnel, the risks affecting the performance of the financial assets and the manner in which such risks are managed, and the manner in which the relevant business managers are remunerated.

In assessing whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement, the Company makes the following principal judgements: whether the principal may change in the timing of its distribution or in amount over the life of the financial asset due to reasons such as early repayment; and whether interest includes only consideration for the time value of money, credit risk, other basic lending risks and costs and profit. For example, whether the prepayment amount reflects only the unpaid principal and interest based on the outstanding principal, together with reasonable compensation paid for the early termination of the contract.

Measurement of expected credit losses on accounts receivable

The Company calculates the expected credit losses on accounts receivable based on the exposure at default of accounts receivable and the expected credit loss rate, and determines the expected credit loss rate based on the probability of default and the loss given default. In determining the expected credit loss rate, the Company uses data such as its internal historical credit loss experience and adjusts the historical data in light of current conditions and forward-looking information. In considering forward-looking information, the indicators used by the Company include the risk of economic downturn, the external market environment, the technological environment and changes in the circumstances of customers. The Company regularly monitors and reviews the assumptions relating to the calculation of expected credit losses.

Goodwill impairment

The Company assesses at least annually whether goodwill has been impaired. This requires an estimation of the value in use of the asset group to which the goodwill has been allocated. In estimating the value in use, the Company is required to estimate the future cash flows from the asset group and to select an appropriate discount rate to calculate the present value of those future cash flows.

Development expenditure

In determining the amount to be capitalised, management is required to make assumptions regarding the generation of expected future cash flows from the asset, the discount rate to be applied and the expected period of benefit.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which the losses can be utilised. This requires management to exercise significant judgement in estimating the timing and amount of future taxable profits, together with tax planning strategies, in order to determine the amount of deferred tax assets to be recognised.

33. Changes in significant accounting policies and accounting estimates***(1) Changes in significant accounting policies******① Interpretation No. 16 of the Accounting Standards for Business Enterprises***

In November 2022, the Ministry of Finance issued “Interpretation No. 16 of the Accounting Standards for Business Enterprises” (Cai Kuai [2022] No. 31) (hereinafter referred to as “Interpretation No. 16”).

Interpretation No. 16 provides that, for a single transaction that is not a business combination, that affects neither accounting profit nor taxable income (or deductible losses) at the time of the transaction, and in which the assets and liabilities initially recognised give rise to equal taxable and deductible temporary differences, the taxable temporary differences and deductible temporary differences arising from the initial recognition of the assets and liabilities shall be recognised as the corresponding deferred tax liabilities and deferred tax assets at the time of the transaction, in accordance with the relevant provisions of “Accounting Standards for Business Enterprises No. 18 – Income Taxes” and other standards. For such transactions occurring between the beginning of the earliest period presented in the financial statements in which the above provisions are first applied and the effective date of this Interpretation, an enterprise shall, in accordance with the above provisions, adjust the cumulative effect against retained earnings at the beginning of the earliest period presented in the financial statements and other related financial statement items. The above accounting treatment provisions took effect from 1 January 2023.

Where the lease liabilities and right-of-use assets recognised by the Company in respect of its lease transactions give rise to taxable temporary differences and deductible temporary differences, the Company makes adjustments in accordance with the provisions of Interpretation No. 16.

The effects of the implementation of the above accounting policy on the consolidated balance sheet as at 31 December 2023 and the consolidated income statement for the year 2023 are as follows:

Items of the consolidated balance sheet (31 December 2023)	Amount of impact
Deferred tax assets	371,117.86
Other comprehensive income	105.29
Surplus reserve	13,959.44
Retained earnings	357,053.13
Items of the consolidated income statement (For the year ended 31 December 2023)	Amount of impact
Income tax expense	189,130.63
Net profit	-189,130.63
Including: Equity attributable to shareholders of the parent company	-189,130.63
Non-controlling interests	—

The effects of the implementation of the above accounting policy on the consolidated balance sheet as at 31 December 2022 and the consolidated income statement for the year 2022 are as follows:

Items of the consolidated balance sheet (31 December 2022)	Before adjustment	Adjustment amount	After adjustment
Deferred tax assets	96,558,969.88	-1,458,033.77	95,100,936.11
Deferred tax liabilities	29,575,026.51	-2,018,149.89	27,556,876.62
Other comprehensive income	34,287,759.98	-27.08	34,287,732.90
Surplus reserve	126,499,832.42	19,681.97	126,519,514.39
Retained earnings	1,047,810,486.98	540,461.23	1,048,350,948.21

**Items of the consolidated
income statement****(For the year ended
31 December 2022)**

	Before adjustment	Adjustment amount	After adjustment
Income tax expense	-9,264,948.82	-372,050.39	-9,636,999.21
Net profit	364,461,231.39	372,050.39	364,833,281.78
Including: Equity attributable to shareholders of the parent company	364,461,231.39	372,050.39	364,833,281.78
Non-controlling interests	—	—	—

The effects of the implementation of the above accounting policy on the consolidated balance sheet as at 1 January 2022 are as follows:

**Items of the consolidated
balance sheet****(1 January 2022)**

	Before adjustment	Adjustment amount	After adjustment
Deferred tax assets	53,099,242.84	188,092.81	53,287,335.65
Surplus reserve	96,002,226.50	18,809.28	96,021,035.78
Retained earnings	796,664,466.71	169,283.53	796,833,750.24

② *Cumulative effect of the changes in accounting policies for the current period*

Items affected	Current period	Prior period
Net assets at the beginning of the period	—	188,092.81
Including: Retained earnings	—	188,092.81
Net profit	-189,130.63	372,050.39
Net assets at the end of the period	371,117.86	—
Including: Retained earnings	371,012.57	—

(2) Changes in significant accounting estimates

The Company had no significant changes in accounting estimates during the current period.

IV. TAXATION

1. Major categories of taxes and tax rates

Tax type	Tax base	Statutory tax rate %
Value-added tax	Taxable value added (the tax payable is calculated as the balance of taxable sales multiplied by the applicable tax rate, less the input tax allowed to be deducted for the current period)	6, 13, 20
Urban maintenance and construction tax	Turnover tax actually paid	7.00
Enterprise income tax	Taxable income	28, 25, 24.94, 23.2, 23, 21, 20, 16.5, 15, 9
Education surcharge	Turnover tax actually paid	3.00
Local education surcharge	Turnover tax actually paid	2.00

The enterprise income tax rates applicable to the companies for the current period are as follows:

Name of taxpaying entity	Income tax rate %
Fibocom Wireless Inc., Fibocom Software, Favalon Technology, Rolling Wireless Communication Technology (Shenzhen), Xi'an Software	15
Fibocom Investment, FIA, Xi'an Communications, Zhejiang Nodecom, Yaboda, Fibocom Technology, Shanghai Faiot, Shanghai Faiot Software, Shanghai Favalon, Favalon Software, Guangtong Yilian, Rolling Wireless	25
Hong Kong Fibocom, Rolling Wireless (H.K.) Limited, Rolling Wireless Technology (H.K.) Limited	16.5
Rolling Wireless German GmbH, EU Fibocom,	15.825
Rolling Wireless J.P. Limited	23.2
Rolling Wireless S.à r.l.	24.94
Rolling Wireless France	25
U.S. Fibocom, THINGSMATRIX	21
Taiwan Fibocom	20
Rolling Wireless (K.R.) Limited, Rolling Wireless Hungary	9

2. Tax preferential treatments and approval documents

(1) *Value-added tax preferential treatment*

In accordance with the relevant provisions of the “Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products” (Cai Shui [2011] No. 100), the Company’s subsidiaries Fibocom Software, Xi’an Software, Favalon Technology and Favalon Software are entitled to the tax preferential treatment of immediate refund upon collection in respect of the portion of the actual value-added tax burden exceeding 3% after value-added tax is levied on their sales of self-developed and self-produced software products.

In accordance with the “Announcement on the Value-added Tax Additional Deduction Policy for Advanced Manufacturing Enterprises” (Announcement of the Ministry of Finance and the State Taxation Administration No. 43 of 2023) promulgated by the Ministry of Finance and the State Taxation Administration, from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are allowed to deduct an additional 5% of the input tax deductible for the current period against the value-added tax payable. The Company’s subsidiary Favalon Technology is entitled to this tax preferential treatment of additional input tax deduction.

(2) Enterprise income tax preferential treatment

In 2021, the Company obtained the “High and New Technology Enterprise Certificate” jointly issued by the Shenzhen Science, Technology and Innovation Commission, the Shenzhen Municipal Finance Bureau and the Shenzhen Municipal Tax Service of the State Taxation Administration, with certificate number GR202144200684 and a validity period of three years. In accordance with Article 28 of the “Enterprise Income Tax Law of the People’s Republic of China”, high and new technology enterprises that require key support from the State are subject to enterprise income tax at the reduced rate of 15%. The Company is entitled to the preferential enterprise income tax rate of 15%.

In 2022, the Company’s subsidiary Xi’an Software obtained the “High and New Technology Enterprise Certificate” jointly issued by the Department of Science and Technology of Shaanxi Province, the Department of Finance of Shaanxi Province and the Shaanxi Provincial Tax Service of the State Taxation Administration, with certificate number GR202261005700 and a validity period of three years. In accordance with Article 28 of the “Enterprise Income Tax Law of the People’s Republic of China”, high and new technology enterprises that require key support from the State are subject to enterprise income tax at the reduced rate of 15%. On 30 June 2023, Xi’an Software obtained the “Software Enterprise Certificate” issued by the China Software Industry Association, with certificate number Shaan RQ-2022-0190 and a validity period of one year. Xi’an Software was established on 14 May 2018 and made its first profit in 2022; in 2023 it is entitled, as the second year of the enterprise income tax preferential treatment of two-year exemption followed by three-year 50% reduction for software enterprises, to exemption from enterprise income tax.

On 19 December 2022, the Company’s subsidiary Favalon Technology obtained the “High and New Technology Enterprise Certificate” jointly issued by the Shenzhen Science, Technology and Innovation Commission, the Shenzhen Municipal Finance Bureau and the Shenzhen Municipal Tax Service of the State Taxation Administration, with certificate number GR202244206374 and a validity period of three years. In accordance with Article 28 of the “Enterprise Income Tax Law of the People’s Republic of China”, high and new technology enterprises that require key support from the State are subject to enterprise income tax at the reduced rate of 15%. Favalon Technology is entitled to the preferential enterprise income tax rate of 15%.

In December 2021, the Company’s subsidiary Rolling Wireless Communication Technology (Shenzhen) obtained the “Advanced Technology Service Enterprise Certificate” jointly issued by the Shenzhen Science, Technology and Innovation Commission, the Shenzhen Municipal Bureau of Commerce, the Shenzhen Municipal Finance Bureau, the Shenzhen Municipal Tax Service of the State Taxation Administration and the Shenzhen Municipal Development and Reform Commission, with certificate number 20214403000042 and a validity period up to 2024. Rolling Wireless Communication Technology (Shenzhen) is entitled to the preferential enterprise income tax rate of 15%.

In 2022, the Company's subsidiary Fibocom Software obtained the "High and New Technology Enterprise Certificate" jointly issued by the Shenzhen Science, Technology and Innovation Commission, the Shenzhen Municipal Finance Bureau and the Shenzhen Municipal Tax Service of the State Taxation Administration, with certificate number GR202244201283 and a validity period of three years. In accordance with Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", high and new technology enterprises that require key support from the State are subject to enterprise income tax at the reduced rate of 15%. Fibocom Software is entitled to the preferential enterprise income tax rate of 15%.

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	Closing balance	Balance at the end of prior year
Cash on hand	—	128.70
Bank deposits	978,445,216.77	775,505,892.32
Other Cash at bank and on hand	46,712,246.06	88,342,490.80
Total	1,025,157,462.83	863,848,511.82
Including: Total amount deposited overseas	228,184,808.38	243,861,684.70

Note:

- (1) Bank deposits and other Cash at bank and on hand include interest accrued using the effective interest method of RMB182,790.83 and RMB1,621.03 respectively;
- (2) Other Cash at bank and on hand of RMB35,378,305.03 represent guarantee deposits for notes and borrowings, and RMB11,332,320.00 represents Cunliying deposits.

2. Notes receivable

Category of notes	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Bank acceptance notes	84,611,253.16	—	84,611,253.16	60,912,164.70	—	60,912,164.70
Commercial acceptance notes	1,902,480.00	—	1,902,480.00	1,090,844.40	—	1,090,844.40
Total	86,513,733.16	—	86,513,733.16	62,003,009.10	—	62,003,009.10

(1) Notes receivable pledged by the Company at the end of the period

Category	Amount pledged at the end of the period
Bank acceptance notes	24,941,407.10

Note:

In accordance with the “Asset Pool Business Cooperation Agreement” signed with China CITIC Bank, the Company pledged notes receivable “accepted by banks other than the 6+9 banks” amounting to RMB2,008,000.00, and in accordance with the “Asset Pool Business Cooperation Agreement” signed with Industrial Bank, pledged notes receivable “accepted by banks other than the 6+9 banks” amounting to RMB21,508,198.27; Favalon Technology, a subsidiary of the Company, pledged notes receivable “accepted by banks other than the 6+9 banks” amounting to RMB1,425,208.83 in accordance with the “Asset Pool Business Cooperation Agreement” signed with Industrial Bank, totalling RMB24,941,407.10, which are presented in notes receivable.

(2) Notes receivable endorsed or discounted by the Company but not yet due at the end of the period

Category	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance notes	—	54,001,230.51

Note: At the end of the period, among the bank acceptance notes used for endorsement or discounting, notes amounting to RMB54,001,230.51 were not derecognised because the credit ratings of the accepting banks were not high.

(3) At the end of the period, the Company had no notes transferred to accounts receivable as a result of the drawers’ failure to perform

(4) Classified by method of provision for bad debts

Category	Closing balance				Carrying amount
	Gross carrying amount		Provision for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	—	—	—	—	—
Provision for bad debts assessed by portfolio	86,513,733.16	100.00	—	—	86,513,733.16
Including:					
Commercial acceptance notes	1,902,480.00	2.20	—	—	1,902,480.00
Bank acceptance notes	84,611,253.16	97.80	—	—	84,611,253.16
Total	86,513,733.16	100.00	—	—	86,513,733.16

Continued:

Category	Balance at the end of prior year				Carrying amount
	Gross carrying amount		Provision for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	—	—	—	—	—
Provision for bad debts assessed by portfolio	62,003,009.10	100.00	—	—	62,003,009.10
Including:					
Commercial acceptance notes	1,090,844.40	1.76	—	—	1,090,844.40
Bank acceptance notes	60,912,164.70	98.24	—	—	60,912,164.70
Total	62,003,009.10	100.00	—	—	62,003,009.10

3. Accounts receivable

(1) Disclosure by ageing

Ageing	Closing balance	Balance at the end of prior year
Within 1 year	1,941,428,179.98	2,226,415,713.73
1 to 2 years	33,353,980.19	9,276,843.33
Subtotal	1,974,782,160.17	2,235,692,557.06
Less: Provision for bad debts	35,463,754.81	42,613,187.81
Total	1,939,318,405.36	2,193,079,369.25

(2) Disclosure by method of provision for bad debts

Category	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	—	—	—	—	—
Provision for bad debts assessed by portfolio	1,974,782,160.17	100.00	35,463,754.81	1.80	1,939,318,405.36
Including:					
Portfolio of receivables from other customers	1,974,782,160.17	100.00	35,463,754.81	1.80	1,939,318,405.36
Total	1,974,782,160.17	100.00	35,463,754.81	1.80	1,939,318,405.36

Continued:

Category	Balance at the end of prior year				Carrying amount
	Gross carrying amount		Provision for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	9,591,725.89	0.43	4,795,862.95	50.00	4,795,862.94
Provision for bad debts assessed by portfolio	2,226,100,831.17	99.57	37,817,324.86	1.70	2,188,283,506.31
Including:					
Portfolio of receivables from other customers	2,226,100,831.17	99.57	37,817,324.86	1.70	2,188,283,506.31
Total	2,235,692,557.06	100.00	42,613,187.81	1.91	2,193,079,369.25

Accounts receivable for which provision for bad debts is assessed individually

Name	Closing balance			Basis of provision
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	
Customer 1	—	—	—	—

Continued:

Name	Balance at the end of prior year			Basis of provision
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	
Customer 1	9,591,725.89	4,795,862.95	50.00	Recoverability risk exists

Accounts receivable for which provision for bad debts is assessed by portfolio

Portfolio item: receivables from other customers

	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	1,941,428,179.98	32,128,356.80	1.65	2,226,100,831.17	37,817,324.86	1.70
1 to 2 years	33,353,980.19	3,335,398.01	10.00	—	—	—
Total	1,974,782,160.17	35,463,754.81	1.80	2,226,100,831.17	37,817,324.86	1.70

(3) Provision, recovery or reversal of provision for bad debts for the period

	Amount of provision for bad debts
Opening balance	42,613,187.81
Provision for the period	-2,788,951.60
Recovery or reversal for the period	4,795,862.95
Write-off for the period	—
Foreign currency translation	-435,381.55
Closing balance	35,463,754.81

Provision for bad debts with significant amounts reversed or recovered

Name of entity	Reason for reversal	Method of recovery	Basis for the original provision for bad debts	Amount reversed or recovered
Customer 1	Recovery of provision for impairment of receivables	Cash collection	Recoverability risk exists	4,795,862.95

(4) There were no accounts receivable written off during the period

(5) Top five closing balances of accounts receivable by debtor

The top five closing balances of accounts receivable by debtor for the period amounted to RMB1,103,660,478.33, accounting for 55.89% of the total closing balance of accounts receivable, and the corresponding closing balance of provision for bad debts amounted to RMB11,130,489.94 in aggregate.

4. Receivables financing

Item	Closing balance	Balance at the end of prior year
Notes receivable	93,422,284.73	24,364,130.05
Receivable claim certificates	231,042,278.21	177,575,513.30
Subtotal	324,464,562.94	201,939,643.35
Less: Other comprehensive income – changes in fair value	—	—
Fair value at the end of the period	324,464,562.94	201,939,643.35

Note:

Based on the needs of its daily fund management, the Company discounts and endorses part of its bank acceptance notes/receivable claim certificates, and therefore classifies such bank acceptance notes/receivable claim certificates as financial assets measured at fair value through other comprehensive income.

The Company has no bank acceptance notes/receivable claim certificates for which provision for impairment is assessed individually. At the end of the period, the Company considers that the bank acceptance notes/receivable claim certificates held do not bear significant credit risk and will not give rise to significant losses as a result of bank defaults.

(1) Notes receivable pledged by the Company at the end of the period

Category	Amount pledged at the end of the period
Bank acceptance notes	32,478,595.26

Note:

In accordance with the “Asset Pool Business Cooperation Agreement” signed with China CITIC Bank, the Company pledged notes receivable “accepted by the 6+9 banks” amounting to RMB6,122,140.00, in accordance with the “Asset Pool Business Cooperation Agreement” signed with Bank of Ningbo, pledged notes receivable “accepted by the 6+9 banks” amounting to RMB13,446,860.45, and in accordance with the “Asset Pool Business Cooperation Agreement” signed with Industrial Bank, pledged notes receivable “accepted by the 6+9 banks” with a balance of RMB12,909,594.81, totalling RMB32,478,595.26, which are presented in receivables financing.

(2) Notes receivable endorsed or discounted by the Company but not yet due at the end of the period

Category	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance notes	107,868,944.29	—

Note: At the end of the period, some of the bank acceptance notes used for endorsement or discounting were accepted by banks with high credit ratings, and their credit risk and risk of deferred payment are very low. As the interest rate risk related to these notes has been transferred, it can be determined that substantially all the risks and rewards of ownership of the notes have been transferred, and therefore they are derecognised.

5. Prepayments**(1) Disclosure of prepayments by ageing**

Ageing	Closing balance		Balance at the end of prior year	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	18,255,058.04	99.81	4,746,305.73	94.13
1 to 2 years	34,640.04	0.19	295,978.84	5.87
Total	18,289,698.08	100.00	5,042,284.57	100.00

(2) *At the end of the period, the Company had no significant prepayments with an ageing of over 1 year*

(3) *Top five closing balances of prepayments by prepayment recipient*

The top five closing balances of prepayments by prepayment recipient for the period amounted to RMB6,546,679.74 in aggregate, accounting for 35.79% of the total closing balance of prepayments.

6. Other receivables

Item	Closing balance	Balance at the end of prior year
Interest receivable	—	—
Dividends receivable	—	—
Other receivables	31,312,353.60	71,010,099.65
Total	31,312,353.60	71,010,099.65

(1) *Other receivables*

① *Disclosure by ageing*

Ageing	Closing balance	Balance at the end of prior year
Within 1 year	25,749,597.63	64,521,886.31
1 to 2 years	2,296,007.90	7,488,428.90
2 to 3 years	3,724,006.94	131,769.80
Over 3 years	24,000.00	54,146.33
Subtotal	31,793,612.47	72,196,231.34
Less: Provision for bad debts	481,258.87	1,186,131.69
Total	31,312,353.60	71,010,099.65

APPENDIX IX
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023**
② Disclosure by nature of amount

Item	Closing amount			Amount at the end of prior year		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Current accounts with entities	3,438,213.94	171,910.69	3,266,303.25	19,721,146.32	822,998.65	18,898,147.67
Guarantees, deposits	24,467,377.90	122,336.91	24,345,040.99	50,236,027.39	251,180.16	49,984,847.23
Export tax refunds receivable	147,756.45	—	147,756.45	—	—	—
Current accounts with employees	2,867,687.68	143,384.45	2,724,303.23	1,184,199.26	59,209.96	1,124,989.30
Petty cash	872,576.50	43,626.82	828,949.68	1,054,858.37	52,742.92	1,002,115.45
Total	31,793,612.47	481,258.87	31,312,353.60	72,196,231.34	1,186,131.69	71,010,099.65

③ Provision for bad debts

Provision for bad debts in Stage 1 at the end of the period

Category	Gross carrying amount	Expected credit loss rate for the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	—	—	—	—
Provision for bad debts assessed by portfolio	31,793,612.47	1.51	481,258.87	31,312,353.60
Portfolio of deposits and guarantees receivable	24,467,377.90	0.50	122,336.91	24,345,040.99
Portfolio of export tax refunds receivable	147,756.45	—	—	147,756.45
Portfolio of receivables from related parties and other investments	—	—	—	—
Portfolio of current accounts and other characteristics	7,178,478.12	5.00	358,921.96	6,819,556.16
Total	31,793,612.47	1.51	481,258.87	31,312,353.60

At the end of the period, the Company had no interest receivable, dividends receivable or other receivables in Stage 2 or Stage 3.

Provision for bad debts in Stage 1 at the end of prior year

Category	Gross carrying amount	Expected credit loss rate for the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	—	—	—	—
Provision for bad debts assessed by portfolio	72,196,231.34	1.64	1,186,131.69	71,010,099.65
Portfolio of deposits and guarantees receivable	50,236,027.35	0.50	251,180.18	49,984,847.17
Portfolio of export tax refunds receivable	—	—	—	—
Portfolio of receivables from related parties and other investments	4,076,466.67	1.00	40,764.67	4,035,702.00
Portfolio of current accounts and other characteristics	<u>17,883,737.32</u>	<u>5.00</u>	<u>894,186.84</u>	<u>16,989,550.48</u>
Total	<u>72,196,231.34</u>	<u>1.64</u>	<u>1,186,131.69</u>	<u>71,010,099.65</u>

At the end of prior year, the Company had no interest receivable, dividends receivable or other receivables in Stage 2 or Stage 3.

④ *Provision, recovery or reversal of provision for bad debts for the period*

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Opening balance	1,186,131.69	—	—	1,186,131.69
Opening balance during the period				
— Transferred to Stage 2	—	—	—	—
— Transferred to Stage 3	—	—	—	—
— Transferred back to Stage 2	—	—	—	—
— Transferred back to Stage 1	—	—	—	—
Provision for the period	-747,096.21	—	—	-747,096.21
Reversal for the period	—	—	—	—
Write-off for the period	—	—	—	—
Write-off for the period	8,711.53	—	—	8,711.53
Foreign currency translation	-50,934.92	—	—	-50,934.92
Closing balance	481,258.87	—	—	481,258.87

⑤ *Other receivables written off during the period amounted to RMB8,711.53.*

⑥ *Top five closing balances of other receivables by debtor*

Name of entity	Nature of amount	Closing balance of other receivables	Ageing	Percentage of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Flextronics Telecom Systems Ltd	Deposits and guarantees	13,561,641.04	Within 1 year	42.66	67,808.21
HSBC Continental Europe	Deposits and guarantees	1,641,590.40	Within 1 year	5.16	8,207.95
Shenzhen Hi-Tech Industrial Park Comprehensive Service Centre Shenzhen National Independent Innovation Demonstration Zone Service Centre	Deposits and guarantees	1,418,490.66	1-2 years, 2-3 years	4.46	7,092.45
Shenzhen Wanwu Shangqi Property Service Co., Ltd.	Deposits and guarantees	1,195,592.48	2-3 years	3.76	5,977.96
Shanghai Caohejing Development Zone High Technology Park Development Co., Ltd.	Deposits and guarantees	919,487.19	1-2 years	2.89	4,597.44
Total		18,736,801.77		58.93	93,684.01

APPENDIX IX
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023**
7. Inventories
(1) Category of inventories

Item	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for decline in value/ provision for impairment of contract fulfilment costs	Carrying amount	Gross carrying amount	Provision for decline in value/ provision for impairment of contract fulfilment costs	Carrying amount
Materials for consignment processing	510,169,869.13	5,133,257.92	505,036,611.21	612,040,797.11	6,946,857.54	605,093,939.57
Finished goods	359,545,277.30	17,230,693.38	342,314,583.92	252,635,751.50	2,642,933.06	249,992,818.44
Goods shipped	259,563,787.86	—	259,563,787.86	64,235,799.89	—	64,235,799.89
Materials in transit	108,609,558.33	—	108,609,558.33	41,269,874.68	—	41,269,874.68
Raw materials	89,225,753.91	23,133,748.31	66,092,005.60	136,300,455.67	5,606,305.16	130,694,150.51
Contract fulfilment costs	4,011,985.02	—	4,011,985.02	5,318,619.16	—	5,318,619.16
Total	1,331,126,231.55	45,497,699.61	1,285,628,531.94	1,111,801,298.01	15,196,095.76	1,096,605,202.25

(2) Provision for decline in value of inventories and provision for impairment of contract fulfilment costs

Item	Increase for the period			Decrease for the period		Closing balance
	Opening balance	Provision	Other	Reversal or write-off	Foreign currency translation	
Materials for consignment processing	6,946,857.54	3,839,875.34	—	5,653,474.96	—	5,133,257.92
Finished goods	2,642,933.06	15,994,154.76	—	1,420,292.82	-13,898.38	17,230,693.38
Goods shipped	—	—	—	—	—	—
Materials in transit	—	—	—	—	—	—
Raw materials	5,606,305.16	17,884,557.82	—	389,122.01	-32,007.34	23,133,748.31
Contract fulfilment costs	—	—	—	—	—	—
Total	15,196,095.76	37,718,587.92	—	7,462,889.79	-45,905.72	45,497,699.61

Provision for decline in value of inventories and provision for impairment of contract fulfilment costs (Continued)

Item	Specific basis for determining net realisable value/residual consideration and the costs to be incurred	Reason for the reversal or write-off of the provision for decline in value of inventories/ provision for impairment of contract fulfilment costs during the period
Materials for consignment processing	The estimated selling price of the inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the relevant taxes and surcharges	Requisitioned for production of finished goods which have been sold externally and transferred to operating costs
Finished goods	The estimated selling price of the inventories less the estimated selling expenses and the relevant taxes and surcharges	Sold externally and transferred to operating costs
Goods shipped	The estimated selling price of the inventories less the estimated selling expenses and the relevant taxes and surcharges	—
Materials in transit	The estimated selling price of the inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the relevant taxes and surcharges	—

Item	Specific basis for determining net realisable value/residual consideration and the costs to be incurred	Reason for the reversal or write-off of the provision for decline in value of inventories/ provision for impairment of contract fulfilment costs during the period
Raw materials	The estimated selling price of the inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the relevant taxes and surcharges	Requisitioned for production of finished goods which have been sold externally and transferred to operating costs
Contract fulfilment costs	The estimated selling price of the service projects less the estimated costs to be incurred until the performance obligations are satisfied, the estimated selling expenses and the relevant taxes and surcharges	—

8. Other current assets

Item	Closing balance	Balance at the end of prior year
Rebates receivable from suppliers	524,743,258.24	340,386,087.48
Input VAT to be deducted	230,671,022.98	116,805,471.51
Prepaid taxes	19,553,990.37	36,168,290.48
Prepaid expenses	—	3,087,175.64
Total	774,968,271.59	496,447,025.11

9. Long-term equity investments

Investee	Changes for the period							
	Opening balance (carrying amount)	Opening balance of provision for impairment	Additional/new investments	Decrease in investments	Investment income or loss recognised under the equity method	Adjustment of other comprehensive income	Other changes in equity	Cash dividends or profits declared
								Provision for impairment
								Other
								Closing balance (carrying amount)
								Closing balance of provision for impairment
① Associates								
Shenzhen Bogesi Communication Technology Co., Ltd.	3,133,112.26	-	-	-	-65,597.36	-	-	-
Xi'an Liancheng Intelligent Technology Co., Ltd.	30,206,030.04	-	-	5,000,000.00	965,543.61	-	-	627,943.36
Shenzhen High-tech Investment Fibocom IoT Industry Private Equity Investment Fund Partnership (Limited Partnership)	29,792,968.52	-	-	-	1,116,830.85	-	-	-
Total	63,132,110.82	-	-	5,000,000.00	2,016,777.10	-	-	627,943.36
								60,476,831.28

Note: (1) The Company holds a 15% equity interest in Shenzhen Bogesi Communication Technology Co., Ltd. (hereinafter referred to as "Bogesi"), and investment income of RMB -65,597.36 was recognised for the period.

(2) In July 2020, the Company entered into the "Agreement on the Capital Increase and Share Expansion of Xi'an Liancheng Intelligent Technology Co., Ltd." with Zhejiang Huanfu Technology Co., Ltd. (hereinafter referred to as Huanfu Technology), the parent company of Xi'an Liancheng Intelligent Technology Co., Ltd. (hereinafter referred to as "Xi'an Liancheng"), and Fibocom Investment held a 40.00% equity interest in Xi'an Liancheng; in August 2023, Fibocom Investment entered into an equity transfer agreement with Zhang Junjie and Huanfu Technology, and as at the end of the period Fibocom Investment had subscribed capital of RMB16,875,000 and held a 27% equity interest in Xi'an Liancheng. As the employee shareholding platform established by Xi'an Liancheng has not yet actually granted the shares to employees, Fibocom Investment actually held a 33.75% equity interest in Xi'an Liancheng, and investment income of RMB965,543.61 was recognised for the period.

(3) The Company holds a 30% equity interest in Shenzhen High-tech Investment Fibocom IoT Industry Private Equity Investment Fund Partnership (Limited Partnership) (hereinafter referred to as the "Internet of Things Private Equity Fund"), and investment income of RMB1,116,830.85 was recognised for the period.

10. Investments in other equity instruments

Item	Closing balance	Balance at the end of prior year
Shanghai Mytech IoT Technology Co., Ltd.	36,099,753.84	42,847,740.00
Allystar Technology (Shenzhen) Co., Ltd.	27,154,272.75	33,287,700.00
Guangzhou Yuekun Industrial Park Investment Development Co., Ltd.	1.00	1.00
United Micro Technology (Shenzhen) Co., Ltd.	154,025,670.43	36,000,000.00
Total	217,279,698.02	112,135,441.00

Note: As at 31 December 2023, the Company held a 4.0082% equity interest in Shanghai Mytech IoT Technology Co., Ltd. (hereinafter referred to as “Shanghai Mytech”), a 0.7639% equity interest in Allystar Technology (Shenzhen) Co., Ltd. (hereinafter referred to as “Allystar”), a 5% equity interest in Guangzhou Yuekun Industrial Park Investment Development Co., Ltd. (hereinafter referred to as “Guangzhou Yuekun”) and a 14% equity interest in United Micro Technology (Shenzhen) Co., Ltd. (hereinafter referred to as “United Micro”). The Company intends to hold the above equity investments on a long-term basis and not for trading purposes, and it has no seat on the board of directors of any of the above companies and does not have significant influence over any of them. Accordingly, in accordance with the China Accounting Standards for Business Enterprises, these investments are accounted for as investments in other equity instruments and are subsequently measured at fair value.

11. Fixed assets

Item	Closing balance	Balance at the end of prior year
Fixed assets	151,563,058.85	184,151,627.45
Disposal of fixed assets	—	—
Total	151,563,058.85	184,151,627.45

(1) Fixed assets**① Details of fixed assets**

Item	R&D and automated testing equipment	Motor vehicles	Office equipment and others	Machinery and equipment	Total
I. Cost:					
1. Opening balance	158,750,494.03	3,781,249.99	35,617,166.75	76,221,062.59	274,369,973.36
2. Additions for the period	14,999,148.68	359,115.04	6,270,880.49	13,105,983.45	34,735,127.66
(1) Acquisition	13,922,906.99	359,115.04	6,075,160.43	12,953,120.53	33,310,302.99
(2) Translation of foreign currency financial statements	1,076,241.69	—	195,720.06	152,862.92	1,424,824.67
3. Disposals for the period	1,464,381.86	—	2,515,233.40	875,746.09	4,855,361.35
(1) Disposal or retirement	1,464,381.86	—	2,515,233.40	875,746.09	4,855,361.35
4. Closing balance	172,285,260.85	4,140,365.03	39,372,813.84	88,451,299.95	304,249,739.67
II. Accumulated depreciation					
1. Opening balance	62,423,299.01	3,322,078.11	17,296,023.80	7,176,944.99	90,218,345.91
2. Additions for the period	45,270,927.55	146,929.70	9,720,161.03	11,726,106.62	66,864,124.90
(1) Charge for the period	44,868,060.93	146,929.70	9,677,747.54	11,682,041.28	66,374,779.45
(2) Translation of foreign currency financial statements	402,866.62	—	42,413.49	44,065.34	489,345.45
3. Disposals for the period	1,236,690.75	—	2,340,011.02	819,088.22	4,395,789.99
(1) Disposal or retirement	1,236,690.75	—	2,340,011.02	819,088.22	4,395,789.99
4. Closing balance	106,457,535.81	3,469,007.81	24,676,173.81	18,083,963.39	152,686,680.82
III. Provision for impairment					
1. Opening balance	—	—	—	—	—
2. Additions for the period	—	—	—	—	—
3. Disposals for the period	—	—	—	—	—
4. Closing balance	—	—	—	—	—
IV. Carrying amount					
1. Carrying amount at the end of the period	65,827,725.04	671,357.22	14,696,640.03	70,367,336.56	151,563,058.85
2. Carrying amount at the beginning of the period	96,327,195.02	459,171.88	18,321,142.95	69,044,117.60	184,151,627.45

12. Construction in progress

Item	Closing balance	Balance at the end of prior year
Construction in progress	66,689,229.85	53,811,423.13
Construction materials	—	—
Total	66,689,229.85	53,811,423.13

(1) Construction in progress**① Details of construction in progress**

Item	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for impairment	Net carrying amount	Gross carrying amount	Provision for impairment	Net carrying amount
R&D office building of the Liuxiandong Headquarters						
Joint Construction Building	66,689,229.85	—	66,689,229.85	53,811,423.13	—	53,811,423.13

② Movements in significant construction in progress projects

Project name	Opening balance	Increase for the period	Transferred to fixed assets	Other decreases
R&D office building of the Liuxiandong Headquarters				
Joint Construction Building	53,811,423.13	12,877,806.72	—	—

Movements in significant construction in progress projects (Continued):

Project name	Accumulated amount of capitalised interest	Including: Amount of interest capitalised for the period		Capitalisation rate of interest for the period %	Closing balance
R&D office building of the Liuxiandong Headquarters					
Joint Construction Building	—	—	—	—	66,689,229.85

Movements in significant construction in progress projects (Continued):

Project name	Budgeted amount	Percentage of accumulated investment to budget %	Progress of the project %	Source of funds
R&D office building of the Liuxiandong Headquarters Joint Construction Building	165,483,819.75	40.30	40.30	Raised funds, own funds

13. Right-of-use assets

Item	Buildings	Machinery and equipment	Total
I. Cost:			
1. Opening balance	66,226,391.02	63,865.49	66,290,256.51
2. Additions for the period	16,897,443.34	—	16,897,443.34
(1) New leases	16,537,492.63	—	16,537,492.63
(2) Adjustments to lease liabilities	-202,643.55	—	-202,643.55
(3) Translation of foreign currency financial statements	562,594.26	—	562,594.26
3. Disposals for the period	4,909,802.42	—	4,909,802.42
(1) Expiry of leases/ termination of leases	4,909,802.42	—	4,909,802.42
4. Closing balance	78,214,031.94	63,865.49	78,277,897.43
II. Accumulated depreciation			
1. Opening balance	25,215,692.42	—	25,215,692.42
2. Additions for the period	20,584,743.27	30,655.43	20,615,398.70
(1) Charge for the period	20,398,812.76	30,655.43	20,429,468.19
(2) Translation of foreign currency financial statements	185,930.51	—	185,930.51
3. Disposals for the period	4,689,239.24	—	4,689,239.24
(1) Expiry of leases/ termination of leases	4,689,239.24	—	4,689,239.24
4. Closing balance	41,111,196.45	30,655.43	41,141,851.88

Item	Buildings	Machinery and equipment	Total
III. Provision for impairment			
1. Opening balance	—	—	—
2. Additions for the period	—	—	—
3. Disposals for the period	—	—	—
4. Closing balance	—	—	—
IV. Carrying amount			
1. Carrying amount at the end of the period	37,102,835.49	33,210.06	37,136,045.55
2. Carrying amount at the beginning of the period	41,010,698.60	63,865.49	41,074,564.09

The lease expenses recognised by the Company in relation to short-term leases and leases of low-value assets are set out in Note V.59.

14. Intangible assets

(1) Details of intangible assets

Item	Land use rights	Trademarks, patents, etc.	Development platforms	Customer relationships	Software	Total
I. Cost						
1. Opening balance	76,250,979.27	143,277,692.40	129,953,617.88	98,210,626.63	37,806,736.34	485,499,652.52
2. Additions for the period	—	13,383,283.18	47,816,149.53	738,884.36	2,777,644.30	64,715,961.37
(1) Acquisition	—	—	47,172,609.53	—	2,637,461.15	49,810,070.68
(2) Internally developed	—	11,610,315.59	—	—	—	11,610,315.59
(3) Translation of foreign currency financial statements	—	1,772,967.59	643,540.00	738,884.36	140,183.15	3,295,575.10
3. Disposals for the period	—	—	—	—	682,392.59	682,392.59
(1) Disposal	—	—	—	—	682,392.59	682,392.59
4. Closing balance	76,250,979.27	156,660,975.58	177,769,767.41	98,949,510.99	39,901,988.05	549,533,221.30
II. Accumulated amortisation						
1. Opening balance	6,752,927.91	14,190,186.56	33,338,230.18	2,529,971.82	10,064,952.42	66,876,268.89
2. Additions for the period	2,655,976.49	22,568,620.54	17,130,722.06	15,052,139.62	4,279,833.53	61,687,292.24
(1) Charge for the period	2,655,976.49	22,419,730.70	17,033,315.84	14,973,532.37	4,263,220.39	61,345,775.79
(2) Translation of foreign currency financial statements	—	148,889.84	97,406.22	78,607.25	16,613.14	341,516.45

Item	Land use rights	Trademarks, patents, etc.	Development platforms	Customer relationships	Software	Total
3. Disposals for the period	—	—	—	—	682,392.59	682,392.59
(1) Disposal	—	—	—	—	682,392.59	682,392.59
4. Closing balance	9,408,904.40	36,758,807.10	50,468,952.24	17,582,111.44	13,662,393.36	127,881,168.54
III. Provision for impairment						
1. Opening balance	—	—	—	—	—	—
2. Additions for the period	—	—	—	—	—	—
3. Disposals for the period	—	—	—	—	—	—
4. Closing balance	—	—	—	—	—	—
IV. Carrying amount						
1. Carrying amount at the end of the period	66,842,074.87	119,902,168.48	127,300,815.17	81,367,399.55	26,239,594.69	421,652,052.76
2. Carrying amount at the beginning of the period	69,498,051.36	129,087,505.84	96,615,387.70	95,680,654.81	27,741,783.92	418,623,383.63

Note:

Intangible assets arising from internal research and development for the period accounted for 2.11% of the balance of intangible assets.

15. Development expenditure

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
5G series wireless communication modules	23,984,663.98	15,017,144.65	26,316,090.39	12,685,718.24

For details, please refer to Note VI. Research and development expenditure.

16. Goodwill**(1) Cost of goodwill**

Name of investee or event giving rise to goodwill	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Arising from business combinations	Other	Disposal	Other	
Zhejiang Nodecom	22,970,110.91	—	—	—	—	22,970,110.91
Rolling Wireless	303,132,698.77	—	—	—	—	303,132,698.77
Total	326,102,809.68	—	—	—	—	326,102,809.68

(2) Provision for impairment of goodwill

Name of investee or event giving rise to goodwill	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Other	Disposal	Other	
Zhejiang Nodecom	14,883,905.11	—	—	—	—	14,883,905.11
Rolling Wireless	—	—	—	—	—	—
Total	14,883,905.11	—	—	—	—	14,883,905.11

Note:

Zhejiang Nodecom The Company calculates the recoverable amount of the asset group using the present value of estimated future cash flows. The Company estimates the cash flows for the next five years based on the financial budgets approved by management, and the cash flow growth rate adopted for the subsequent years is estimated to be 0% (prior period: 0%), which does not exceed the long-term average growth rate of the business operations of the asset group. Management prepared the above financial budgets based on past performance and its expectations for market development. The pre-tax discount rate used in calculating the present value of future cash flows is 13.22% (prior period: 12.63%), which reflects the risks relating to the relevant segment. Based on the results of the impairment test, no impairment of goodwill occurred for the period.

Rolling Wireless The Company calculates the recoverable amount of the asset group using the present value of estimated future cash flows. The Company estimates the cash flows for the next five years based on the financial budgets approved by management, and the cash flow growth rate adopted for the subsequent years is estimated to be 0% (prior period: 0%), which does not exceed the long-term average growth rate of the business operations of the asset group. Management prepared the above financial budgets based on past performance and its expectations for market development. The pre-tax discount rate used in calculating the present value of future cash flows is 14.55% (prior period: 10.35%), which reflects the risks relating to the relevant segment. Based on the results of the impairment test, no impairment of goodwill occurred for the period.

17. Long-term deferred expenses

Item	Opening balance	Increase for the period	Decrease for the period		Closing balance
			Amortisation for the period	Other decreases	
Certification fees	76,923,915.95	21,152,116.03	27,928,480.33	-44,756.70	70,192,308.35
Renovation costs	13,968,702.31	6,705,795.89	7,237,647.77	-8,661.71	13,445,512.14
Other	5,527,607.30	16,685,324.71	7,824,860.87	-60.24	14,388,131.38
Total	96,420,225.56	44,543,236.63	42,990,988.97	-53,478.65	98,025,951.87

18. Deferred tax assets and deferred tax liabilities**(1) Deferred tax assets and deferred tax liabilities not offset**

Item	Closing balance		Balance at the end of prior year	
	Deductible/ taxable temporary differences	Deferred tax assets/ liabilities	Deductible/ taxable temporary differences	Deferred tax assets/ liabilities
Deferred tax assets:				
Unrealised profits from intra-group transactions	50,179,926.93	7,526,989.04	33,053,793.75	4,958,069.06
Provision for asset impairment	25,364,721.51	4,090,030.34	34,472,464.19	5,523,144.41
Share-based payments	14,682,054.98	2,323,854.88	4,755,299.63	733,026.15
Deductible losses	395,367,441.40	77,305,524.54	353,502,134.76	72,017,459.20
Deferred income	13,288,034.01	1,993,205.10	952,716.42	142,907.46
Accrued expenses	164,189,397.12	27,091,250.53	79,905,233.91	13,184,363.60
Lease liabilities	36,764,869.41	6,731,622.23	34,986,979.72	6,246,869.86
Subtotal	699,836,445.36	127,062,476.66	541,628,622.38	102,805,839.74
Deferred tax liabilities:				
Differences in depreciation of fixed assets	5,904,512.38	974,244.55	12,231,211.45	2,018,149.89
Appreciation in the valuation of assets arising from business combinations not involving entities under common control	66,695,983.04	10,004,397.46	83,766,583.52	15,569,683.37
Changes in fair value of investments in other equity instruments	117,093,030.02	29,273,257.51	47,948,773.00	11,987,193.25
Right-of-use assets	34,721,452.27	6,360,504.37	31,973,921.55	5,686,753.74
Subtotal	224,414,977.71	46,612,403.89	175,920,489.52	35,261,780.25

(2) Deferred tax assets or liabilities presented at the net amount after offsetting

Item	Amount of deferred tax assets and liabilities offset against each other at the end of the period	Closing balance of deferred tax assets or liabilities after offsetting	Amount of deferred tax assets and liabilities offset against each other at the end of prior year	Balance of deferred tax assets or liabilities after offsetting at the end of prior year
Deferred tax assets	7,334,748.92	119,727,727.74	7,704,903.63	95,100,936.11
Deferred tax liabilities	7,334,748.92	39,277,654.97	7,704,903.63	27,556,876.62

(3) Details of deductible temporary differences and deductible losses for which no deferred tax assets have been recognised

Item	Closing balance	Balance at the end of prior year
Deductible temporary differences	56,077,991.78	498,256,910.35
Deductible losses	846,157,313.04	21,736,110.31
Total	902,235,304.82	519,993,020.66

(4) Deductible losses for which no deferred tax assets have been recognised will expire in the following years

Year	Closing balance	Balance at the end of prior year	Remarks
2023	—	15,250,865.64	
2024	56,771,268.35	50,694,202.23	
2025	97,507,191.57	94,097,758.01	
2026	227,393,146.64	144,242,694.38	
2027	98,513,490.22	140,992,149.69	
2028	149,552,243.64	—	
2029	—	—	
2032	91,299,860.04	—	
2038	15,395,596.66	—	
2039	73,540,421.73	19,599,208.01	
2040	—	7,069,488.83	
2041	—	26,310,543.56	
No expiry date	36,184,094.19	—	
Total	846,157,313.04	498,256,910.35	

19. Other non-current assets

Item	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Prepayments for equipment	7,839,724.22	—	7,839,724.22	483,531.13	—	483,531.13
Prepaid certification service fees	10,320,971.31	—	10,320,971.31	6,974,565.23	—	6,974,565.23
Prepayments for intangible assets	2,211,577.36	—	2,211,577.36	643,465.44	—	643,465.44
Certificates of deposit with a term of over one year	92,805,589.04	—	92,805,589.04	—	—	—
Total	113,177,861.93	—	113,177,861.93	8,101,561.80	—	8,101,561.80

20. Assets with restricted ownership or right of use

Item	End of the period			
	Gross carrying amount	Carrying amount	Type of restriction	Details of restriction
Cash at bank and on hand	35,378,305.03	35,378,305.03	Security deposits	Security deposits
Notes receivable	24,941,407.10	24,941,407.10	Pledge	Pledge of notes
Receivables financing	32,478,595.26	32,478,595.26	Pledge	Pledge of notes
Total	92,798,307.39	92,798,307.39		

Continued:

Item	End of prior year			
	Gross carrying amount	Carrying amount	Type of restriction	Details of restriction
Cash at bank and on hand	47,143,830.40	47,143,830.40	Guarantee, pledge	Security deposits
Notes receivable	29,910,611.00	29,910,611.00	Pledge	Pledge of notes
Total	77,054,441.40	77,054,441.40		

21. Short-term borrowings**(1) Categories of short-term borrowings**

Item	Closing balance	Balance at the end of prior year
Credit borrowings	188,057,662.13	688,581,953.54
Discounted notes	85,997,709.74	—
Total	274,055,371.87	688,581,953.54

Note: As at the end of the period, the Company had no overdue borrowings.

22. Notes payable

Category	Closing balance	Balance at the end of prior year
Bank acceptance notes	211,750,434.91	169,853,528.82

Note: As at the end of the period, the Company had no notes payable that were due but unpaid.

23. Accounts payable

Item	Closing balance	Balance at the end of prior year
Payments for goods	1,719,675,322.49	1,705,101,541.39
Service fees, etc.	6,549,483.36	2,724,523.96
Total	1,726,224,805.85	1,707,826,065.35

24. Contract liabilities

Item	Closing balance	Balance at the end of prior year
Advances received for goods	49,375,734.00	67,056,695.32

25. Employee benefits payable

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Short-term employee benefits	141,341,247.59	793,359,063.04	756,864,961.57	177,835,349.06
Post-employment benefits – defined contribution plan	<u>2,988,603.99</u>	<u>70,069,023.70</u>	<u>65,086,123.01</u>	<u>7,971,504.68</u>
Total	<u>144,329,851.58</u>	<u>863,428,086.74</u>	<u>821,951,084.58</u>	<u>185,806,853.74</u>

(1) Short-term employee benefits

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Salaries, bonuses, allowances and subsidies	140,396,530.22	740,916,041.36	704,268,816.90	177,043,754.68
Employee welfare benefits	—	11,969,291.65	11,969,291.65	—
Social insurance premiums	649,701.27	21,914,106.99	22,185,996.21	377,812.05
Including: 1. Medical insurance premiums	633,647.15	20,440,965.68	20,712,623.29	361,989.54
2. Work-related injury insurance premiums	15,672.21	576,832.14	581,641.50	10,862.85
3. Maternity insurance premiums	381.91	896,309.17	891,731.42	4,959.66
Housing provident fund	169,562.00	16,334,382.00	16,282,357.40	221,586.60
Labour union funds and employee education funds	<u>125,454.10</u>	<u>2,225,241.04</u>	<u>2,158,499.41</u>	<u>192,195.73</u>
Total	<u>141,341,247.59</u>	<u>793,359,063.04</u>	<u>756,864,961.57</u>	<u>177,835,349.06</u>

(2) Defined contribution plans

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Post-employment benefits	2,988,603.99	70,069,023.70	65,086,123.01	7,971,504.68
Including: Basic pension				
insurance premiums	2,918,541.05	69,189,306.66	64,161,892.74	7,945,954.97
Unemployment insurance				
premiums	70,062.94	879,717.04	924,230.27	25,549.71
Total	2,988,603.99	70,069,023.70	65,086,123.01	7,971,504.68

26. Taxes payable

Tax item	Closing balance	Balance at the end of prior year
Value-added tax	62,409,336.65	24,386,264.89
Enterprise income tax	109,166,588.04	75,059,026.87
Individual income tax	5,011,820.54	3,304,174.19
Urban maintenance and construction tax	702,285.54	291,109.83
Education surcharge	503,128.73	209,431.81
Other	1,296,431.39	1,337,346.22
Total	179,089,590.89	104,587,353.81

27. Other payables

Item	Closing balance	Balance at the end of prior year
Interest payable	—	—
Dividends payable	—	—
Other payables	112,600,360.71	170,208,229.91
Total	112,600,360.71	170,208,229.91

(1) Other payables

Item	Closing balance	Balance at the end of prior year
Current accounts	62,227,497.88	130,629,755.10
Obligation to repurchase restricted shares	50,360,174.10	39,565,786.08
Funds for exercise of share options	12,688.73	12,688.73
Total	112,600,360.71	170,208,229.91

28. Non-current liabilities due within one year

Item	Closing balance	Balance at the end of prior year
Long-term borrowings due within one year	517,878,080.90	113,484,804.74
Lease liabilities due within one year	18,141,876.65	18,473,143.77
Total	536,019,957.55	131,957,948.51

(1) Long-term borrowings due within one year

Item	Closing balance	Balance at the end of prior year
Credit borrowings	405,406,986.11	147,222.22
Borrowings secured by pledge and guarantee	112,471,094.79	113,337,582.52
Total	517,878,080.90	113,484,804.74

(2) Lease liabilities due within one year

Item	Closing balance	Balance at the end of prior year
Lease liabilities	18,141,876.65	18,473,143.77

29. Other current liabilities

Item	Closing balance	Balance at the end of prior year
Notes receivable not derecognised	38,003,520.77	15,344,318.73
Output VAT to be transferred	2,085,024.23	930,212.39
Total	40,088,545.00	16,274,531.12

30. Long-term borrowings

Item	Closing balance	Balance at the end of prior year
Borrowings secured by pledge and guarantee	406,963,261.30	513,258,345.20
Credit borrowings	505,386,986.11	200,147,222.22
Subtotal	912,350,247.41	713,405,567.42
Less: Long-term borrowings due within one year	517,878,080.90	113,484,804.74
Total	394,472,166.51	599,920,762.68

Note: The borrowings secured by pledge and guarantee are long-term borrowings obtained from China Merchants Bank Co., Ltd., for which Rolling Wireless pledged the equity interest it holds in Rolling Wireless (H.K.) Limited, Rolling Wireless (H.K.) Limited pledged the equity interest it holds in Rolling Wireless S.à r.l. and the Company pledged the 73% equity interest it holds in Rolling Wireless as collateral, and for which the Company and Zhang Tianyu, the actual controller of the Company, acted as guarantors.

For details of guarantees, mortgages or pledges involving related parties, please refer to Note XI.5 to this report.

31. Lease liabilities

Item	Closing balance	Balance at the end of prior year
Lease liabilities	41,063,492.46	45,763,543.44
Less: Lease liabilities due within one year	18,141,876.65	18,473,143.77
Total	22,921,615.81	27,290,399.67

Note: The interest expense on lease liabilities included in finance costs – interest expenses in 2023 amounted to RMB2,293,700.

32. Long-term payables

Item	Closing balance	Balance at the end of prior year
Long-term payables – equity repurchase consideration	—	3,603,405.21

33. Long-term employee benefits payable

Item	Closing balance	Balance at the end of prior year
Net liability of the defined benefit plan	7,885,826.73	7,040,576.84

Note: Rolling Wireless operates an unfunded defined benefit plan for all eligible employees in France. Under this plan, employees are entitled to retirement benefits upon reaching the retirement age of 67. The plan is exposed to interest rate risk and to the risk of changes in the life expectancy of pension beneficiaries. The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were determined by Cabinet GROSS-HUGEL as at 31 December 2023 using the projected unit credit method.

(1) Movements in the defined benefit plan

Present value of defined benefit plan obligations:

Item	Current period	Prior period
I. Opening balance	7,040,576.84	—
II. Increase from business combinations	—	4,452,092.40
III. Defined benefit cost recognised in profit or loss for the period		
1. Current service cost	95,336.02	511,330.70
2. Net interest	268,157.16	169,894.24
IV. Defined benefit cost recognised in other comprehensive income		
1. Actuarial gains (losses to be presented with “-”)	55,953.59	1,709,044.10
2. Translation of foreign currency financial statements	425,803.12	198,215.40
V. Closing balance	7,885,826.73	7,040,576.84

(2) Actuarial assumptions

Item	End of the period	End of prior year
Discount rate	3.70%	3.75%
Mortality rate	INSEE 2023 age-related mortality rates	INSEE 2022 age-related mortality rates
Employee turnover rate	Turnover rate statistics	Turnover rate statistics
Expected rate of salary increase	5.00%	5.00%

(3) Sensitivity analysis

Item	Change in assumption	Effect on the present value of the defined benefit obligation	
		Increase in plan liabilities	Decrease in plan liabilities
Discount rate	10%	-413,906.16	442,398.95
Mortality rate	10%	-788,583.26	716,717.00
Expected average life expectancy	10%	735,898.24	-591,726.61
Employee turnover rate	10%	-788,583.26	356,020.97
Expected rate of salary increase	10%	594,221.61	-548,907.89

The above sensitivity analysis is based on a change in one assumption while all other assumptions remain unchanged; in practice, however, the various assumptions are usually interrelated. The above sensitivity analysis also applies the projected unit credit method in calculating the present value of the defined benefit obligation.

34. Provisions

Item	Closing balance	Balance at the end of prior year
Product quality warranties	64,559,940.74	22,535,466.94
Licensing rights	109,260,349.73	79,905,233.93
Total	173,820,290.47	102,440,700.87

35. Deferred income

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason for recognition
Government grants	952,716.42	15,240,000.00	2,904,682.41	13,288,034.01	Related to assets

For details of the government grants recognised in deferred income, please refer to Note VIII. Government grants.

36. Share capital (in ten thousand shares)

Item	Opening balance	Issue of new shares	Bonus shares	Increase/decrease for the period (+, -)			Closing balance
				Transfer of reserves to share capital	Other	Subtotal	
Total number of shares	63,172.11	994.66	—	12,628.16	-214.35	13,408.47	76,580.58

37. Capital reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium	598,876,592.84	178,635,011.11	143,593,898.48	633,917,705.47
Other capital reserve	30,531,509.44	24,736,485.32	—	55,267,994.76
Total	629,408,102.28	203,371,496.43	143,593,898.48	689,185,700.23

Note:

(1) Increase in share premium of RMB178,635,011.11

① The initial grant under the 2023 restricted share incentive plan increased share premium by RMB20,884,008.00.

As approved by the Board of Directors and the general meeting of shareholders of the Company and sanctioned by the China Securities Regulatory Commission under document Zheng Jian Xu Ke (2022) No. 2717, 7,884,972 shares were finally issued to specific investors, and capital reserve – share premium increased by RMB157,751,003.11;

- (2) Decrease in share premium of RMB143,593,898.48
- ① Pursuant to the “2022 Annual Profit Distribution Plan” approved by the resolution of the 2022 annual general meeting of shareholders held on 15 May 2023, the Company converted capital reserve into share capital at the rate of 2 additional shares for every 10 shares held by all shareholders, and the transfer of capital reserve to share capital decreased share premium by RMB126,281,551.00;
- ② The repurchase during the period of restricted shares granted in prior periods decreased share premium by RMB17,312,347.48.
- (3) Increase in other capital reserve of RMB24,736,485.32
- ① Capital reserve of RMB8,366,079.76 was recognised in respect of share-based incentives for the year.
- ② Equity transactions arising from capital injections by non-controlling shareholders of the Company increased capital reserve by RMB15,905,698.29.

Capital reserve of RMB464,707.27 was recognised in respect of share-based incentives of the Company’s subsidiaries.

38. Treasury shares

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Obligation to repurchase restricted shares	42,039,041.81	22,945,608.00	20,090,254.21	44,894,395.60
Repurchase of shares	—	50,998,371.54	—	50,998,371.54
Total	42,039,041.81	73,943,979.54	20,090,254.21	95,892,767.14

Note:

The decrease in treasury shares – obligation to repurchase restricted shares for the period represented the repurchase and cancellation of restricted shares.

The increase in treasury shares – obligation to repurchase restricted shares for the period represented the grant of restricted shares.

The increase in treasury shares – repurchased shares for the period represented the repurchase of the Company’s shares by way of centralised price bidding through the dedicated securities account for share repurchase.

39. Other comprehensive income

Other comprehensive income attributable to the parent company in the balance sheet:

Item	Opening balance ⁽¹⁾	Current period amount Attributable to the parent company, net of tax ⁽²⁾	Less: Amounts previously recognised in other comprehensive income and transferred to retained earnings in the current period ⁽³⁾	Closing balance ^{(4) = (1) + (2) - (3)}
I. Other comprehensive income that will not be reclassified to profit or loss	32,984,155.79	53,732,095.45	—	86,716,251.24
1. Changes in fair value of investments in other equity instruments	35,961,579.75	51,858,192.76	—	87,819,772.51
2. Actuarial changes in long-term employee benefits payable	-2,977,423.96	1,873,902.69	—	-1,103,521.27
II. Other comprehensive income that will be reclassified to profit or loss	1,303,577.11	10,677,760.09	—	11,981,337.20
1. Exchange differences on translation of foreign currency financial statements	1,303,577.11	10,677,760.09	—	11,981,337.20
Total other comprehensive income	34,287,732.90	64,409,855.54	—	98,697,588.44

40. Surplus reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	126,519,514.39	40,144,470.04	—	166,663,984.43

Note: The increase in surplus reserve represents the appropriation to the statutory surplus reserve at 10% of the Company's net profit.

41. Retained earnings

Item	Current period amount	Prior period amount	Appropriation or distribution ratio
Retained earnings at the end of the prior period before adjustment	1,048,350,948.21	796,664,466.71	—
Total adjustments to retained earnings at the beginning of the period (increases +, decreases -)	—	169,283.53	—
Retained earnings at the beginning of the period after adjustment	1,048,350,948.21	796,833,750.24	
Add: Net profit attributable to shareholders of the parent company for the period	563,554,950.37	364,833,281.78	—
Less: Appropriation to statutory surplus reserve	40,144,470.04	30,498,478.61	10%
Dividends payable on ordinary shares	63,140,775.90	82,817,605.20	
Retained earnings at the end of the period	1,508,620,652.64	1,048,350,948.21	

Details of the adjustments to retained earnings at the beginning of the prior period:

Changes in accounting policies affected retained earnings at the beginning of the prior period by RMB169,283.53.

42. Revenue and operating costs**(1) Revenue and operating costs**

Item	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Principal operations	7,652,818,290.64	5,875,514,493.30	5,618,804,964.69	4,489,403,549.19
Other operations	63,010,706.43	54,891,939.19	27,610,567.29	17,892,665.70
Total	<u>7,715,828,997.07</u>	<u>5,930,406,432.49</u>	<u>5,646,415,531.98</u>	<u>4,507,296,214.89</u>

(2) Revenue and operating costs by product type

Major product types	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Principal operations:				
Communication modules	7,511,064,469.41	5,774,019,276.87	5,547,492,304.01	4,446,031,417.71
Terminals and materials	132,508,494.99	93,497,739.63	69,079,470.60	40,388,741.54
Other	9,245,326.24	7,997,476.80	2,233,190.08	2,983,389.94
Subtotal	7,652,818,290.64	5,875,514,493.30	5,618,804,964.69	4,489,403,549.19
Other operations:	63,010,706.43	54,891,939.19	27,610,567.29	17,892,665.71
Total	7,715,828,997.07	5,930,406,432.49	5,646,415,531.98	4,507,296,214.90

(3) Revenue from principal operations and cost of principal operations by geographical area

Major geographical areas of operation	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Domestic	3,187,339,628.58	2,560,332,915.61	2,255,550,890.19	1,934,909,012.52
Overseas	4,465,478,662.06	3,315,181,577.69	3,363,254,074.50	2,554,494,536.67
Subtotal	7,652,818,290.64	5,875,514,493.30	5,618,804,964.69	4,489,403,549.19

(4) Revenue and operating costs by timing of transfer of goods

Item	Current period amount	
	Revenue	Costs
Principal operations	7,652,818,290.64	5,875,514,493.30
Including: Recognised at a point in time	7,652,818,290.64	5,875,514,493.30
Other operations	63,010,706.43	54,891,939.19
Including: Recognised at a point in time	63,010,706.43	54,891,939.19
Total	7,715,828,997.07	5,930,406,432.49

43. Taxes and surcharges

Item	Current period amount	Prior period amount
Urban maintenance and construction tax	7,827,341.62	5,784,838.60
Education surcharge	5,611,647.70	4,243,854.11
Stamp duty	4,261,560.23	3,017,862.72
Water conservancy fund and others	715,415.83	2,031.53
Total	18,415,965.38	13,048,586.96

For the basis of calculation and payment of taxes and surcharges, please refer to Note IV. Taxation.

44. Selling expenses

Item	Current period amount	Prior period amount
Employee benefits	155,839,802.69	126,719,230.99
Warranty costs	41,684,849.10	3,299,281.14
Amortisation of customer relationships	12,766,481.77	3,523,582.26
Market development expenses	11,381,352.64	2,732,327.64
Travel expenses	10,489,862.38	6,606,835.87
Entertainment expenses	8,614,207.24	8,585,709.92
Advertising and publicity expenses	7,660,218.92	5,874,035.59
Office expenses	5,462,795.49	613,164.48
Depreciation and amortisation	2,518,576.99	2,280,635.24
Share-based incentives	1,909,777.77	1,739,102.28
Lease expenses	1,413,436.71	1,021,667.69
Other	10,889,646.58	6,285,420.05
Total	270,631,008.28	169,280,993.15

45. General and administrative expenses

Item	Current period amount	Prior period amount
Employee benefits	92,908,863.59	48,905,265.46
Depreciation and amortisation	35,183,279.00	14,464,777.51
Professional service fees	18,135,416.46	10,070,317.53
Office expenses	6,663,428.47	4,511,682.05
Entertainment expenses	4,406,190.94	2,245,604.52
Utilities and property management fees	2,735,713.19	1,759,069.43
Travel expenses	2,258,776.83	654,543.40
Share-based incentives	2,106,478.67	1,270,644.87
Training expenses	1,110,561.85	2,015,082.72
Motor vehicle expenses	792,666.79	387,868.99
Lease expenses	442,452.93	844,342.56
Other	5,097,604.68	5,259,091.38
Total	171,841,433.40	92,388,290.42

46. Research and development expenses

Item	Current period amount	Prior period amount
Employee benefits	478,003,908.29	390,626,513.94
Depreciation and amortisation	111,236,176.94	77,850,276.25
Materials	39,739,994.07	17,001,243.83
Outsourced research and development expenses	26,327,182.47	33,725,281.24
Testing and certification fees	11,807,698.28	15,229,905.08
Travel expenses	11,796,557.48	7,324,882.93
Utilities and property management fees	5,377,179.89	5,128,653.61
Share-based incentives	4,980,260.97	2,362,303.70
Office expenses	4,359,467.09	1,408,711.93
Trademark and patent royalties	2,288,867.41	3,857,197.85
Lease expenses	1,124,806.16	341,153.38
Other	10,481,073.98	10,463,355.14
Total	707,523,173.03	565,319,478.88

47. Finance costs

Item	Current period amount	Prior period amount
Interest expense	42,391,628.71	26,623,398.96
Less: Interest capitalised	—	—
Interest income	20,201,303.06	6,169,707.91
Exchange gains or losses	5,566,445.32	26,118,711.02
Less: Exchange gains or losses capitalised	—	—
Handling charges and others	2,538,631.72	2,672,023.98
Total	30,295,402.69	49,244,426.05

48. Other income

Item	Current period amount	Prior period amount
Government grants	58,790,942.49	68,895,980.65
Additional deduction of input VAT	1,070,544.90	—
Refund of handling fees for withholding individual income tax	1,115,345.25	462,447.20
Total	60,976,832.64	69,358,427.85

Note:

- (1) For details of the government grants, please refer to Note VIII. Government grants.
- (2) For the reasons for classifying certain government grants as recurring profit or loss, please refer to Note XVII.1.

49. Investment income

Item	Current period amount	Prior period amount
Income from long-term equity investments accounted for using the equity method	2,016,777.10	23,213,350.16
Investment income from disposal of long-term equity investments	627,943.36	—
Gains arising from remeasurement of equity interests at fair value upon obtaining control	—	22,751,090.87
Investment income from wealth management products	3,048,498.83	1,442,265.51
Total	5,693,219.29	47,406,706.54

50. Credit impairment losses (losses to be presented with “-”)

Item	Current period amount	Prior period amount
Bad debt losses on accounts receivable	7,584,814.55	-4,914,299.11
Bad debt losses on other receivables	747,096.21	3,440,290.61
Total	8,331,910.76	-1,474,008.50

51. Asset impairment losses (losses to be presented with “-”)

Item	Current period amount	Prior period amount
Losses on decline in value of inventories	-37,718,587.92	-8,738,212.78

52. Gains on disposal of assets (losses to be presented with “-”)

Item	Current period amount	Prior period amount
Early termination of leases of right-of-use assets	102,640.86	-6,805.15

53. Non-operating income

Item	Current period amount	Prior period amount	Amount recognised in non-recurring profit or loss for the period
Other	10,070.00	8,993.38	10,070.00

54. Non-operating expenses

Item	Current period amount	Prior period amount	Amount recognised in non-recurring profit or loss for the period
Public welfare donations	430,325.30	705,732.13	430,325.30
Losses on damage and retirement of non-current assets	423,260.38	245,929.47	423,260.38
Other	164,200.94	244,698.80	164,200.94
Total	1,017,786.62	1,196,360.40	1,017,786.62

55. Income tax expense**(1) Details of income tax expense**

Item	Current period amount	Prior period amount
Current income tax calculated in accordance with tax laws and relevant regulations	84,476,946.36	28,089,545.33
Deferred income tax expense	-26,371,628.75	-37,726,544.54
Total	58,105,317.61	-9,636,999.21

(2) Reconciliation of income tax expense to total profit

Item	Current period amount	Prior period amount
Total profit	623,093,880.81	355,196,282.57
Income tax expense calculated at the statutory (or applicable) tax rate (total profit * 15%)	93,464,082.12	53,279,442.39
Effect of different tax rates applicable to certain subsidiaries	-5,957,956.81	-25,209,705.10
Adjustments to current income tax of prior periods	12,244,805.32	-789,275.36
Share of profit or loss of joint ventures and associates accounted for using the equity method	-438,209.83	-3,120,308.60
Non-deductible costs, expenses and losses	2,032,250.06	1,375,995.88
Tax effect of utilisation of deductible losses and deductible temporary differences not recognised in prior years (to be presented with “-”)	-1,164,360.62	-112,436.71
Tax effect of unrecognised deductible losses and deductible temporary differences	38,115,097.44	50,613,390.33
Tax effect of the additional deduction of research and development expenses (to be presented with “-”)	-80,190,390.07	-85,674,102.04
Income tax expense	58,105,317.61	-9,636,999.21

56. Notes to items of the cash flow statement**(1) Other cash received relating to operating activities**

Item	Current period amount	Prior period amount
Government grants	35,756,962.93	32,282,298.12
Interest income	19,874,307.78	6,137,997.87
Current account balances and others	8,735,921.68	9,262,567.34
Total	64,367,192.39	47,682,863.33

(2) Other cash paid relating to operating activities

Item	Current period amount	Prior period amount
Period expenses	179,162,335.11	146,608,084.94
Current accounts	16,618,790.45	13,792,467.69
Handling charges and others	2,498,719.86	3,592,824.89
Total	198,279,845.42	163,993,377.52

(3) Significant cash received relating to investing activities

Item	Current period amount	Prior period amount
Wealth management products	435,742,700.00	483,000,000.00

(4) Other cash received relating to investing activities

Item	Current period amount	Prior period amount
Cash received from business combinations not involving entities under common control	—	58,216,520.84
Current accounts	4,177,600.00	—
Total	4,177,600.00	58,216,520.84

(5) Significant cash paid relating to investing activities

Item	Current period amount	Prior period amount
Wealth management products	538,407,677.53	483,000,000.00
Equity investments	36,000,000.00	66,000,000.00
Total	574,407,677.53	549,000,000.00

(6) Other cash received relating to financing activities

Item	Current period amount	Prior period amount
Deposits for bank acceptance notes	33,251,689.13	963,441.31
Employee incentive payments of subsidiaries	2,327,118.50	3,573,625.00
Total	35,578,807.63	4,537,066.31

(7) Other cash paid relating to financing activities

Item	Current period amount	Prior period amount
Lease liabilities	25,241,977.95	13,233,017.90
Repurchase of restricted shares	16,982,565.75	2,678,327.88
Repurchase of treasury shares	50,998,371.54	—
Deposits for bank acceptance notes and borrowings	21,486,163.76	—
Repurchase of employee incentives of subsidiaries and others	697,734.96	—
Total	115,406,813.96	15,911,345.78

(8) Changes in liabilities arising from financing activities

Item	Opening balance	Cash changes		Non-cash changes			Closing balance
		Cash inflows	Cash outflows	Interest accrued	Changes in fair value	Other	
Short-term borrowings	688,581,953.54	530,213,491.03	944,444,320.00	369,520.84	—	-665,273.54	274,055,371.87
Long-term borrowings	713,405,567.42	450,000,000.00	256,538,988.08	661,613.91	—	4,822,054.16	912,350,247.41
Lease liabilities	45,763,543.44	—	25,241,977.95	—	—	20,541,926.97	41,063,492.46
Total	1,447,751,064.40	980,213,491.03	1,226,225,286.03	1,031,134.75	—	24,698,707.59	1,227,469,111.74

57. Supplementary information to the cash flow statement**(1) Supplementary information to the cash flow statement**

Supplementary information	Current period amount	Prior period amount
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	564,988,563.20	364,833,281.78
Add: Asset impairment losses	37,718,587.92	8,738,212.78
Credit impairment losses	-8,331,910.76	1,474,008.50
Depreciation of fixed assets	66,374,779.45	37,568,368.45
Depreciation of right-of-use assets	20,429,468.19	14,846,131.03
Amortisation of intangible assets	61,345,775.79	29,258,066.89
Amortisation of Long-term deferred expenses	42,990,988.97	32,457,100.76
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains to be presented with “-”)	-102,640.86	6,805.15
Losses on retirement of fixed assets (gains to be presented with “-”)	423,260.38	245,929.47
Losses from changes in fair value (gains to be presented with “-”)	—	—
Finance costs (gains to be presented with “-”)	48,255,490.71	51,668,329.05
Investment losses (gains to be presented with “-”)	-5,693,219.29	-47,406,706.54
Decrease in deferred tax assets (increases to be presented with “-”)	-24,626,791.63	-41,813,600.46
Increase in deferred tax liabilities (decreases to be presented with “-”)	11,720,778.35	15,875,965.36
Decrease in inventories (increases to be presented with “-”)	-234,521,029.30	-4,472,526.11
Decrease in operating receivables (increases to be presented with “-”)	-141,567,754.55	-358,985,115.64
Increase in operating payables (decreases to be presented with “-”)	204,648,250.47	189,882,579.40
Share-based payments	9,931,609.20	5,372,050.85
Net cash flows from operating activities	653,984,206.24	299,548,880.72

Supplementary information	Current period amount	Prior period amount
2. Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital	—	—
Convertible corporate bonds due within one year	—	—
Additions to right-of-use assets	16,537,492.63	15,109,178.33
3. Net changes in cash and cash equivalents:		
Cash at the end of the year	978,262,425.94	816,559,554.39
Less: Cash at the beginning of the year	816,559,554.39	434,135,313.51
Add: Cash equivalents at the end of the year	—	—
Less: Cash equivalents at the beginning of the year	—	—
Net increase in cash and cash equivalents	161,702,871.55	382,424,240.88

Note: The amount of bank acceptance notes received by the Company from sales of goods and transferred by endorsement was RMB291,753,351.43.

(2) Composition of cash and cash equivalents

Item	Closing balance	Balance at the end of prior year
1. I. Cash	978,262,425.94	816,559,554.39
2. Including: Cash on hand	—	128.70
3. Bank deposits available for payment on demand	978,262,425.94	816,559,425.69
4. II. Cash equivalents	—	—
5. III. Cash and cash equivalents at the end of the year	978,262,425.94	816,559,554.39

(3) Cash at bank and on hand not classified as cash and cash equivalents

Item	Closing balance	Balance at the end of prior year	Reason for not being classified as cash and cash equivalents
Security deposits	35,378,305.03	47,143,830.40	Notes deposits, borrowing deposits
Cunliying	11,332,320.00	—	Wealth management products
Accrued interest on bank deposits	184,411.86	145,255.73	Not actually received
Total	46,895,036.89	47,289,086.13	

58. Foreign currency monetary items**(1) Foreign currency monetary items**

Item	Closing balance in foreign currency	Translation exchange rate	Closing balance translated into RMB
Cash at bank and on hand			454,178,988.92
Including: USD	63,433,274.72	7.0827	449,275,798.19
EUR	274,946.33	7.8592	2,160,852.24
HKD	590,377.52	0.9062	535,008.11
ILS	37,122.67	1.9527	72,492.24
TWD	855,140.00	0.2306	197,161.08
JPY	25,842,102.00	0.0502	1,297,273.52
KRW	15,898,845.00	0.0055	87,443.65
HUF	26,973,653.13	0.0205	552,959.89
Accounts receivable			1,216,714,665.37
Including: USD	171,750,499.86	7.0827	1,216,450,476.51
EUR	15,120.09	7.8592	118,831.25
INR	1,707,396.79	0.0851	145,357.61

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Item	Closing balance in foreign currency	Translation exchange rate	Closing balance translated into RMB
Other receivables			17,827,326.75
Including: USD	2,079,183.46	7.0827	14,726,201.25
EUR	380,772.10	7.8592	2,991,540.03
HKD	31,239.80	0.9062	28,309.59
JPY	489,000.00	0.0502	24,547.80
KRW	4,050,000.00	0.0055	22,275.00
HUF	1,680,638.00	0.0205	34,453.08
Short-term borrowings			138,020,231.57
Including: USD	19,486,951.53	7.0827	138,020,231.57
Accounts payable			1,233,165,022.31
Including: USD	164,344,760.72	7.0827	1,164,028,206.24
EUR	28,184.17	7.8592	221,505.04
HKD	75,939,230.54	0.9062	68,816,130.72
KRW	150,000.00	0.0055	825.00
HUF	4,797,820.00	0.0205	98,355.31
Other payables			54,017,468.80
Including: USD	6,991,343.57	7.0827	49,517,561.43
EUR	465,412.58	7.8592	3,667,757.57
HKD	230,201.65	0.9062	208,608.74
TWD	1,259,560.00	0.2306	290,404.16
JPY	2,576,455.00	0.0502	129,344.05
KRW	18,895,373.00	0.0055	103,924.55
HUF	4,871,624.00	0.0205	99,868.30
Long-term borrowings			406,963,261.30
Including: USD	57,458,774.38	7.0827	406,963,261.30

(2) Foreign operations

No.	Abbreviation	Place of operation	Functional currency
1	Hong Kong Fibocom	Hong Kong	USD
2	Taiwan Fibocom	Taiwan	TWD
3	U.S. Fibocom	United States	USD
4	THINGSMATRIX	United States	USD
5	EU Fibocom	Germany	EUR
6	Rolling Wireless (H.K.) Limited	Hong Kong	HKD
7	Rolling Wireless S.à r.l.	Europe	USD
8	Rolling Wireless France	Europe	EUR
9	Rolling Wireless German GmbH	Germany	EUR
10	Rolling Wireless Technology (H.K.) Limited	Hong Kong	HKD
11	Rolling Wireless J.P. Limited	Japan	JPY
12	Rolling Wireless (K.R.) Limited	Korea	KRW
13	Rolling Wireless Hungary	Hungary	HUF

59. Leases**(1) As lessee**

Item	Current period amount
Short-term lease expenses	2,996,988.05
Expenses for leases of low-value assets	124,467.52
Total	3,121,455.56

VI. RESEARCH AND DEVELOPMENT EXPENDITURE

1. Research and development expenditure

Item	Current period amount		Prior period amount	
	Amount expensed	Amount capitalised	Amount expensed	Amount capitalised
Employee benefits	478,003,908.29	13,518,627.17	390,626,513.94	26,973,424.51
Depreciation and amortisation	111,236,176.94	—	77,850,276.25	—
Materials	39,739,994.07	1,090,041.75	17,001,243.83	2,483,666.28
Outsourced research and development expenses	26,327,182.47	—	33,725,281.24	—
Testing and certification fees	11,807,698.28	41,037.73	15,229,905.08	301,609.31
Travel expenses	11,796,557.48	322,914.62	7,324,882.93	145,317.65
Utilities and property management fees	5,377,179.89	—	5,128,653.61	—
Share-based incentives	4,980,260.97	—	2,362,303.70	—
Office expenses	4,359,467.09	38,911.40	1,408,711.93	1,046.90
Trademark and patent royalties	2,288,867.41	—	3,857,197.85	—
Lease expenses	1,124,806.16	—	341,153.38	—
Other	10,481,073.98	5,611.98	10,463,355.14	8,305.32
Total	707,523,173.03	15,017,144.65	565,319,478.88	29,913,369.97

2. Development expenditure

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Internal development expenditure	Other increases	Recognised as intangible assets	Recognised in profit or loss for the period	
5G series wireless communication modules	23,984,663.98	15,017,144.65	—	11,610,315.59	14,705,774.80	12,685,718.24

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the group

Name of subsidiary	Registered capital	Principal place of business	Place of registration	Nature of business	Shareholding percentage (%)		Method of acquisition
					Direct	Indirect	
Fibocom Software	RMB 10,000,000	Shenzhen	Shenzhen	IT products	100.00	—	Establishment
Hong Kong Fibocom	HKD 1,000	Hong Kong	Hong Kong	Trading	100.00	—	Business combination involving entities under common control
Taiwan Fibocom	TWD 45,000,000	Taiwan	Taiwan	Trading	—	100.00	Establishment
U.S. Fibocom	USD 5,000,000	United States	United States	Market development and trading	100.00	—	Establishment
THINGSMATRIX	USD 20,000	United States	United States	Cloud services	—	100.00	Establishment
Zhejiang Nodecom	RMB 10,000,000	Hangzhou	Hangzhou	Wireless communication modules	100.00	—	Business combination not involving entities under common control
Xi'an Software	RMB 30,000,000	Xi'an	Xi'an	IT products	100.00	—	Establishment
Fibocom Investment	RMB 250,000,000	Shenzhen	Shenzhen	Investment and trading	100.00	—	Establishment
FIA	RMB 20,000,000	Shenzhen	Shenzhen	Terminal products	100.00	—	Establishment
Favalon Technology	RMB 33,241,918	Shenzhen	Shenzhen	Automotive business	—	73.58	Establishment
EU Fibocom	EUR 3,000,000	Germany	Germany	Market development and trading	100.00	—	Establishment
Xi'an Communications	RMB 30,000,000	Xi'an	Xi'an	Trading	100.00	—	Establishment
Guangdong Yilian	RMB 10,000,000	Shenzhen	Shenzhen	Cloud services	—	100.00	Establishment
Shanghai Faiot	RMB 25,974,000	Shanghai	Shanghai	IT products	77.00008	—	Establishment
Shanghai Favalon	RMB 2,000,000	Shanghai	Shanghai	Automotive business	—	73.58	Establishment
Shanghai Faiot Software	RMB 2,000,000	Shanghai	Shanghai	IT products	—	77.00008	Establishment
Yaboda	RMB 10,000,000	Shenzhen	Shenzhen	Technology development	100.00	—	Business combination not involving entities under common control
Fibocom Technology	RMB 100,000,000	Shenzhen	Shenzhen	Technology development	100.00	—	Establishment
Favalon Software	RMB 10,000,000	Shenzhen	Shenzhen	Technology development	—	73.58	Establishment
Rolling Wireless	RMB 468,600,000	Shenzhen	Shenzhen	Investment and trading	100.00	—	Business combination not involving entities under common control
Rolling Wireless (H.K.) Limited	USD 66,010,000	Hong Kong	Hong Kong	Trading	—	100.00	Business combination not involving entities under common control

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Name of subsidiary	Registered capital	Principal place of business	Place of registration	Nature of business	Shareholding percentage (%)		Method of acquisition
					Direct	Indirect	
Rolling Wireless S.à r.l.	EUR 12,000	France	Luxembourg	Rolling Wireless global headquarters	—	100.00	Business combination not involving entities under common control
Rolling Wireless France	EUR 8,446,400	France	Paris	Market development and trading	—	100.00	Business combination not involving entities under common control
Rolling Wireless German GmbH	EUR 327,400	Germany	Germany	Market development and trading	—	100.00	Business combination not involving entities under common control
Rolling Wireless Technology (H.K.) Limited	HKD 174,331,300	Hong Kong	Hong Kong	Technology development	—	100.00	Business combination not involving entities under common control
Rolling Wireless Communication Technology (Shenzhen)	USD 3,000,000	Shenzhen	Shenzhen	Technology development	—	100.00	Business combination not involving entities under common control
Rolling Wireless J.P. Limited	JPY 15,530,000	Japan	Japan	Market development and trading	—	100.00	Business combination not involving entities under common control
Rolling Wireless (K.R.) Limited	KRW 91,000,000	Korea	Korea	Market development and trading	—	100.00	Business combination not involving entities under common control
Rolling Wireless Hungary	HUF 3,000,000	Hungary	Hungary	Market development and trading	—	100.00	Business combination not involving entities under common control
Shenzhen Chiyao	RMB 547,700	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	—	79.738	Establishment
Shenzhen Chishang	RMB 850,000	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	—	78.0059	Establishment
Shenzhen Chisheng	RMB 3,861,429	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	—	90.3431	Establishment
Shenzhen Chiqing	RMB 170,200	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	—	55.0969	Establishment

Name of subsidiary	Registered capital	Principal place of business	Place of registration	Nature of business	Shareholding percentage (%)		Method of acquisition
					Direct	Indirect	
Guangtong Chuangyuan	RMB 4,710,000	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	—	41.4013	Establishment
Shenzhen Chijun	RMB 1,805,000	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	—	0.277	Establishment
Ningbo Guangxing	RMB 2,718,200	Ningbo	Ningbo	Shanghai Faiot employee incentive platform	—	99.9624	Establishment
Ningbo FAIOT	RMB 3,255,800	Ningbo	Ningbo	Shanghai Faiot employee incentive platform	—	60.01	Establishment
Ningbo Guangyi	RMB 2,045,400	Ningbo	Ningbo	Shanghai Faiot employee incentive platform	—	99.95	Establishment
FAIOT Gongying	RMB 2,000,000	Shenzhen	Shenzhen	Shanghai Faiot employee incentive platform	—	95	Establishment

Note:

In accordance with the contractual arrangements of Shenzhen Chiyao, Shenzhen Chishang, Shenzhen Chisheng, Guangtong Chuangyuan, Shenzhen Chiqing and Shenzhen Chijun, FIA, a subsidiary of the Company, acts as the general partner of each of these partnerships and holds exclusive rights in respect of the management, control, operation and decision-making of their investment business and day-to-day operations, and the limited partners shall not exercise control over the management and other activities of the limited partnerships through the partners' meeting. The Company has substantive control over the above partnerships and has included them in the scope of consolidation.

In accordance with the contractual arrangements of Ningbo Guangxing, Ningbo FAIOT, Ningbo Guangyi and FAIOT Gongying, Fibocom Investment, a subsidiary of the Company, acts as the general partner of each of these partnerships and holds exclusive rights in respect of the management, control, operation and decision-making of their investment business and day-to-day operations, and the limited partners shall not exercise control over the management and other activities of the limited partnerships through the partners' meeting. The Company has substantive control over the above partnerships and has included them in the scope of consolidation.

Favalon Technology, Shanghai Favalon, Favalon Software, Shanghai Faiot and Shanghai Faiot Software, subsidiaries of the Company, have established employee shareholding platforms and share incentive arrangements, and the relevant shares have not yet met the vesting conditions.

2. Business combination not involving entities under common control

During the reporting period, the Company did not have any business combination not involving entities under common control.

3. Business combination involving entities under common control

During the reporting period, the Company did not have any business combination involving entities under common control.

4. Disposal of subsidiaries

During the reporting period, the Company did not dispose of any subsidiary.

5. Interests in associates**(1) Associates**

Name of associate	Principal place of business	Place of registration	Nature of business	Shareholding percentage (%)		Accounting treatment for investments in joint ventures or associates
				Direct	Indirect	
I. Associates						
Shenzhen Bogesi Communication Technology Co., Ltd.	Shenzhen	Shenzhen	Wireless communication	15.00	—	Equity method
Xi'an Liancheng Intelligent Technology Co., Ltd.	Xi'an	Xi'an	Wireless communication	—	27.00	Equity method
Shenzhen High-tech Investment Fibocom IoT Industry Private Equity Investment Fund Partnership (Limited Partnership)	Shenzhen	Shenzhen	Investment	—	30.00	Equity method

Note: As at the end of the period, Fibocom Investment had subscribed for registered capital of Xi'an Liancheng of RMB16,875,000 and held a 27% equity interest in Xi'an Liancheng. As the employee shareholding platform established by Xi'an Liancheng has not yet actually granted shares to employees, Fibocom Investment actually holds a 33.75% equity interest in Xi'an Liancheng.

(2) Summarised financial information of associates

Item	Closing balance/ Current period amount	Balance at the end of prior year/Prior period amount
Associates:		
Total carrying amount of investments	60,476,831.28	63,132,110.82
Total of the following items calculated according to the shareholding percentage		
Net profit	2,016,777.10	-2,929,158.22
Other comprehensive income	—	—
Total comprehensive income	2,016,777.10	-2,929,158.22

VIII. GOVERNMENT GRANTS

1. Government grants recognised in deferred income

Grant item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason for recognition
5G communication module technology engineering centre	952,716.42	—	413,066.66	539,649.76	Related to assets
Industrialisation project of 5G IoT wireless communication modules	—	6,640,000.00	1,486,372.24	5,153,627.76	Related to assets
2022 industrialisation technology upgrading and renovation funding project	—	5,000,000.00	698,349.36	4,301,650.64	Related to assets
2023 new-generation information technology industry payment subsidy	—	3,600,000.00	306,894.15	3,293,105.85	Related to assets
Total	952,716.42	15,240,000.00	2,904,682.41	13,288,034.01	

(1) Government grants recognised in deferred income and subsequently measured using the gross method

Grant item	Type	Opening balance	Grants received during the period	Amount transferred to profit or loss for the period	Other changes	Closing balance	Line item in which the amount transferred to profit or loss for the period is	Related to assets/ Related to income
							presented	
5G communication module technology engineering centre	Government appropriation	952,716.42	—	413,066.66	—	539,649.76	Other income	Related to assets
Industrialisation project of 5G IoT wireless communication modules	Government appropriation	—	6,640,000.00	1,486,372.24	—	5,153,627.76	Other income	Related to assets
2022 industrialisation technology upgrading and renovation funding project	Government appropriation	—	5,000,000.00	698,349.36	—	4,301,650.64	Other income	Related to assets
2023 new-generation information technology industry payment subsidy	Government appropriation	—	3,600,000.00	306,894.15	—	3,293,105.85	Other income	Related to assets
Total		952,716.42	15,240,000.00	2,904,682.41		13,288,034.01		

Note:

Significant government grants received during the period:

Industrialisation project of 5G IoT wireless communication modules: In accordance with the Notice on Announcing the Acceptance Results of the Projects under the Emerging Industry Support Plan (the third batch of 2022) issued by the Shenzhen Municipal Development and Reform Commission, the Company received in 2023 a grant of RMB6,640,000.00 from the Shenzhen Municipal Development and Reform Commission as the granting authority.

2022 industrialisation technology upgrading and renovation funding project: In accordance with the special support measures for promoting the development of high-end manufacturing industries in Nanshan District issued by the Bureau of Industry and Information Technology of Nanshan District, Shenzhen, the Company received in 2023 a grant of RMB5,000,000.00 from the Bureau of Industry and Information Technology of Nanshan District, Shenzhen as the granting authority.

2023 new-generation information technology industry payment subsidy: In accordance with the Notice on the Publication of the Projects Proposed to be Funded (the first batch) under the 2023 New-Generation Information Technology Industry Support Plan (direction of upgrading key links of the 5G industry chain) issued by the Municipal Bureau of Industry and Information Technology, the Company received in 2023 a grant of RMB3,600,000.00 from the Shenzhen Municipal Bureau of Industry and Information Technology as the granting authority.

2. Government grants recognised in profit or loss for the period using the gross method

Grant item	Type	Amount recognised in profit or loss for the prior period	Amount recognised in profit or loss for the period	Line item in which the amount recognised in profit or loss is presented	Related to assets/Related to income
VAT refund upon collection	Tax refund	35,853,182.94	36,481,392.40	Other income	Related to income
Subsidy under the technological innovation project support plan	Government appropriation	—	3,000,000.00	Other income	Related to income
Rent subsidy	Government appropriation	1,765,168.03	2,660,200.00	Other income	Related to income
Industrial steady growth funding project	Government appropriation	2,002,500.00	2,058,600.00	Other income	Related to income
Award project for industrial enterprises expanding production capacity	Government appropriation	—	1,930,000.00	Other income	Related to income
Award project for industrial enterprises expanding production and increasing efficiency	Government appropriation	—	1,880,000.00	Other income	Related to income
Industrialisation project of 5G IoT wireless communication modules	Government appropriation	—	1,486,372.24	Other income	Related to assets
Support plan for high-quality growth of foreign trade	Government appropriation	—	1,300,000.00	Other income	Related to income
Award project for specialised, refined, distinctive and innovative enterprises	Government appropriation	—	1,300,000.00	Other income	Related to income
Subsidy for the high-performance IoT integrated tester project	Government appropriation	—	970,000.00	Other income	Related to income
Talent housing subsidy	Government appropriation	710,000.00	705,000.00	Other income	Related to income
2022 industrialisation technology upgrading and renovation funding project	Government appropriation	—	698,349.36	Other income	Related to assets
Maternity allowance	Government appropriation	—	615,690.43	Other income	Related to income
Funding for the cultivation of high and new technology enterprises	Government appropriation	—	600,000.00	Other income	Related to income

APPENDIX IX
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023**

Grant item	Type	Amount recognised in profit or loss for the prior period	Amount recognised in profit or loss for the period	Line item in which the amount recognised in profit or loss is presented	Related to assets/Related to income
Qinchuangyuan subsidy supporting enterprise R&D investment	Government appropriation	—	500,000.00	Other income	Related to income
Job stabilisation subsidies	Government appropriation		428,852.61	Other income	Related to income
5G communication module technology engineering centre	Government appropriation	4,047,283.58	413,066.66	Other income	Related to assets
2023 new-generation information technology industry payment subsidy	Government appropriation	—	306,894.15	Other income	Related to assets
Subsidy for stabilising production, employment and growth in the Xi'an High-tech Zone	Government appropriation	—	300,000.00	Other income	Related to income
Social insurance subsidy for enterprises recruiting college graduates	Government appropriation	413,600.00	240,000.00	Other income	Related to income
Award and subsidy project for R&D investment of enterprises above designated size	Government appropriation	710,000.00	230,000.00	Other income	Related to income
Appropriation of funding	Government appropriation	—	120,000.00	Other income	Related to income
The third batch of the 2021 inclusive policies (industrial category)	Government appropriation	—	116,599.00	Other income	Related to income
Subsidy for high and new technology enterprises	Government appropriation	—	100,000.00	Other income	Related to income
Subsidy for the recognition as a gazelle enterprise in the Xi'an High-tech Zone	Government appropriation	—	100,000.00	Other income	Related to income
2020 Guangdong Province R&D plan for key fields	Government appropriation	—	60,000.00	Other income	Related to income
The first batch of the 2022 inclusive policies granted without application	Government appropriation	—	60,000.00	Other income	Related to income
2021 MWC special subsidy	Government appropriation	—	22,100.00	Other income	Related to income

APPENDIX IX
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023**

Grant item	Type	Amount recognised in profit or loss for the prior period	Amount recognised in profit or loss for the period	Line item in which the amount recognised in profit or loss is presented	Related to assets/Related to income
Employment subsidy	Government appropriation	112,000.00	19,500.00	Other income	Related to income
Social insurance subsidy for employers recruiting college graduates under the third batch of youth talent stations	Government appropriation	—	19,075.64	Other income	Related to income
Award for enterprises introducing young talents in July 2023	Government appropriation	—	10,000.00	Other income	Related to income
Subsidy under the 2022 Shenzhen new-generation information technology industry support plan	Government appropriation	6,690,000.00	—	Other income	Related to income
Award project for industrial enterprises expanding production capacity	Government appropriation	6,510,000.00	—	Other income	Related to income
Shenzhen central special funds for foreign economic and trade development for 2021 and 2022 (outbound investment cooperation funding items and local supporting funds)	Government appropriation	3,710,000.00	—	Other income	Related to income
Assistance to industrial enterprises in the first half of 2022	Government appropriation	1,617,000.00	—	Other income	Related to income
Government subsidy under the enterprise R&D investment plan	Government appropriation	1,000,000.00	—	Other income	Related to income
R&D funding from the Science and Technology Innovation Commission	Government appropriation	500,000.00	—	Other income	Related to income
2022 special plan for the development of the High-tech Zone – technology enterprises	Government appropriation	500,000.00	—	Other income	Related to income
Subsidy for retaining employees and providing training	Government appropriation	459,375.00	—	Other income	Related to income
Export credit insurance project of the Foreign Trade Division	Government appropriation	457,824.00	—	Other income	Related to income

APPENDIX IX
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2023**

Grant item	Type	Amount recognised in profit or loss for the prior period	Amount recognised in profit or loss for the period	Line item in which the amount recognised in profit or loss is presented	Related to assets/Related to income
Unemployment insurance job stabilisation subsidy	Government appropriation	435,681.34	—	Other income	Related to income
Shenzhen intellectual property project supporting award 2021	Government appropriation	300,000.00	—	Other income	Related to income
Subsidy for technology enterprise cultivation projects in the High- tech Zone	Government appropriation	250,000.00	—	Other income	Related to income
Receipts under the 2022 municipal innovation support plan for private enterprises and small and medium-sized enterprises	Government appropriation	200,000.00	—	Other income	Related to income
R&D project of a vehicular wireless communication system based on LTE technology	Government appropriation	175,663.21	—	Other income	Related to assets
Post expansion subsidy	Government appropriation	156,000.00	—	Other income	Related to income
Other	Government appropriation	320,702.55	59,250.00	Other income	Related to income
Total		<u>68,895,980.65</u>	<u>58,790,942.49</u>		

3. Government grants offsetting related costs using the net method

Grant item	Type	Amount offsetting related costs in the prior period	Amount offsetting related costs in the current period	Line item in which the offset against related costs is presented	Related to assets/Related to income
Loan interest subsidy	Government appropriation	—	4,303,200.00	Finance costs	Related to income

IX. FINANCIAL INSTRUMENT RISK MANAGEMENT

The Company's principal financial instruments comprise Cash at bank and on hand, notes receivable, accounts receivable, receivables financing, other receivables, other current assets, investments in other equity instruments, notes payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings and lease liabilities. Details of these financial instruments have been disclosed in the relevant notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are set out below. The management of the Company manages and monitors these risk exposures to ensure that the above risks are controlled within a limited scope.

1. Risk management objectives and policies

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and commodity price risk).

The objective of the Company's risk management is to achieve an appropriate balance between risk and return, to minimise the adverse impact of risks on the Company's operating results and to maximise the interests of shareholders and other equity investors. Based on this risk management objective, the Company's basic risk management strategy is to identify and analyse the various risks faced by the Company, to establish appropriate risk tolerance thresholds and carry out risk management, and to monitor the various risks in a timely and reliable manner so as to control the risks within a limited scope.

The Board of Directors is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and related guidelines and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyse the risks faced by the Company. These risk management policies set out express requirements for specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company assesses changes in the market environment and in its operating activities to determine whether the risk management policies and systems need to be updated.

The Company diversifies the risks of financial instruments through appropriate diversification of investments and business portfolios, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

(1) Credit risk

Credit risk is the risk that a counterparty fails to perform its contractual obligations, thereby causing a financial loss to the Company.

The Company manages credit risk by portfolio classification. Credit risk mainly arises from bank deposits, notes receivable, accounts receivable and other receivables.

The Company's bank deposits are mainly placed with state-owned banks and other large and medium-sized listed banks. The Company does not expect any significant credit risk to exist in respect of its bank deposits.

For notes receivable, accounts receivable and other receivables, the Company has established relevant policies to control credit risk exposure. The Company assesses the credit standing of its customers and sets the corresponding credit periods based on the customers' financial position, credit records and other factors such as current market conditions. The Company regularly monitors the credit records of its customers. For customers with poor credit records, the Company adopts measures such as written demands for payment, shortening the credit period or cancelling the credit period, so as to ensure that the Company's overall credit risk remains within a controllable range.

The debtors of the Company's accounts receivable are customers distributed across different industries and regions. The Company continuously performs credit assessments on the financial position of its accounts receivable and, where appropriate, purchases credit guarantee insurance.

The maximum credit risk exposure borne by the Company is the carrying amount of each financial asset in the balance sheet. The Company has not provided any other guarantee that might expose the Company to credit risk.

Among the Company's accounts receivable, the accounts receivable from the top five customers accounted for 55.89% of the Company's total accounts receivable (2022: 69.06%); among the Company's other receivables, the other receivables from the top five debtor companies accounted for 58.93% of the Company's total other receivables (2022: 77.45%).

(2) Liquidity risk

Liquidity risk is the risk that the Company will encounter a shortage of funds in performing its obligations that are settled by delivering cash or another financial asset.

In managing liquidity risk, the Company maintains and monitors cash and cash equivalents at a level considered adequate by the management to meet the Company's operating needs and to reduce the impact of fluctuations in cash flows. The management of the Company monitors the use of bank borrowings and ensures compliance with the borrowing agreements. At the same time, the Company obtains commitments from major financial institutions to provide sufficient standby funds to meet its short-term and long-term funding requirements.

The Company raises working capital through funds generated from its operating activities and through bank and other borrowings. As at the end of the period, the Company's unutilised bank borrowing facilities amounted to RMB3,808,872,500 (end of prior year: RMB2,000,031,100).

As at the end of the period, the maturity analysis of the financial liabilities and off-balance sheet guarantees held by the Company based on the undiscounted remaining contractual cash flows is as follows (in ten thousand yuan):

Item	Within six months	Within one year	Closing balance			Total
			1 to 2 years	2 to 3 years	Over three years	
Financial liabilities:						
Short-term borrowings	27,405.54	—	—	—	—	27,405.54
Notes payable	21,175.04	—	—	—	—	21,175.04
Accounts payable	172,622.48	—	—	—	—	172,622.48
Other payables	11,260.04	—	—	—	—	11,260.04
Non-current liabilities due						
within one year	6,609.77	46,992.22	—	—	—	53,601.99
Long-term borrowings	—	—	39,447.22	—	—	39,447.22
Lease liabilities	—	—	1,346.90	592.87	352.39	2,292.16
Total financial liabilities and contingent liabilities	239,072.87	46,992.22	40,794.12	592.87	352.39	327,804.47

As at the end of the prior year, the maturity analysis of the financial liabilities and off-balance sheet guarantees held by the Company based on the undiscounted remaining contractual cash flows was as follows (in ten thousand yuan):

Item	Balance at the end of prior year					Total
	Within six months	Within one year	One year to two years	2 to 3 years	Over three years	
Financial liabilities:						
Short-term borrowings	68,858.20	—	—	—	—	68,858.20
Long-term borrowings	—	11,348.48	20,000.00	39,992.08	—	71,340.56
Notes payable	16,985.35	—	—	—	—	16,985.35
Accounts payable	170,782.61	—	—	—	—	170,782.61
Other payables	17,020.82	—	—	—	—	17,020.82
Lease liabilities	905.39	944.21	1,460.11	894.94	371.70	4,576.35
Total financial liabilities and contingent liabilities	274,552.37	12,292.69	21,460.11	40,887.02	371.70	349,563.89

The amounts of financial liabilities disclosed in the above table are undiscounted contractual cash flows and may therefore differ from the carrying amounts in the balance sheet.

The maximum guarantee amount under the guarantee contracts that have been entered into does not represent the amount to be paid.

(3) *Market risk*

Market risk of financial instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, including interest rate risk and foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk may arise from recognised interest-bearing financial instruments and unrecognised financial instruments (such as certain loan commitments).

The Company's interest rate risk mainly arises from long-term interest-bearing debts such as long-term bank borrowings. Floating rate financial liabilities expose the Company to cash flow interest rate risk, while fixed rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the relative proportions of fixed rate and floating rate contracts according to the prevailing market environment, and maintains an appropriate mix of fixed rate and floating rate instruments through regular review and monitoring.

The Company pays close attention to the impact of interest rate changes on its interest rate risk. The Company has not adopted any interest rate hedging policy at present. However, the management is responsible for monitoring interest rate risk and will consider hedging significant interest rate risk when necessary. An increase in interest rates would increase the cost of new interest-bearing debts and the interest expenses on the Company's outstanding interest-bearing debts that bear interest at floating rates, and would have a significant adverse impact on the Company's financial performance. The management will make timely adjustments in accordance with the latest market conditions, and such adjustments may include entering into interest rate swap arrangements to reduce interest rate risk.

The interest-bearing financial instruments held by the Company are as follows (in ten thousand yuan):

Item	Current period	Prior period
Fixed rate financial instruments		
Financial liabilities		
Including: Short-term borrowings	27,405.54	68,858.20
Long-term borrowings due within one year	51,787.81	11,348.48
Long-term borrowings	39,447.22	59,992.08
Total	118,640.57	140,198.76

As at the end of the period, if the interest rate on borrowings calculated at floating rates had increased or decreased by 50 basis points, with all other factors remaining unchanged, the Company's net profit and shareholders' equity would have decreased or increased by approximately RMB122,800 (end of prior year: RMB139,000).

For the financial instruments held at the balance sheet date that expose the Company to fair value interest rate risk, the impact on net profit and shareholders' equity in the above sensitivity analysis is the impact of remeasuring the above financial instruments at the new interest rates, assuming that the interest rates change at the balance sheet date. For the floating rate non-derivative instruments held at the balance sheet date that expose the Company to cash flow interest rate risk, the impact on net profit and shareholders' equity in the above sensitivity analysis is the impact of the above interest rate changes on the interest expenses or income estimated on an annual basis. The analysis for the prior year was based on the same assumptions and methods.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk may arise from financial instruments denominated in currencies other than the functional currency.

Foreign exchange risk mainly refers to the impact of fluctuations in foreign exchange rates on the Company's financial position and cash flows. In addition to the assets denominated in Hong Kong dollars, US dollars and euros held by the subsidiaries established in Hong Kong, the United States and Germany, the Company also has foreign currency assets and liabilities denominated in US dollars as the transaction currency, and the Company is therefore exposed to foreign exchange risk.

As at the end of the period, the foreign currency financial assets and foreign currency financial liabilities held by the Company, translated into RMB, are set out as follows (in ten thousand RMB yuan):

Item	Foreign currency liabilities		Foreign currency assets	
	Closing balance	Balance at the end of prior year	Closing balance	Balance at the end of prior year
USD	175,852.93	286,936.27	168,045.25	162,842.97
EUR	388.93	361.76	527.12	924.48
HKD	6,902.47	37.94	56.33	41.48
ILS	—	3.36	7.25	29.98
TWD	29.04	58.05	19.72	147.74
AUD	—	10.37	—	—
JPY	12.93	41.68	132.18	30.40
KRW	10.47	15.76	10.97	6.50
HUF	19.82	4.68	58.74	11.14
INR	—	—	14.54	—
Total	183,216.59	287,469.87	168,872.10	164,034.69

The Company pays close attention to the impact of exchange rate changes on its foreign exchange risk. The Company has not taken any measures to hedge against foreign exchange risk at present. However, the management is responsible for monitoring foreign exchange risk and will consider hedging significant foreign exchange risk when necessary.

As at the end of the period, in respect of the Company's Cash at bank and on hand, accounts receivable, other receivables, accounts payable, bank borrowings and other payables denominated in foreign currencies, assuming that RMB appreciates or depreciates by 10% against foreign currencies with all other factors remaining unchanged, the Company's shareholders' equity and net profit would both increase or decrease by approximately RMB12,192,800 (end of prior year: approximately RMB104,931,800).

2. Capital management

The objective of the Company's capital management policy is to safeguard the Company's ability to continue as a going concern so as to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure so as to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Company may adjust its financing methods, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or dispose of assets to reduce debts.

The Company monitors its capital structure on the basis of the gearing ratio (i.e. total liabilities divided by total assets). As at the end of the period, the Company's gearing ratio was 55.91% (end of prior year: 62.05%).

X. FAIR VALUE

Based on the lowest level of input that is significant to the fair value measurement as a whole, the fair value hierarchy is classified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) Items and amounts measured at fair value

At the end of the period, assets and liabilities measured at fair value are presented in accordance with the above three levels as follows:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Receivables financing	—	324,464,562.94	—	324,464,562.94
(II) Investments in other equity instruments	—	—	217,279,698.02	217,279,698.02
Total assets measured at fair value on a recurring basis	—	324,464,562.94	217,279,698.02	541,744,260.96

(2) Items and amounts not measured at fair value but for which fair value is disclosed

The financial assets and financial liabilities of the Company measured at amortised cost mainly include: Cash at bank and on hand, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings due within one year and long-term borrowings.

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**1. Information on the actual controller of the Company**

Name	Relationship with the Company	Percentage of shares of the Company held directly %	Percentage of shares of the Company held indirectly %	Form of capital contribution
Zhang Tianyu	Actual controller	36.76	0.51	Cash and conversion of net assets into shares

2. Information on subsidiaries

For details of the subsidiaries, see Note VII.1.

3. Information on associates

For details of the associates, see Note VII.5.

4. Information on other major related parties

Name of related party	Relationship with the Company
Shenzhen Guangyu Communication Technology Co., Ltd.	Under the same actual controller
Shenzhen Guangsida Venture Capital Co., Ltd.	Under the same actual controller
Xinyu Guangtong Yuanxin Management Consulting Partnership (Limited Partnership)	A partnership in which Chen Shijiang, Deputy General Manager of the Company, serves as the executive partner
Fangde (Sanya) Private Fund Management Co., Ltd.	A company actually controlled by Chen Shijiang, Deputy General Manager of the Company
Xinyu Guanghe Chuanghong Enterprise Management Centre (Limited Partnership)	Ying Lingpeng, a shareholder of the Company, serves as the executive partner
Shenzhen Zhuozhiran Technology Co., Ltd.	A company controlled by Ying Lingpeng, a shareholder of the Company, and his spouse
Shenzhen Yongheshun Hardware Co., Ltd.	A company controlled by Xu Ning, a director of the Company
Yongheshun Technology Co., Ltd.	A company controlled by Xu Ning, a director of the Company
Shenzhen Xinqiao Investment Consulting Co., Ltd.	A company controlled by the mother of Chen Shijiang, Deputy General Manager of the Company
Guangzhou Meiyue Technology Industry Holding Group Co., Ltd.	A company in which Zhang Tianyu, the actual controller, serves as a director
Guangzhou Yuekun Industrial Park Investment Development Co., Ltd.	A company in which Zhang Tianyu, the actual controller, serves as a director
Shenzhen Simaite Finance and Taxation Consulting Co., Ltd.	A company in which Zhang Xuebin, an independent director of the Company, serves as a director
Shenzhen Tuori New Energy Technology Co., Ltd.	A company in which Zhang Xuebin, an independent director of the Company, serves as a director
Shenzhen Xier Technology Development Co., Ltd.	A company in which the brother of the former spouse of Xu Ning, a director of the Company, serves as a director

Name of related party	Relationship with the Company
Shenzhen Puxin Tianyu Electronic Technology Co., Ltd.	A company in which the brother of Ye Weiping, an independent director of the Company, serves as general manager
Guangzhou Aojialihua Industrial Investment Co., Ltd.	A company in which a sibling of the spouse of Wang Hongyan, Chief Financial Officer of the Company, serves as general manager
Ying Lingpeng	Director, General Manager
Xu Ning	Director, Deputy General Manager
Ye Weiping, Zhang Xuebin	Independent directors
Chen Qihua, Shu Min, Sun Xiaojing	Supervisors
Deng Zhongzhong	Deputy General Manager (resigned in June 2023)
Chen Shijiang	Deputy General Manager, Secretary to the Board of Directors
Wang Hongyan	Chief Financial Officer
Guan Ying	Close family member of the controlling shareholder

5. Related party transactions

(1) Related party purchases and sales

① Purchase of goods and receipt of services

Related party	Nature of related party transaction	Current period amount	Prior period amount
Shenzhen Bogesi Communication Technology Co., Ltd.	Purchase of goods	2,460,707.71	456,372.35
Xi'an Liancheng Intelligent Technology Co., Ltd.	Purchase of goods	384,613.59	4,074,611.34

② Sale of goods and rendering of services

Related party	Nature of related party transaction	Current period amount	Prior period amount
Xi'an Liancheng Intelligent Technology Co., Ltd.	Sale of goods	131,279,425.00	103,674,052.63

(2) Related party guarantees**① The Company as guarantor**

Guaranteed party	Amount of guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether the guarantee has been fully performed
Rolling Wireless Technology Co. Ltd	USD 99,000,000.00	2020/11/13	2025/11/13	No

② The Company as the guaranteed party

Guarantor	Amount of guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether the guarantee has been fully performed
Zhang Tianyu	USD 99,000,000.00	2020/11/13	2025/11/13	No

(3) Related party lending and borrowing

Related party	Amount lent or borrowed	Commencement date	Maturity date	Remarks
Lending: Xi'an Liancheng Intelligent Technology Co., Ltd.	4,000,000.00	2022/7/29	2023/7/27	

(4) Key management personnel remuneration

The Company had 11 key management personnel in the current period and 11 key management personnel in the prior period. The remuneration paid is set out in the table below:

Item	Current period amount	Prior period amount
Key management personnel remuneration	10,021,882.04	9,988,497.77

6. Amounts due from and to related parties**(1) Amounts due from related parties**

Item	Related party	Closing balance		Balance at the end of prior year	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable	Xi'an Liancheng Intelligent Technology Co., Ltd.	176,203,201.74	10,203,032.66	113,914,959.05	5,695,747.95
Other receivables	Xi'an Liancheng Intelligent Technology Co., Ltd.	—	—	4,076,466.67	40,764.67

(2) Amounts due to related parties

Item	Related party	Closing balance	Balance at the end of prior year
Accounts payable	Shenzhen Bogesi Communication Technology Co., Ltd.	1,263,797.97	59,775.06
Accounts payable	Xi'an Liancheng Intelligent Technology Co., Ltd.	—	2,047,658.49

XII. SHARE-BASED PAYMENTS**1. Overview of share-based payments**

Category of grantees	Granted for the period		Exercised for the period		Unlocked for the period		Lapsed for the period	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Sales personnel	406,900.00	4,528,797.00	—	—	—	—	246,787.68	1,833,286.38
Management personnel	485,500.00	5,403,615.00	—	—	—	—	257,051.20	2,063,941.72
Research and development personnel	1,090,200.00	12,133,926.00	—	—	—	—	327,742.32	3,342,974.28
Other personnel	79,000.00	879,270.00	—	—	—	—	8,876.00	98,789.88
Total	2,061,600.00	22,945,608.00	—	—	—	—	840,457.20	7,338,992.26

Share options outstanding at the end of the period

Category of grantees	Share options outstanding at the end of the period	
	Range of exercise prices	Remaining contractual term
Sales personnel	RMB 16.642 per unit	15 months
Management personnel	RMB 16.642 per unit	15 months
Research and development personnel	RMB 16.642 per unit	15 months

2. Equity-settled share-based payments

Method for determining the fair value of equity instruments at the grant date	Share options: Black-Scholes-Merton option pricing model; Restricted shares: closing price on the grant date	
Key parameters for determining the fair value of equity instruments at the grant date		Share price volatility
Basis for determining the number of vested equity instruments	Management's reasonable judgement on the performance targets and the vesting arrangements of the share incentive plan	
Reasons for significant differences between the estimates for the current period and those for the prior period	No significant differences	
Cumulative amount of equity-settled share-based payments recognised in capital reserve		RMB 47,362,200

3. Share-based payment expenses for the period

Category of grantees	Expenses of equity-settled share-based payments
Sales personnel	1,909,777.77
Management personnel	2,106,478.67
Research and development personnel	4,980,260.97
Other personnel	935,091.79
Total	9,931,609.20

4. Modification and termination of share-based payments

For details, see the explanations:

(1) Adjustments relating to the
2021 Share Incentive Plan;(2) Adjustments relating to the
2022 Share Incentive Plan

Modification of share-based payments

Termination of share-based payments

None

Note:

On 23 March 2023, the 28th meeting of the third session of the Board of Directors of the Company considered and approved the “Proposal on Adjusting Certain Company-Level Performance Assessment Targets under the 2021 Share Option and Restricted Share Incentive Plan” and the “Proposal on Adjusting Certain Company-Level Performance Assessment Targets under the 2022 Restricted Share Incentive Plan”. The Company adjusted certain company-level performance assessment targets under the 2021 Share Option and Restricted Share Incentive Plan (hereinafter referred to as the “2021 Share Incentive Plan”) and the 2022 Restricted Share Incentive Plan (hereinafter referred to as the “2022 Share Incentive Plan”), and correspondingly revised the relevant contents of the Company’s “2021 Share Option and Restricted Share Incentive Plan (Draft)” and its summary, the “Administrative Measures for the Implementation and Assessment of the 2021 Share Incentive Plan”, the “2022 Restricted Share Incentive Plan (Draft)” and its summary, and the “Administrative Measures for the Implementation and Assessment of the 2022 Share Incentive Plan”, the details of which are as follows:

(1) Adjustments relating to the 2021 Share Incentive Plan

The Company adjusted the company-level performance assessment targets for 2023 under the 2021 Share Incentive Plan, and correspondingly revised the relevant contents of the “2021 Share Option and Restricted Share Incentive Plan (Draft)” and its summary and the “Administrative Measures for the Implementation and Assessment of the 2021 Share Incentive Plan”, the details of which are as follows:

Based on the performance achievement rate for the current period (R), the corresponding company-level coefficients are as follows:

Actual company-level achievement rate R	R≥100%	100%>R≥90%	90%>R≥80%	80%>R≥70%	R<70%
Company-level coefficient	1	0.9	0.8	0.7	0

Note: 1. The performance achievement rate for the current period (R) refers to the net profit achievement rate for the current period; 2. Net profit achievement rate for the current period = actual growth rate of net profit for the current period/target growth rate of net profit for the current period.

For 2023: where the Company’s performance assessment achievement rate reaches 70% or above, the actual quota of restricted shares released from lock-up for an incentive recipient in that year = company-level coefficient x individual release ratio x the individual’s planned quota of restricted shares to be released from lock-up in that year, and the actual exercise quota for an incentive recipient in that year = company-level coefficient x individual exercise ratio x the individual’s planned exercise quota in that year. Where the Company’s performance assessment achievement rate is below 70%, none of the restricted shares of any incentive recipient eligible for release from lock-up in the assessment year may be released from lock-up, and such shares shall be repurchased and cancelled by the Company at a repurchase price equal to the grant price plus interest at the one-year deposit rate of financial institutions; none of the share options of any incentive recipient exercisable in the assessment year may be exercised, and such options shall be cancelled by the Company.

Save for the above adjustments, the other contents of the Company's "2021 Share Option and Restricted Share Incentive Plan (Draft)" and its summary and the "Administrative Measures for the Implementation and Assessment of the 2021 Share Incentive Plan" remain unchanged.

(2) Adjustments relating to the 2022 Share Incentive Plan

The Company adjusted the company-level performance assessment targets for 2023 and 2024 under the 2022 Share Incentive Plan, and correspondingly revised the relevant contents of the "2022 Restricted Share Incentive Plan (Draft)" and its summary and the "Administrative Measures for the Implementation and Assessment of the 2022 Share Incentive Plan", the details of which are as follows:

Based on the performance achievement rate for the current period (R), the corresponding company-level coefficients are as follows:

Actual company-level achievement rate R	R>=100%	100%>R>=90%	90%>R>=80%	80%>R>=70%	R<70%
Company-level coefficient	1	0.9	0.8	0.7	0

Note: 1. The performance achievement rate for the current period (R) refers to the net profit achievement rate for the current period; 2. Net profit achievement rate for the current period = actual growth rate of net profit for the current period/target growth rate of net profit for the current period.

For 2023 and 2024: where the Company's performance assessment achievement rate reaches 70% or above, the actual quota of restricted shares released from lock-up for an incentive recipient in that year = company-level coefficient x individual release ratio x the individual's planned quota of restricted shares to be released from lock-up in that year. Where the Company's performance assessment achievement rate is below 70%, none of the restricted shares of any incentive recipient eligible for release from lock-up in the assessment year may be released from lock-up, and such shares shall be repurchased and cancelled by the Company at a repurchase price equal to the grant price plus interest at the one-year deposit rate of financial institutions.

Save for the above adjustments, the other contents of the Company's "2022 Restricted Share Incentive Plan (Draft)" and its summary and the "Administrative Measures for the Implementation and Assessment of the 2022 Share Incentive Plan" remain unchanged.

XIII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Capital commitments contracted for but not yet recognised in the financial statements	Closing balance (in ten thousand yuan)	Balance at the end of prior year (in ten thousand yuan)
Commitments for acquisition and construction of long-term assets	9,879.46	10,102.91
Commitments for external investments	15,525.00	17,578.37

(2) Financial assistance

On 8 July 2022, the Company held the 20th meeting of the third session of the Board of Directors and the 18th meeting of the third session of the Supervisory Committee, at which the “Proposal on Providing Financial Assistance to an Investee Company” was considered and approved, agreeing that the Company would provide financial assistance of no more than RMB10,000,000 to Xi’an Liancheng, an investee company of its wholly-owned subsidiary Fibocom Investment, to meet its operating and development needs. The term of the loan shall not exceed one year, and the interest rate of the loan shall be 120% of the prevailing one-year Loan Prime Rate (LPR). When the Company actually provides financial assistance to Xi’an Liancheng, it charges loan interest that complies with market standards and is higher than the Company’s financing cost, and its other shareholder, Huanfu Technology, is required to provide financial assistance in the same proportion. The Company recovered the loan in July 2023.

(3) As at 31 December 2023, the Company had no other commitments requiring disclosure.

2. Contingencies

As at 31 December 2023, the Company had no contingencies requiring disclosure, such as pending litigation or guarantees provided to external parties.

XIV. EVENTS AFTER THE BALANCE SHEET DATE**1. Profit distribution after the balance sheet date**

Based on 763,177,824 shares, being the Company's total share capital of 765,805,784 shares as at 22 March 2024 less the 2,627,960 repurchased shares held in the Company's dedicated share repurchase securities account, a cash dividend of RMB3.80 (inclusive of tax) will be distributed to all shareholders for every 10 shares held, 0 bonus shares (inclusive of tax) will be issued, and 0 shares for every 10 shares held will be transferred to all shareholders from the capital reserve.

2. Description of other events after the balance sheet date

As at 22 March 2024, the Company had no other events after the balance sheet date requiring disclosure.

XV. OTHER SIGNIFICANT MATTERS

On 12 January 2024, the Company held the 42nd meeting of the third session of the Board of Directors and the 40th meeting of the third session of the Supervisory Committee, at which the proposals relating to the Company's issuance of convertible corporate bonds to unspecified investors were considered and approved. On 29 January 2024, the Company held the first extraordinary general meeting of shareholders in 2024, at which the announcement of resolutions on the proposals relating to the Company's issuance of convertible corporate bonds to unspecified investors was considered and approved. The total proceeds to be raised by the Company from the proposed issuance of convertible corporate bonds shall not exceed RMB962,758,800 (including issuance expenses), and the specific amount of the proceeds shall be determined by the Board of Directors of the Company (or a person authorised by the Board of Directors), as authorised by the general meeting of shareholders of the Company, within the above limit. The effectiveness and completion of the matters relating to this issuance of convertible corporate bonds to unspecified investors by the Company remain subject to review and approval by the Shenzhen Stock Exchange and consent to registration by the China Securities Regulatory Commission before they can be implemented.

XVI. NOTES TO MAJOR ITEMS OF THE COMPANY'S FINANCIAL STATEMENTS

1. Notes receivable

Category of notes	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Bank acceptance notes	53,779,954.79	—	53,779,954.79	50,239,527.05	—	50,239,527.05
Commercial acceptance notes	50,402,480.00	—	50,402,480.00	1,090,844.40	—	1,090,844.40
Total	104,182,434.79	—	104,182,434.79	51,330,371.45	—	51,330,371.45

(1) Notes receivable pledged by the Company at the end of the period

Category	Amount pledged at the end of the period
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Bank acceptance notes	23,516,198.27
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Note:

In accordance with the “Asset Pool Business Cooperation Agreement” signed with China CITIC Bank, the Company pledged notes receivable “accepted by banks other than the 6+9 banks” in the amount of RMB2,008,000.00, and in accordance with the “Maximum Amount Pledge Contract” signed with Industrial Bank, pledged notes receivable “accepted by banks other than the 6+9 banks” in the amount of RMB21,508,198.27, totalling RMB23,516,198.27, which are presented under notes receivable.

(2) Notes receivable endorsed or discounted by the Company but not yet due at the end of the period

Category	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance notes	—	28,002,847.52
Commercial acceptance notes	—	50,000,000.00
Total	—	78,002,847.52

Note: At the end of the period, bank acceptance notes used for endorsement or discounting that were not derecognised amounted to RMB78,002,847.52; they were not derecognised because the credit risk level of the accepting banks was not high.

(3) *At the end of the period, the Company had no notes transferred to accounts receivable as a result of the drawers' failure to perform*

(4) *Classified by method of provision for bad debts*

Category	Closing balance		Provision for bad debts		Carrying amount
	Gross carrying amount			Expected credit loss	
	Amount	Percentage (%)	Amount	rate (%)	
Provision for bad debts assessed individually	—	—	—	—	—
Provision for bad debts assessed by portfolio	104,182,434.79	100.00	—	—	104,182,434.79
Including:					
Commercial acceptance notes	50,402,480.00	48.38	—	—	50,402,480.00
Bank acceptance notes	53,779,954.79	51.62	—	—	53,779,954.79
Total	104,182,434.79	100.00	—	—	104,182,434.79

Continued:

Category	Balance at the end of prior year		Provision for bad debts		Carrying amount
	Gross carrying amount			Expected credit loss	
	Amount	Percentage (%)	Amount	rate (%)	
Provision for bad debts assessed individually	—	—	—	—	—
Provision for bad debts assessed by portfolio	51,330,371.45	100.00	—	—	51,330,371.45
Including:					
Commercial acceptance notes	1,090,844.40	2.13	—	—	1,090,844.40
Bank acceptance notes	50,239,527.05	97.87	—	—	50,239,527.05
Total	51,330,371.45	100.00	—	—	51,330,371.45

2. Accounts receivable

(1) Disclosure by ageing

Ageing	Closing balance	Balance at the end of prior year
Within 1 year	1,097,130,743.62	1,418,126,047.78
1 to 2 years	25,522,072.15	—
Subtotal	1,122,652,815.77	1,418,126,047.78
Less: Provision for bad debts	9,577,736.02	8,672,060.74
Total	1,113,075,079.75	1,409,453,987.04

(2) Disclosure by method of provision for bad debts

Category	Gross carrying amount		Closing balance		Carrying amount
	Amount	Percentage (%)	Provision for bad debts		
			Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	—	—	—	—	—
Provision for bad debts assessed by portfolio	1,122,652,815.77	100.00	9,577,736.02	0.85	1,113,075,079.75
Including:					
Portfolio of amounts due from related parties within the scope of consolidation	840,981,888.74	74.91	—	—	840,981,888.74
Portfolio of receivables from other customers	281,670,927.03	25.09	9,577,736.02	3.40	272,093,191.01
Total	1,122,652,815.77	100.00	9,577,736.02	0.85	1,113,075,079.75

Continued:

Category	Balance at the end of prior year		Provision for bad debts		Carrying amount
	Gross carrying amount	Percentage	Amount	Expected credit loss	
	Amount			rate (%)	
Provision for bad debts assessed individually	—	—	—	—	—
Provision for bad debts assessed by portfolio	1,418,126,047.78	100.00	8,672,060.74	0.61	1,409,453,987.04
Including:					
Portfolio of amounts due from related parties within the scope of consolidation	1,194,837,372.93	84.25	—	—	1,194,837,372.93
Portfolio of receivables from other customers	223,288,674.85	15.75	8,672,060.74	3.88	214,616,614.11
Total	1,418,126,047.78	100.00	8,672,060.74	0.61	1,409,453,987.04

Accounts receivable for which provision for bad debts is assessed by portfolio

Item for which provision is made on a portfolio basis: portfolio of amounts due from related parties within the scope of consolidation

	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	815,459,816.59	—	—	1,194,837,372.93	—	—
1 to 2 years	25,522,072.15	—	—	—	—	—
Total	840,981,888.74	—	—	1,194,837,372.93	—	—

Portfolio item: receivables from other customers

	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	281,670,927.03	9,577,736.02	3.40	223,288,674.85	8,672,060.74	3.88

(3) Provision, recovery or reversal of provision for bad debts for the period

	Amount of provision for bad debts
Opening balance	8,672,060.74
Provision for the period	905,675.28
Recovery or reversal for the period	—
Write-off for the period	—
Foreign currency translation	—
Other	—
Closing balance	<u>9,577,736.02</u>

(4) There were no accounts receivable written off during the period

(5) Top five closing balances of accounts receivable by debtor

The top five accounts receivable by debtor at the end of the period amounted to RMB769,407,397.52, representing 68.53% of the total closing balance of accounts receivable, and the aggregate closing balance of the related provision for bad debts was RMB0.00.

3. Other receivables

Item	Closing balance	Balance at the end of prior year
Interest receivable	—	—
Dividends receivable	—	—
Other receivables	1,019,630,221.72	504,475,090.51
Total	1,019,630,221.72	504,475,090.51

(1) Other receivables**① Disclosure by ageing**

Ageing	Closing balance	Balance at the end of prior year
Within 1 year	1,017,674,387.34	412,843,506.96
1 to 2 years	356,338.86	91,824,936.27
2 to 3 years	1,750,006.31	—
Subtotal	1,019,780,732.51	504,668,443.23
Less: Provision for bad debts	150,510.79	193,352.72
Total	1,019,630,221.72	504,475,090.51

② Disclosure by nature of amount

Item	Closing amount			Amount at the end of prior year		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Current accounts with entities	1,014,555,332.54	51,093.48	1,014,504,239.06	498,668,668.99	128,412.04	498,540,256.95
Guarantees, deposits	3,596,726.37	17,983.63	3,578,742.74	5,223,289.72	26,116.45	5,197,173.27
Current accounts with employees	1,006,319.60	50,315.98	956,003.62	—	—	—
Petty cash	622,354.00	31,117.70	591,236.30	776,484.52	38,824.23	737,660.29
Total	1,019,780,732.51	150,510.79	1,019,630,221.72	504,668,443.23	193,352.72	504,475,090.51

③ *Provision for bad debts*

Provision for bad debts in Stage 1 at the end of the period

Category	Gross carrying amount	Expected credit loss rate for the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	—	—	—	—
Provision for bad debts assessed by portfolio	1,019,780,732.51	0.01	150,510.79	1,019,630,221.72
Portfolio of deposits and guarantees receivable	3,596,726.37	0.50	17,983.63	3,578,742.74
Portfolio of receivables from related parties and other investments	1,013,533,462.89	—	—	1,013,533,462.89
Portfolio of current accounts and other characteristics	2,650,543.25	5.00	132,527.16	2,518,016.09
Total	<u>1,019,780,732.51</u>	<u>0.01</u>	<u>150,510.79</u>	<u>1,019,630,221.72</u>

At the end of the period, the Company had no interest receivable, dividends receivable or other receivables in Stage 2 or Stage 3.

Provision for bad debts in Stage 1 at the end of prior year

Category	Gross carrying amount	Expected credit loss rate for the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	—	—	—	—
Provision for bad debts assessed by portfolio	504,668,443.23	0.04	193,352.72	504,475,090.51
Portfolio of deposits and guarantees receivable	5,223,289.72	0.50	26,116.45	5,197,173.27
Portfolio of receivables from related parties and other investments	496,915,721.51	0.01	40,764.67	496,874,956.84
Portfolio of current accounts and other characteristics	2,529,432.00	5.00	126,471.60	2,402,960.40
Total	504,668,443.23	0.04	193,352.72	504,475,090.51

At the end of prior year, the Company had no interest receivable, dividends receivable or other receivables in Stage 2 or Stage 3.

④ *Provision, recovery or reversal of provision for bad debts for the period*

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Opening balance	193,352.72	—	—	193,352.72
Opening balance during the period				
— Transferred to Stage 2	—	—	—	—
— Transferred to Stage 3	—	—	—	—
— Transferred back to Stage 2	—	—	—	—
— Transferred back to Stage 1	—	—	—	—
Provision for the period	-42,841.93	—	—	-42,841.93
Reversal for the period	—	—	—	—
Write-off for the period	—	—	—	—
Write-off for the period	—	—	—	—
Foreign currency translation	—	—	—	—
Closing balance	150,510.79	—	—	150,510.79

⑤ *There were no other receivables written off during the period.*

⑥ Top five closing balances of other receivables by debtor

Name of entity	Nature of amount	Closing balance of other receivables	Ageing	Percentage of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Shenzhen Favalon Technology Co., Ltd.	Related parties within the scope of consolidation	615,879,091.85	Within 1 year	60.39	—
FIA Inc.	Related parties within the scope of consolidation	110,003,047.55	Within 1 year	10.79	—
FAIOT Co., Ltd.	Related parties within the scope of consolidation	89,908,329.47	Within 1 year	8.82	—
Xi'an Fibocom Wireless Communication Co., Ltd.	Related parties within the scope of consolidation	67,090,008.90	Within 1 year	6.58	—
Shenzhen Yaboda Technology Co., Ltd.	Related parties within the scope of consolidation	46,583,042.40	Within 1 year	4.57	—
Total		<u>929,463,520.17</u>		<u>91.15</u>	<u>—</u>

4. Long-term equity investments

Item	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Investments in subsidiaries	990,503,197.40	16,889,253.84	973,613,943.56	907,335,690.78	16,889,253.84	890,446,436.94
Investments in associates	2,767,514.90	—	2,767,514.90	3,133,112.26	—	3,133,112.26
Total	<u>993,270,712.30</u>	<u>16,889,253.84</u>	<u>976,381,458.46</u>	<u>910,468,803.04</u>	<u>16,889,253.84</u>	<u>893,579,549.20</u>

(1) Investments in subsidiaries

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment made for the period	Closing balance of provision for impairment
Fibocom Investment	155,500,000.00	36,000,000.00	—	191,500,000.00	—	—
U.S. Fibocom	35,833,196.70	1,046,897.44	—	36,880,094.14	—	—
Zhejiang Nodecom	30,431,344.96	100,372.13	—	30,531,717.09	—	16,889,253.84
Xi'an Software	33,689,501.35	1,470,852.43	—	35,160,353.78	—	—
EU Fibocom	23,638,224.79	—	—	23,638,224.79	—	—
FIA	20,000,000.01	—	20,000,000.00	0.01	—	—
Xi'an Communications	31,192,583.56	736,845.42	—	31,929,428.98	—	—
Fibocom Software	14,486,510.12	1,080,590.04	—	15,567,100.16	—	—
Shanghai Faiot	10,357,760.00	10,088,160.00	—	20,445,920.00	—	—
Favalon Technology	1,425,628.71	92,432.42	—	1,518,061.13	—	—
Guangtong Yilian	246,056.74	—	—	246,056.74	—	—
Yaboda	10.00	—	—	10.00	—	—
Fibocom Technology	—	52,380,532.62	—	52,380,532.62	—	—
Taiwan Fibocom	62,008.92	170,824.12	—	232,833.04	—	—
Rolling Wireless	550,472,864.92	—	—	550,472,864.92	—	—
Total	907,335,690.78	103,167,506.62	20,000,000.00	990,503,197.40	—	16,889,253.84

(2) *Investments in associates*

Investee	Opening balance	Additional/ new investments	Decrease in investments	Changes for the period					Closing balance	Closing balance of provision for impairment
				Investment income or loss recognised under the equity method	Adjustment of other comprehensive income	Other changes in equity	Cash dividends or profits declared	Provision for impairment		
Sherzhen Bogesi Communication Technology Co., Ltd.	3,133,112.26	-	-	-65,597.36	-	-	300,000.00	-	2,767,514.90	-

5. **Revenue and operating costs**(1) *Revenue and operating costs*

Item	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Principal operations	4,049,920,925.80	3,520,334,208.52	4,093,437,263.06	3,725,316,301.48
Other operations	485,523,232.87	483,660,469.65	291,370,782.32	287,242,345.48
Total	4,535,444,158.67	4,003,994,678.17	4,384,808,045.38	4,012,558,646.96

(2) Revenue and operating costs by product type

Major product types	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Principal operations:				
Communication modules	4,028,804,970.87	3,500,117,157.58	4,090,332,211.95	3,721,861,918.95
Terminals and materials	8,454,478.83	6,651,138.74	1,279,535.79	539,155.48
Other	12,661,476.10	13,565,912.20	1,825,515.32	2,915,227.05
Subtotal	4,049,920,925.80	3,520,334,208.52	4,093,437,263.06	3,725,316,301.48
Other operations:	485,523,232.87	483,660,469.65	291,370,782.32	287,242,345.48
Total	4,535,444,158.67	4,003,994,678.17	4,384,808,045.38	4,012,558,646.96

(3) Revenue from principal operations and cost of principal operations by geographical area

Major geographical areas of operation	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Domestic	1,306,307,527.78	1,176,303,058.73	1,533,319,807.27	1,471,608,835.45
Overseas	2,743,613,398.02	2,344,031,149.79	2,560,117,455.79	2,253,707,466.04
Subtotal	4,049,920,925.80	3,520,334,208.52	4,093,437,263.06	3,725,316,301.48

(4) Revenue and operating costs by timing of transfer of goods

Item	Current period amount	
	Revenue	Costs
Principal operations	4,049,920,925.80	3,520,334,208.52
Including: Recognised at a point in time	4,049,920,925.80	3,520,334,208.52
Other operations	485,523,232.87	483,660,469.65
Including: Recognised at a point in time	485,523,232.87	483,660,469.65
Total	4,535,444,158.67	4,003,994,678.17

6. Investment income

Item	Current period amount	Prior period amount
Income from long-term equity investments accounted for using the cost method	200,000,000.00	200,000,000.00
Income from long-term equity investments accounted for using the equity method	-65,597.36	26,830,289.36
Investment income from wealth management products	2,715,828.74	1,481,465.51
Total	202,650,231.38	228,311,754.87

XVII. SUPPLEMENTARY INFORMATION

1. Schedule of non-recurring profit or loss for the current period

Item	Current period amount	Remarks
Gains or losses on disposal of non-current assets, including the write-off of the related provision for asset impairment	307,323.83	
Government grants recognised in profit or loss for the current period, other than government grants that are closely related to the Company's ordinary course of business, comply with national policies, are received in accordance with defined criteria and have a continuing effect on the Company's profit or loss	26,612,750.09	
Gains or losses from changes in fair value of financial assets and financial liabilities held by non-financial enterprises and gains or losses on disposal of financial assets and financial liabilities, other than effective hedging activities related to the Company's ordinary course of business	3,048,498.83	
Fees for the occupation of funds charged to non- financial enterprises recognised in profit or loss for the current period	101,133.33	

Item	Current period amount	Remarks
Reversal of impairment provisions for receivables tested individually for impairment	4,795,862.95	
Other non-operating income and expenses other than the above	-584,456.23	
Total non-recurring profit or loss	34,281,112.80	
Less: Effect of income tax on non-recurring profit or loss	6,127,207.47	
Net non-recurring profit or loss	28,153,905.33	
Less: Net effect of non-recurring profit or loss attributable to non-controlling interests (net of tax)	300,692.56	
Non-recurring profit or loss attributable to ordinary shareholders of the Company	27,853,212.77	

Note: Government grants classified as recurring profit or loss are detailed as follows:

Item	Current period amount	Reason
Tax refunds under the immediate refund upon collection policy	36,481,392.40	Related to the Company's ordinary business activities

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	20.23	0.74	0.74
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	19.23	0.70	0.70

Fibocom Wireless Inc.
22 March 2024

**Fibocom Wireless Inc.
For the year 2024**

AUDITOR’S REPORT

Grant Thornton Zhitong Certified Public Accountants LLP

AUDITOR’S REPORT

Grant Thornton Zhitong Certified Public
Accountants LLP
5/F Scitech Place, 22 Jianguomen Wai Avenue
Chaoyang District, Beijing, China Postcode 100004
Tel +86 10 8566 5588
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Zhi Tong Shen Zi (2025) No. 441A012952

To all shareholders of Fibocom Wireless Inc.:

I. AUDIT OPINION

We have audited the financial statements of Fibocom Wireless Inc. (hereinafter referred to as “the Company”), which comprise the consolidated and company balance sheets as at 31 December 2024, the consolidated and company income statements, the consolidated and company cash flow statements and the consolidated and company statements of changes in shareholders’ equity for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared, in all material respects, in accordance with China Accounting Standards for Business Enterprises, and present fairly the consolidated and company financial position of the Company as at 31 December 2024, and the consolidated and company results of operations and cash flows for the year then ended.

II. BASIS FOR AUDIT OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

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

(I) Revenue recognition

For the related disclosures, please refer to Note III.26 and Note V.44 to the financial statements.

1. Description of the matter

The Company's sales revenue for 2024 amounted to RMB8,188,852,500, representing an increase of 6.13% over the same period of the prior year, with overseas revenue accounting for more than 50%. In accordance with the sales contracts and the accounting policies, the Company recognises sales revenue when the customer obtains control of the relevant goods or services.

We focused on the occurrence and cut-off of revenue recognition. As revenue is one of the key performance indicators of the Company, the inherent risk of misstatement is relatively high. Accordingly, we identified revenue recognition of the Company as a key audit matter.

2. Audit response

The principal procedures we performed in respect of this matter included:

- (1) obtaining an understanding of the design of the internal controls relating to revenue recognition, testing the key internal controls, and evaluating the effectiveness of the design and operation of the internal controls relating to revenue recognition;
- (2) inspecting significant sales contracts on a sample basis, identifying the contractual terms and conditions relating to the transfer of control, and assessing whether the accounting policy adopted by the Company for the recognition of revenue from product sales complies with China Accounting Standards for Business Enterprises;
- (3) obtaining the schedule of revenue details and analysing whether the movements in major customers were reasonable; performing annual and monthly fluctuation analyses of revenue and analyses of movements in gross profit margins by product type, in order to determine whether there were any abnormal fluctuations;
- (4) selecting samples and inspecting the supporting documents relating to revenue recognition, including sales contracts, invoices, delivery notes, logistics information and customer acknowledgements of receipt (export customs declarations), and evaluating whether the related revenue recognition complied with the Company's accounting policy for revenue recognition; in respect of overseas revenue, logging on to the platform of the State Administration of Foreign Exchange to verify the sales foreign exchange receipt data and to verify the authenticity of collections from overseas sales;

- (5) performing cut-off testing on revenue recorded before and after the balance sheet date and checking acknowledgements of receipt and other supporting documents, in order to evaluate whether revenue was recognised in the appropriate accounting period;
- (6) selecting samples and obtaining confirmations of transaction amounts and closing balances of accounts receivable;
- (7) inspecting collections from sales and subsequent collections, so as to further verify the authenticity of sales.

(II) Provision for bad debts of accounts receivable

For the related disclosures, please refer to Note III.11 and Note V.4 to the financial statements.

1. Description of the matter

As at 31 December 2024, the balance of the Company's accounts receivable amounted to RMB1,993,350,900 and the provision for bad debts amounted to RMB46,948,700, with a relatively high carrying amount.

The balance of the loss allowance for accounts receivable reflects management's best estimate of expected credit losses at the balance sheet date, made using the expected credit loss model under "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments". As management's determination of the expected credit losses of accounts receivable involves significant accounting estimates and judgements, we identified the provision for bad debts of accounts receivable as a key audit matter.

2. Audit response

The principal procedures we performed in respect of this matter included:

- (1) obtaining an understanding of the design of the internal controls relating to expected credit losses of accounts receivable, testing the key internal controls, and evaluating the effectiveness of the design and operation of the internal controls relating to expected credit losses of accounts receivable;
- (2) obtaining the ageing analysis of accounts receivable and inspecting customer revenue on a sampling basis, so as to assess the accuracy of the ageing analysis of accounts receivable;

- (3) analysing and evaluating the reasonableness of the accounting policies and estimates relating to expected credit losses, including the basis for determining the portfolios of accounts receivable, the judgements applied in making individually assessed provisions for bad debts, and the expected credit losses corresponding to the portfolios of accounts receivable;
- (4) analysing the amounts and circumstances of actual bad debts historically incurred in respect of similar accounts receivable and, taking into account factors such as customer credit standing and market conditions, evaluating the reasonableness of the key assumptions adopted by management in respect of the expected credit losses of accounts receivable;
- (5) inspecting subsequent collections of accounts receivable and evaluating the adequacy of the provision for bad debts of accounts receivable.

IV. OTHER INFORMATION

Management of the Company is responsible for the other information. The other information comprises the information included in the Company's 2024 annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of the Company is responsible for the preparation of the financial statements in accordance with China Accounting Standards for Business Enterprises to achieve fair presentation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design appropriate audit procedures.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the auditing standards to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to express a modified opinion. Our conclusions are based on the information available up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Grant Thornton Zhitong Certified Public
Accountants LLP

Beijing, China

Chinese Certified Public Accountant
(Engagement Partner)

Chinese Certified Public Accountant

Zhao Juanjuan

Zhou Yilan

17 April 2025

APPENDIX X**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024****CONSOLIDATED AND COMPANY BALANCE SHEET**

31 December 2024

Prepared by: Fibocom Wireless Inc.

Unit: RMB Yuan

Item	Note	Closing balance		Balance at the end of prior year	
		Consolidated	Company	Consolidated	Company
Current assets:					
Cash at bank and on hand	V.1	1,119,659,068.00	659,799,238.29	1,025,157,462.83	704,377,093.09
Financial assets held for trading	V.2	373,688,765.35	20,037,260.27	–	–
Notes receivable	V.3	118,894,083.85	156,182,390.62	86,513,733.16	104,182,434.79
Accounts receivable	V.4	1,946,402,151.46	2,497,704,566.33	1,939,318,405.36	1,113,075,079.75
Receivables financing	V.5	363,684,763.71	17,342,703.34	324,464,562.94	14,133,985.65
Prepayments	V.6	34,156,864.88	70,626,216.32	18,289,698.08	60,295,662.44
Other receivables	V.7	479,188,634.28	1,285,684,014.80	31,312,353.60	1,019,630,221.72
Inventories	V.8	979,719,060.55	473,988,394.95	1,285,628,531.94	672,210,625.84
Non-current assets due within one year	V.9	83,883,123.28	83,883,123.28	–	–
Other current assets	V.10	783,483,054.37	569,605,136.17	774,968,271.59	488,493,565.62
Total current assets		6,282,759,569.73	5,834,853,044.37	5,485,653,019.50	4,176,398,668.90
Non-current assets:					
Long-term equity investments	V.11	57,273,546.65	1,069,705,783.98	60,476,831.28	976,381,458.46
Investments in other equity instruments	V.12	329,578,094.58	–	217,279,698.02	–
Fixed assets	V.13	78,971,527.95	47,914,746.94	151,563,058.85	48,857,533.14
Construction in progress	V.14	92,850,902.58	92,850,902.58	66,689,229.85	66,689,229.85
Right-of-use assets	V.15	21,061,701.85	4,179,751.01	37,136,045.55	8,659,969.80
Intangible assets	V.16	333,967,823.79	203,177,536.64	421,652,052.76	208,925,603.42
Development expenditure	V.17	28,363,638.04	15,648,516.23	12,685,718.24	7,001,345.45
Goodwill	V.18	12,902,093.27	–	311,218,904.57	–
Long-term deferred expenses	V.19	66,349,263.40	56,955,734.99	98,025,951.87	82,977,594.69
Deferred tax assets	V.20	156,563,049.38	42,585,429.21	119,727,727.74	23,341,493.77
Other non-current assets	V.21	88,414,098.07	86,142,980.07	113,177,861.93	110,438,709.56
Total non-current assets		1,266,295,739.56	1,619,161,381.65	1,609,633,080.66	1,533,272,938.14
Total assets		7,549,055,309.29	7,454,014,426.02	7,095,286,100.16	5,709,671,607.04

APPENDIX X**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024**

Item	Note	Closing balance		Balance at the end of prior year	
		Consolidated	Company	Consolidated	Company
Current liabilities:					
Short-term borrowings	V.23	671,617,344.27	529,169,709.57	274,055,371.87	254,055,371.87
Financial liabilities held for trading	V.24	11,117,066.76	–	–	–
Notes payable	V.25	307,635,067.66	355,359,834.96	211,750,434.91	192,423,958.41
Accounts payable	V.26	1,718,555,185.01	2,024,551,888.33	1,726,224,805.85	1,229,288,462.27
Contract liabilities	V.27	27,943,121.57	584,496,027.90	49,375,734.00	51,618,921.14
Employee benefits payable	V.28	136,864,207.07	53,623,858.39	185,806,853.74	52,597,827.87
Taxes payable	V.29	158,697,033.03	2,602,160.86	179,089,590.89	18,845,041.08
Other payables	V.30	154,542,495.40	897,801,732.96	112,600,360.71	702,002,287.18
Non-current liabilities due within one year	V.31	420,258,251.43	113,813,723.34	536,019,957.55	410,900,578.61
Other current liabilities	V.32	39,451,435.79	21,520,946.16	40,088,545.00	18,715,597.53
Total current liabilities		3,646,681,207.99	4,582,939,882.47	3,315,011,654.52	2,930,448,045.96
Non-current liabilities:					
Long-term borrowings	V.33	189,970,000.00	189,970,000.00	394,472,166.51	99,980,000.00
Lease liabilities	V.34	10,682,803.14	934,187.22	22,921,615.81	4,097,006.71
Long-term employee benefits payable	V.35	–	–	7,885,826.73	–
Provisions	V.36	–	–	173,820,290.47	–
Deferred income	V.37	11,337,969.12	11,337,969.12	13,288,034.01	13,288,034.01
Deferred tax liabilities	V.20	77,422,438.12	–	39,277,654.97	–
Total non-current liabilities		289,413,210.38	202,242,156.34	651,665,588.50	117,365,040.72
Total liabilities		3,936,094,418.37	4,785,182,038.81	3,966,677,243.02	3,047,813,086.68

APPENDIX X**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024**

Item	Note	Closing balance		Balance at the end of prior year	
		Consolidated	Company	Consolidated	Company
Share capital	V.38	765,564,863.00	765,564,863.00	765,805,784.00	765,805,784.00
Capital reserve	V.39	689,995,046.39	665,984,710.56	689,185,700.23	667,876,489.24
Less: Treasury shares	V.40	76,758,475.44	76,758,475.44	95,892,767.14	95,892,767.14
Other comprehensive income	V.41	172,268,988.82	6,688,874.04	98,697,588.44	6,688,874.04
Surplus reserve	V.42	194,659,622.54	194,659,622.54	166,663,984.43	166,663,984.43
Retained earnings	V.43	1,858,605,130.73	1,112,692,792.51	1,508,620,652.64	1,150,716,155.79
Total equity attributable to shareholders of the parent company		3,604,335,176.04	2,668,832,387.21	3,133,080,942.60	2,661,858,520.36
Non-controlling interests		8,625,714.88		-4,472,085.46	
Total shareholders' equity		3,612,960,890.92	2,668,832,387.21	3,128,608,857.14	2,661,858,520.36
Total liabilities and shareholders' equity		7,549,055,309.29	7,454,014,426.02	7,095,286,100.16	5,709,671,607.04
Legal Representative:		Officer in Charge of Accounting:		Head of the Accounting Department:	
Zhang Tianyu		Wang Hongyan		Wang Hongyan	

CONSOLIDATED AND COMPANY INCOME STATEMENT

For the year ended 31 December 2024

Prepared by: Fibocom Wireless Inc.

Unit: RMB Yuan

Item	Note	Current period		Prior period	
		Consolidated	Company	Consolidated	Company
I. Revenue	V.44	8,188,852,494.50	6,035,400,673.12	7,715,828,997.07	4,535,444,158.67
Less: Operating costs	V.44	6,605,929,810.86	5,618,058,870.19	5,972,091,281.59	4,003,994,678.17
Taxes and surcharges	V.45	20,064,270.66	4,148,089.74	18,415,965.38	9,474,602.13
Selling expenses	V.46	192,504,236.85	62,280,729.25	228,946,159.18	66,646,331.63
General and administrative expenses	V.47	178,251,547.82	89,039,693.26	171,841,433.40	74,272,828.38
Research and development expenses	V.48	686,892,797.08	201,151,096.59	707,523,173.03	203,202,507.42
Finance costs	V.49	27,574,611.01	2,664,428.68	30,295,402.69	-17,792,165.13
Including: Interest expenses		42,773,729.96	30,303,481.65	42,391,628.71	24,836,955.50
Interest income		35,946,464.96	38,838,856.88	20,201,303.06	36,620,566.07
Add: Other income	V.50	86,632,240.62	26,655,089.97	60,976,832.64	13,373,590.84
Investment income					
(losses to be presented with “-”)	V.51	162,861,607.57	204,910,244.55	5,693,219.29	202,650,231.38
Including: Share of profit of associates and joint ventures		-3,897,820.75	148,846.08	2,016,777.10	-65,597.36
Gains on derecognition of financial assets at amortised cost					
(losses to be presented with “-”)		-	-	-	-
Gains from net exposure hedges					
(losses to be presented with “-”)		-	-	-	-
Gains from changes in fair value					
(losses to be presented with “-”)	V.52	2,028,532.82	37,260.27	-	-
Credit impairment losses					
(losses to be presented with “-”)	V.53	-12,553,101.84	-8,960,621.02	8,331,910.76	-862,833.35
Asset impairment losses					
(losses to be presented with “-”)	V.54	-46,394,754.33	-19,326,994.77	-37,718,587.92	-4,008,209.00
Gains on disposal of assets					
(losses to be presented with “-”)	V.55	112,339.73	114,831.27	102,640.86	-

APPENDIX X
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024**

Item	Note	Current period		Prior period	
		Consolidated	Company	Consolidated	Company
II. Operating profit					
(losses to be presented with “-”)		670,322,084.79	261,487,575.68	624,101,597.43	406,798,155.94
Add: Non-operating income	V.56	2,520,720.46	0.06	10,070.00	5,000.00
Less: Non-operating expenses	V.57	2,359,264.02	1,089,307.70	1,017,786.62	682,273.36
III. Total profit					
(total losses to be presented with “-”)		670,483,541.23	260,398,268.04	623,093,880.81	406,120,882.58
Less: Income tax expense	V.58	-6,354,908.99	-19,558,113.01	58,105,317.61	4,676,182.22
IV. Net profit					
(net losses to be presented with “-”)		676,838,450.22	279,956,381.05	564,988,563.20	401,444,700.36
(I) Classified by continuity of operations:					
Including: Net profit from continuing operations (net losses to be presented with “-”)		423,151,620.86	279,956,381.05	376,769,201.69	401,444,700.36
Net profit from discontinued operations (net losses to be presented with “-”)		253,686,829.36		188,219,361.51	
(II) Classified by ownership:					
Including: Net profit attributable to shareholders of the parent company (net losses to be presented with “-”)		667,964,222.42	279,956,381.05	563,554,950.37	401,444,700.36
Profit or loss attributable to non-controlling interests (net losses to be presented with “-”)		8,874,227.80		1,433,612.83	
V. Other comprehensive income, net of tax		73,571,400.38	-	64,409,855.54	-
Other comprehensive income attributable to shareholders of the parent company, net of tax		73,571,400.38	-	64,409,855.54	-
(I) Other comprehensive income that will not be reclassified to profit or loss		71,827,319.44	-	53,732,095.45	-
1. Changes arising from remeasurement of defined benefit plans		1,103,521.27	-	1,873,902.69	-
2. Changes in fair value of investments in other equity instruments		70,723,798.17	-	51,858,192.76	-

APPENDIX X**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024**

Item	Note	Current period		Prior period	
		Consolidated	Company	Consolidated	Company
(II) Other comprehensive income that will be reclassified to profit or loss		1,744,080.94	–	10,677,760.09	–
1. Share of other comprehensive income of investees accounted for using the equity method that will be reclassified to profit or loss		–	–	–	–
2. Exchange differences on translation of foreign currency financial statements		1,744,080.94	–	10,677,760.09	–
Other comprehensive income attributable to non-controlling interests, net of tax				–	
VI. Total comprehensive income		750,409,850.60	279,956,381.05	629,398,418.74	401,444,700.36
Total comprehensive income attributable to shareholders of the parent company		741,535,622.80	279,956,381.05	627,964,805.91	401,444,700.36
Total comprehensive income attributable to non-controlling interests		8,874,227.80	–	1,433,612.83	
VII. Earnings per share					
(I) Basic earnings per share		0.88		0.74	
(II) Diluted earnings per share		0.87		0.74	

Legal Representative:
Zhang Tianyu

**Officer in Charge of
Accounting:**
Wang Hongyan

**Head of the Accounting
Department:**
Wang Hongyan

CONSOLIDATED AND COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2024

Prepared by: Fibocom Wireless Inc.

Unit: RMB Yuan

Item	Note	Current period		Prior period	
		Consolidated	Company	Consolidated	Company
I. Cash flows from operating activities:					
Cash received from sales of goods and rendering of services		7,650,046,380.88	5,096,516,157.74	7,827,407,195.41	4,868,459,008.95
Refunds of taxes and surcharges received		414,421,293.65	337,809,404.96	436,298,355.72	382,114,675.81
Other cash received relating to operating activities	V.59	58,562,785.54	551,787,672.56	64,367,192.39	438,074,031.93
Sub-total of cash inflows from operating activities		8,123,030,460.07	5,986,113,235.26	8,328,072,743.52	5,688,647,716.69
Cash paid for goods purchased and services received		6,516,023,353.68	4,968,559,211.19	6,470,828,510.36	4,254,557,913.33
Cash paid to and on behalf of employees		788,201,170.71	223,135,770.99	821,951,084.58	197,739,793.83
Payments of taxes and surcharges		190,180,097.27	29,974,902.74	183,029,096.92	50,667,115.05
Other cash paid relating to operating activities	V.59	188,740,217.65	405,748,108.90	198,279,845.42	174,749,190.83
Sub-total of cash outflows from operating activities		7,683,144,839.31	5,627,417,993.82	7,674,088,537.28	4,677,714,013.04
Net cash flows from operating activities		439,885,620.76	358,695,241.44	653,984,206.24	1,010,933,703.65
II. Cash flows from investing activities:					
Cash received from disposal of investments		692,472,462.94	660,567,500.00	440,742,700.00	400,000,000.00
Cash received from investment income		3,207,329.98	3,078,562.86	1,875,567.32	1,542,897.23
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		20,922.52	8,079,090.06	—	—
Net cash received from disposal of subsidiaries and other business units		83,751,447.82	—	—	—
Other cash received relating to investing activities	V.59	—	144,828,627.97	4,177,600.00	4,177,600.00
Sub-total of cash inflows from investing activities		779,452,163.26	816,553,780.89	446,795,867.32	405,720,497.23
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		124,102,873.73	69,884,431.31	155,567,505.30	103,541,275.36
Cash paid for investments		1,126,802,525.77	882,974,291.66	574,407,677.53	569,632,657.53
Net cash paid for acquisition of subsidiaries and other business units		2,700,675.18	—	—	—
Other cash paid relating to investing activities	V.59	5,114,338.56	48,237,429.43	—	557,168,384.45
Sub-total of cash outflows from investing activities		1,258,720,413.24	1,001,096,152.40	729,975,182.83	1,230,342,317.34
Net cash flows from investing activities		-479,268,249.98	-184,542,371.51	-283,179,315.51	-824,621,820.11

APPENDIX X**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024**

Item	Note	Current period		Prior period	
		Consolidated	Company	Consolidated	Company
III. Cash flows from financing activities:					
Cash received from capital contributions		2,328,000.00	–	198,581,583.11	188,581,583.11
Including: Cash received from capital contributions by non-controlling shareholders of subsidiaries		2,328,000.00		10,000,000.00	
Cash received from borrowings		1,347,246,000.65	1,189,829,840.95	980,213,491.03	960,213,491.03
Other cash received relating to financing activities	V.59	78,536,855.40	–	35,578,807.63	33,251,689.13
Sub-total of cash inflows from financing activities		1,428,110,856.05	1,189,829,840.95	1,214,373,881.77	1,182,046,763.27
Cash repayments of borrowings		1,268,518,099.54	1,120,173,858.57	1,200,983,308.08	1,049,444,320.00
Cash paid for distribution of dividends, profits or interest		334,864,518.20	319,751,776.72	106,685,373.56	87,464,592.90
Including: Dividends and profits paid to non- controlling shareholders by subsidiaries		–		–	
Other cash paid relating to financing activities	V.59	68,918,641.08	54,009,011.68	115,406,813.96	75,038,172.89
Sub-total of cash outflows from financing activities		1,672,301,258.82	1,493,934,646.97	1,423,075,495.60	1,211,947,085.79
Net cash flows from financing activities		-244,190,402.77	-304,104,806.02	-208,701,613.83	-29,900,322.52
IV. Effect of foreign exchange rate changes on cash and cash equivalents					
		15,146,280.73	1,936,823.41	-400,405.35	-738,728.60
V. Net increase in cash and cash equivalents		-268,426,751.26	-128,015,112.68	161,702,871.55	155,672,832.42
Add: Cash and cash equivalents at the beginning of the year		978,262,425.94	690,300,539.96	816,559,554.39	534,627,707.54
VI. Cash and cash equivalents at the end of the year		709,835,674.68	562,285,427.28	978,262,425.94	690,300,539.96
Legal Representative:		Officer in Charge of Accounting:		Head of the Accounting Department:	
Zhang Tianyu		Wang Hongyan		Wang Hongyan	

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2024

Prepared by: Fibocom Wireless Inc.

Unit: RMB Yuan

Item	Share capital	Current period					Non-controlling interests	Total shareholders' equity
		Capital reserve	Equity attributable to shareholders of the parent company	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings
I. Balance at the end of prior year	765,805,784.00	689,185,700.23	95,892,767.14	98,697,588.44	-	166,663,984.43	1,508,620,652.64	3,128,608,857.14
II. Balance at the beginning of the year	765,805,784.00	689,185,700.23	95,892,767.14	98,697,588.44	-	166,663,984.43	1,508,620,652.64	3,128,608,857.14
III. Changes for the year (decreases to be presented with "+")	-240,921.00	809,346.16	-19,134,291.70	73,571,400.38	-	27,995,638.11	349,984,478.09	484,352,033.78
(I) Total comprehensive income	-	-	-	73,571,400.38	-	-	667,964,222.42	750,409,850.60
(II) Capital contributed and reduced by shareholders	-240,921.00	809,346.16	-19,134,291.70	-	-	-	-	23,926,289.40
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	4,701,971.50
2. Amounts of share-based payments recognised in shareholders' equity	-	116,967.26	-	-	-	-	-	116,967.26
3. Others	-240,921.00	692,378.90	-19,134,291.70	-	-	-	-	19,107,350.64
(III) Profit distribution	-	-	-	-	-	-	-	-289,984,106.22
1. Appropriation to surplus reserve	-	-	-	-	-	27,995,638.11	-317,979,744.33	-
2. Distribution to shareholders	-	-	-	-	-	27,995,638.11	-27,995,638.11	-
(IV) Internal transfers within shareholders' equity	-	-	-	-	-	-	-289,984,106.22	-289,984,106.22
1. Transfer of capital reserve to share capital	-	-	-	-	-	-	-	-
IV. Balance at the end of the year	765,564,863.00	689,995,046.39	76,758,475.44	172,268,988.82	-	194,659,622.54	1,858,605,130.73	3,612,960,890.92

Legal Representative:
Zhang TianyuOfficer in Charge of Accounting:
Wang HongyanHead of the Accounting Department:
Wang Hongyan

APPENDIX X

AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024

Item	Equity attributable to shareholders of the parent company							Prior period			
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Non-controlling interests	Total shareholders' equity		
I. Balance at the end of prior year	631,721,135.00	629,408,102.28	42,039,041.81	34,287,732.90	-	126,519,514.39	1,048,350,948.21	-	2,428,248,390.97		
II. Balance at the beginning of the year	631,721,135.00	629,408,102.28	42,039,041.81	34,287,732.90	-	126,519,514.39	1,048,350,948.21	-	2,428,248,390.97		
III. Changes for the year (decreases to be presented with "+")	134,084,649.00	59,777,597.95	53,853,725.33	64,409,855.54	-	40,144,470.04	460,269,704.43	-4,472,085.46	700,360,466.17		
(I) Total comprehensive income	-	-	-	64,409,855.54	-	-	563,554,950.37	1,433,612.83	629,398,418.74		
(II) Capital contributed and reduced by shareholders	7,803,098.00	186,059,148.95	53,853,725.33	-	-	-	-	-5,905,698.29	134,102,823.33		
1. Ordinary shares contributed by shareholders	7,884,972.00	157,751,003.11	-	-	-	-	-	10,000,000.00	175,635,975.11		
2. Amounts of share-based payments recognised in shareholders' equity	2,061,600.00	29,250,087.76	22,945,608.00	-	-	-	-	-	8,366,079.76		
3. Others	-2,143,474.00	-941,941.92	30,908,117.33	-	-	-	-	-15,905,698.29	-49,899,231.54		
(III) Profit distribution	-	-	-	-	-	-	-103,285,245.94	-	-63,140,775.90		
1. Appropriation to surplus reserve	-	-	-	-	-	-	-40,144,470.04	-	-		
2. Distribution to shareholders	-	-	-	-	-	-	-63,140,775.90	-	-63,140,775.90		
(IV) Internal transfers within shareholders' equity	126,281,551.00	-126,281,551.00	-	-	-	-	-	-	-		
1. Transfer of capital reserve to share capital	126,281,551.00	-126,281,551.00	-	-	-	-	-	-	-		
IV. Balance at the end of the year	765,805,784.00	689,185,700.23	95,892,767.14	98,697,588.44	-	166,663,984.43	1,508,620,652.64	-4,472,085.46	3,128,608,857.14		
Legal Representative:		Officer in Charge of Accounting:		Head of the Accounting Department:							
Zhang Tianyu		Wang Hongyan		Wang Hongyan							

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2024

Prepared by: Fibocom Wireless Inc.

Unit: RMB Yuan

Item	Share capital	Capital reserve	Less: Treasury shares	Current period			Total shareholders' equity
				Other comprehensive income	Special reserve	Surplus reserve	
I. Balance at the end of prior year	765,805,784.00	667,876,489.24	95,892,767.14	6,688,874.04	-	166,663,984.43	2,661,858,520.36
II. Balance at the beginning of the year	765,805,784.00	667,876,489.24	95,892,767.14	6,688,874.04	-	166,663,984.43	2,661,858,520.36
III. Changes for the year (decreases to be presented with "-")	-240,921.00	-1,891,778.68	-19,134,291.70	-	-	27,995,638.11	6,973,866.85
(I) Total comprehensive income	-	-	-	-	-	-	279,956,381.05
(II) Capital contributed and reduced by shareholders	-240,921.00	-1,891,778.68	-19,134,291.70	-	-	-	17,001,592.02
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-
2. Amounts of share-based payments recognised in shareholders' equity	-	116,967.26	-	-	-	-	116,967.26
3. Others	-240,921.00	-2,008,745.94	-19,134,291.70	-	-	-	16,884,624.76
(III) Profit distribution	-	-	-	-	-	27,995,638.11	-289,984,106.22
1. Appropriation to surplus reserve	-	-	-	-	-	27,995,638.11	-
2. Distribution to shareholders	-	-	-	-	-	-	-289,984,106.22
(IV) Internal transfers within shareholders' equity	-	-	-	-	-	-	-
IV. Balance at the end of the year	765,564,863.00	665,984,710.56	76,758,475.44	6,688,874.04	-	194,659,622.54	2,668,832,387.21

Legal Representative:
Zhang TianyuOfficer in Charge of Accounting:
Wang HongyanHead of the Accounting Department:
Wang Hongyan

APPENDIX X

AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024

Item	Prior period					Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Surplus reserve	
I. Balance at the end of prior year	631,721,135.00	624,469,296.85	42,039,041.81	6,688,874.04	126,519,514.39	2,199,916,479.84
II. Balance at the beginning of the year	631,721,135.00	624,469,296.85	42,039,041.81	6,688,874.04	126,519,514.39	2,199,916,479.84
III. Changes for the year (decreases to be presented with “-”)						
(I) Total comprehensive income	134,084,649.00	43,407,192.39	53,853,725.33	-	40,144,470.04	461,942,040.52
(II) Capital contributed and reduced by shareholders	-	-	-	-	-	401,444,700.36
1. Ordinary shares contributed by shareholders	7,803,098.00	169,688,743.39	53,853,725.33	-	-	123,638,116.06
2. Amounts of share-based payments recognised in shareholders' equity	7,884,972.00	157,751,003.11	-	-	-	165,635,975.11
3. Others	2,061,600.00	29,250,087.76	22,945,608.00	-	-	8,366,079.76
(III) Profit distribution	-2,143,474.00	-17,312,347.48	30,908,117.33	-	-	-50,363,938.81
1. Appropriation to surplus reserve	-	-	-	-	-	-63,140,775.90
2. Distribution to shareholders	-	-	-	-	-	-
(IV) Internal transfers within shareholders' equity	126,281,551.00	-126,281,551.00	-	-	-	-
1. Transfer of capital reserve to share capital	126,281,551.00	-126,281,551.00	-	-	-	-
IV. Balance at the end of the year	765,805,784.00	667,876,489.24	95,892,767.14	6,688,874.04	166,663,984.43	2,661,858,520.36

Legal Representative:
Zhang Tianyu

Officer in Charge of Accounting:
Wang Hongyan

Head of the Accounting Department:
Wang Hongyan

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2024

(Unless otherwise stated, all amounts are expressed in RMB Yuan)

I. GENERAL INFORMATION OF THE COMPANY

Fibocom Wireless Inc. (hereinafter referred to as the Company) was formerly known as Fibocom Industry Development Co., Ltd., which was established on 11 November 1999 upon approval and registration by the Shenzhen Administration for Market Regulation, with unified social credit code 9144030071524640XY; it was reorganised into a joint stock limited company in December 2014. In March 2017, upon approval by the China Securities Regulatory Commission in the “Reply on Approving the Initial Public Offering of Shares by Fibocom Wireless Inc”. (Zheng Jian Xu Ke [2017] No. 366), the Company issued 20,000,000 ordinary shares (A shares) to the public at an issue price of RMB10.45 per share, and was listed on the ChiNext Board of the Shenzhen Stock Exchange. Following several share incentive schemes, transfers of capital reserve to share capital and additional share issuances, as at 31 December 2024 the total share capital of the Company had increased to 765,564,863.00 shares. The Company’s headquarters is located at Room 1101, Block A, Building 6, Shenzhen International Innovation Valley, Dashi 1st Road, Nanshan District, Shenzhen.

The Company has established a corporate governance structure comprising the general meeting of shareholders, the board of directors and the supervisory board, and has set up departments including sales, procurement, research and development, and finance.

Nature of business and principal operating activities of the Company and its subsidiaries (hereinafter referred to as “the Group”): the Group is principally engaged in the design, research and development and sales services of wireless communication modules and communication solutions for their application industries. Its principal products include wireless communication modules based on 2G, 3G, 4G, 5G and NB-IoT technologies as well as communication solutions based on the industry applications thereof. Its principal product, wireless communication modules, is currently mainly applied in the fields of mobile payment, smart grid, internet of vehicles, security surveillance and mobile internet, enabling terminal equipment to access wireless communication networks so as to complete the transmission and interaction of data.

These financial statements and the notes thereto were approved by the thirteenth meeting of the fourth session of the Board of Directors of the Company on 17 April 2025.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and their application guidance, interpretations and other relevant provisions issued by the Ministry of Finance (collectively referred to as the “China Accounting Standards for Business Enterprises”). In addition, the Company discloses relevant financial information in accordance with the “Rules for the Compilation and Disclosure of Information by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (revised in 2023)” issued by the China Securities Regulatory Commission.

These financial statements have been presented on a going concern basis.

The Company’s accounting is based on the accrual basis. Except for certain financial instruments, these financial statements have been prepared on the historical cost basis of measurement. Where an asset is impaired, a corresponding provision for impairment is made in accordance with the relevant requirements.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Company determines its policies for depreciation of fixed assets, amortisation of intangible assets, capitalisation criteria for research and development expenditure and revenue recognition in the light of its own characteristics of production and operation. For the specific accounting policies, please refer to Note III.16, Note III.19, Note III.20 and Note III.26.

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

These financial statements comply with the requirements of the Accounting Standards for Business Enterprises, and present truly and completely the consolidated and Company financial position of the Company as at 31 December 2024, and the consolidated and Company results of operations and the consolidated and Company cash flows for 2024.

2. Accounting period

The accounting period of the Company is the calendar year, i.e. from 1 January to 31 December each year.

3. Operating cycle

The operating cycle of the Company is 12 months.

4. Functional currency

The Company and its domestic subsidiaries adopt Renminbi (RMB) as their functional currency. The subsidiaries of the Company determine their functional currencies on the basis of the primary economic environment in which they operate, and their financial statements are translated into RMB when the financial statements are prepared. The currency adopted by the Company in preparing these financial statements is RMB.

5. Method for determining the materiality criteria and the basis of selection

Item	Materiality criterion
Material receivables and payables for which bad debt provision is made on an individual basis	The amount of a receivable or payable for which bad debt provision is made on an individual basis accounts for $\geq 0.5\%$ of the Company's consolidated net assets
Material construction in progress	The amount of an individual construction in progress project accounts for $\geq 1\%$ of the Company's consolidated net assets
Material investing activity items	The amount of an individual investing activity accounts for $\geq 1\%$ of the Company's consolidated net assets
Material research and development projects	The closing balance of an individual project accounts for $\geq 1\%$ of the Company's consolidated net assets
Material joint ventures or associates	The investment income recognised in respect of an individual entity accounts for $\geq 10\%$ of the Company's consolidated profit before tax

6. Accounting treatment of business combinations involving entities under common control and business combinations not involving entities under common control**(1) Business combinations involving entities under common control**

For a business combination involving entities under common control, the assets and liabilities of the combined party acquired by the combining party in the combination are measured at their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the consideration for the combination and the carrying amount of the net assets acquired in the combination is adjusted against capital reserve; where the capital reserve is insufficient to absorb the difference, the excess is adjusted against retained earnings.

Business combinations involving entities under common control achieved in stages through multiple transactions

The assets and liabilities of the combined party acquired by the combining party in the combination are measured at their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date; the difference between the sum of the carrying amount of the investment held before the combination and the carrying amount of the consideration newly paid at the combination date and the carrying amount of the net assets acquired in the combination is adjusted against capital reserve, and where the capital reserve is insufficient to absorb the difference, the excess is adjusted against retained earnings. For the long-term equity investment held by the combining party before it obtained control over the combined party, the related profit or loss, other comprehensive income and other changes in owners' equity that have been recognised during the period from the later of the date on which the original equity interest was acquired and the date on which the combining party and the combined party came under the common ultimate control of the same party to the combination date are respectively offset against the opening retained earnings of the comparative reporting period or profit or loss for the current period.

(2) Business combinations not involving entities under common control

For a business combination not involving entities under common control, the cost of combination is the fair value, at the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for control of the acquiree. At the acquisition date, the assets, liabilities and contingent liabilities of the acquiree acquired are recognised at fair value.

The excess of the cost of combination over the acquirer's share of the fair value of the identifiable net assets of the acquiree acquired in the combination is recognised as goodwill, which is subsequently measured at cost less accumulated impairment provisions; the excess of the acquirer's share of the fair value of the identifiable net assets of the acquiree acquired in the combination over the cost of combination is recognised in profit or loss for the current period after reassessment.

Business combinations not involving entities under common control achieved in stages through multiple transactions

The cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the equity interest in the acquiree held immediately before the acquisition date. The equity interest in the acquiree held immediately before the acquisition date is remeasured at its fair value at the acquisition date, and the difference between the fair value and its carrying amount is recognised in investment income for the current period; other comprehensive income and changes in other owners' equity relating to the equity interest in the acquiree held before the acquisition date are transferred to profit or loss for the period in which the acquisition

date falls, except for other comprehensive income arising from changes in the net liabilities or net assets of a defined benefit plan remeasured by the investee and other comprehensive income relating to investments in non-trading equity instruments previously designated as at fair value through other comprehensive income.

(3) Treatment of transaction costs relating to business combinations

Intermediary fees, such as fees for auditing, legal services and valuation and advisory services, and other related administrative expenses incurred for a business combination are recognised in profit or loss for the current period when incurred. Transaction costs of the equity securities or debt securities issued as consideration for the combination are included in the initially recognised amount of the equity securities or debt securities.

7. Criteria for determining control and method of preparing the consolidated financial statements

(1) Criteria for determining control

The scope of consolidation of the consolidated financial statements is determined on the basis of control. Control means that the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement in the relevant activities of the investee, and has the ability to affect the amount of those returns through its power over the investee. Where changes in the relevant facts and circumstances give rise to changes in the relevant elements involved in the definition of control, the Company will perform a reassessment.

In determining whether a structured entity should be included in the scope of consolidation, the Company assesses whether it controls the structured entity on the basis of all relevant facts and circumstances, including assessing the purpose and design of the structured entity, identifying the types of variable returns, and determining whether it bears part or all of the variability of returns through its involvement in the relevant activities of the structured entity.

(2) Method of preparing the consolidated financial statements

The consolidated financial statements are prepared by the Company on the basis of the financial statements of the Company and its subsidiaries and other relevant information. In preparing the consolidated financial statements, the accounting policies and accounting periods of the Company and its subsidiaries are required to be consistent, and significant transactions and balances between the companies within the Group are eliminated.

For a subsidiary or business acquired through a business combination involving entities under common control during the reporting period, it is deemed to have been included in the scope of consolidation of the Company from the date on which it came under the control of the ultimate controlling party, and its results of operations and cash flows from the date on which it came under the control of the ultimate controlling party are included in the consolidated income statement and the consolidated cash flow statement respectively.

For a subsidiary or business acquired through a business combination not involving entities under common control during the reporting period, the income, expenses and profits of such subsidiary or business from the acquisition date to the end of the reporting period are included in the consolidated income statement, and its cash flows are included in the consolidated cash flow statement.

The portion of the shareholders' equity of a subsidiary that is not attributable to the Company is presented separately as non-controlling interests under shareholders' equity in the consolidated balance sheet; the portion of the net profit or loss of a subsidiary for the current period attributable to non-controlling interests is presented as "Profit or loss attributable to non-controlling interests" under the net profit item in the consolidated income statement. Where the losses of a subsidiary borne by non-controlling shareholders exceed the non-controlling shareholders' share of the opening balance of owners' equity of that subsidiary, the excess is still offset against non-controlling interests.

(3) Acquisition of equity interests held by non-controlling shareholders of subsidiaries

The difference between the cost of the long-term equity investment newly acquired as a result of the acquisition of a non-controlling interest and the share of the net assets of the subsidiary calculated continuously from the acquisition date or the combination date in proportion to the additional shareholding acquired, and the difference between the consideration received from the partial disposal of an equity investment in a subsidiary without loss of control and the corresponding share of the net assets of the subsidiary calculated continuously from the acquisition date or the combination date attributable to the disposed long-term equity investment, are both adjusted against capital reserve in the consolidated balance sheet; where the capital reserve is insufficient to absorb such difference, the excess is adjusted against retained earnings.

(4) Treatment of loss of control over a subsidiary

Where control over a former subsidiary is lost as a result of the disposal of part of an equity investment or for other reasons, the remaining equity interest is remeasured at its fair value at the date on which control is lost; the difference between the sum of the consideration received from the disposal of the equity interest and the fair value of the remaining equity interest, less the sum of the share of the carrying amount of the net assets of the former subsidiary calculated continuously from the acquisition date in proportion to the original shareholding and goodwill, is recognised in investment income for the period in which control is lost.

Other comprehensive income relating to the equity investment in the former subsidiary shall, upon the loss of control, be accounted for on the same basis as would have been required if the former subsidiary had directly disposed of the related assets or liabilities, and changes in other owners' equity relating to the former subsidiary accounted for under the equity method shall be transferred to profit or loss for the current period upon the loss of control.

8. Classification of joint arrangements and accounting treatment of joint operations

A joint arrangement is an arrangement of which two or more parties have joint control. The joint arrangements of the Company are classified into joint operations and joint ventures.

(1) Joint operations

A joint operation is a joint arrangement whereby the Company has rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company recognises the following items in relation to its interest in a joint operation, and accounts for them in accordance with the requirements of the relevant Accounting Standards for Business Enterprises:

- A. its assets, including its share of any assets held jointly;
- B. its liabilities, including its share of any liabilities incurred jointly;
- C. its revenue from the sale of its share of the output arising from the joint operation;
- D. its share of the revenue from the sale of the output by the joint operation;
- E. its expenses, including its share of any expenses incurred jointly by the joint operation.

(2) Joint ventures

A joint venture is a joint arrangement whereby the Company has rights only to the net assets of the arrangement.

The Company accounts for its investments in joint ventures in accordance with the requirements applicable to the equity method of accounting for long-term equity investments.

9. Criteria for determining cash and cash equivalents

Cash comprises cash on hand and deposits that are readily available for payment. Cash equivalents are investments held by the Company that are short-term, highly liquid, readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

10. Foreign currency transactions and translation of foreign currency financial statements***(1) Foreign currency transactions***

Foreign currency transactions of the Company are translated into the functional currency at the spot exchange rate prevailing at the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated at the spot exchange rate at the balance sheet date. Exchange differences arising from differences between the spot exchange rate at the balance sheet date and the spot exchange rate at the date of initial recognition or at the previous balance sheet date are recognised in profit or loss for the current period; foreign currency non-monetary items measured at historical cost continue to be translated at the spot exchange rate prevailing at the date of the transaction; foreign currency non-monetary items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair value is determined, and the difference between the translated amount in the functional currency and the original amount in the functional currency is recognised in profit or loss for the current period or in other comprehensive income according to the nature of the non-monetary item.

(2) Translation of foreign currency financial statements

At the balance sheet date, when the foreign currency financial statements of overseas subsidiaries are translated, the asset and liability items in the balance sheet are translated at the spot exchange rate at the balance sheet date, and the shareholders' equity items, other than "Retained earnings", are translated at the spot exchange rates prevailing at the dates on which they arose.

The income and expense items in the income statement are translated at the spot exchange rates prevailing at the dates of the transactions.

All items in the cash flow statement are translated at the spot exchange rates prevailing at the dates of the cash flows. The effect of exchange rate changes on cash is presented separately as a reconciling item in the cash flow statement under the item "Effect of foreign exchange rate changes on cash and cash equivalents".

The differences arising from the translation of the financial statements are presented under the item "Other comprehensive income" within the shareholders' equity items in the balance sheet.

On disposal of a foreign operation resulting in the loss of control, the exchange differences on translation of foreign currency financial statements relating to that foreign operation presented under the shareholders' equity items in the balance sheet are transferred, in full or in proportion to the interest in the foreign operation disposed of, to profit or loss for the period in which the disposal takes place.

11. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(1) Recognition and derecognition of financial instruments

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

A financial asset is derecognised when one of the following conditions is met:

- ① the contractual rights to receive the cash flows from the financial asset expire;
- ② the financial asset has been transferred and the transfer satisfies the conditions for derecognition of transfers of financial assets set out below.

A financial liability, or part of it, is derecognised when the present obligation of the financial liability has been discharged in whole or in part. Where the Company (as debtor) and a creditor enter into an agreement to replace an existing financial liability by assuming a new financial liability, and the contractual terms of the new financial liability are substantially different from those of the existing financial liability, the existing financial liability is derecognised and the new financial liability is recognised at the same time.

Financial assets bought or sold in a regular way are recognised and derecognised on a trade date basis.

(2) Classification and measurement of financial assets

On initial recognition, the Company classifies financial assets into the following three categories on the basis of the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

Financial assets are measured at fair value on initial recognition. For financial assets at fair value through profit or loss, the related transaction costs are recognised directly in profit or loss for the current period; for financial assets of other categories, the related transaction costs are included in the initially recognised amount. For receivables arising from the sale of products or the rendering of services that do not contain, or do not take into account, a significant financing component, the Company takes the amount of consideration to which it expects to be entitled as the initially recognised amount.

Financial assets at amortised cost

The Company classifies a financial asset that meets both of the following conditions and has not been designated as at fair value through profit or loss as a financial asset at amortised cost:

- the Company's business model for managing the financial asset is to hold the financial asset in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from a financial asset measured at amortised cost that is not part of any hedging relationship are recognised in profit or loss for the current period upon derecognition, amortisation using the effective interest method or recognition of impairment.

Financial assets at fair value through other comprehensive income

The Company classifies a financial asset that meets both of the following conditions and has not been designated as at fair value through profit or loss as a financial asset at fair value through other comprehensive income:

- the Company's business model for managing the financial asset is achieved both by collecting contractual cash flows and by selling the financial asset;
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, such financial assets are subsequently measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss for the current period, and other gains or losses are recognised in other comprehensive income. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is transferred out of other comprehensive income and recognised in profit or loss for the current period.

Financial assets at fair value through profit or loss

Apart from the financial assets measured at amortised cost and the financial assets at fair value through other comprehensive income described above, the Company classifies all other financial assets as financial assets at fair value through profit or loss. On initial recognition, in order to eliminate or significantly reduce an accounting mismatch, the Company irrevocably designates certain financial assets that would otherwise be measured at amortised cost or at fair value through other comprehensive income as financial assets at fair value through profit or loss.

After initial recognition, such financial assets are subsequently measured at fair value, and the resulting gains or losses (including interest and dividend income) are recognised in profit or loss for the current period, unless the financial asset is part of a hedging relationship.

However, for investments in non-trading equity instruments, the Company irrevocably designates them, on initial recognition, as financial assets at fair value through other comprehensive income. Such designation is made on an investment-by-investment basis, and the relevant investments meet the definition of an equity instrument from the perspective of the issuer.

After initial recognition, such financial assets are subsequently measured at fair value. Dividend income that satisfies the relevant conditions is recognised in profit or loss, and other gains or losses and changes in fair value are recognised in other comprehensive income. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is transferred out of other comprehensive income and recognised in retained earnings.

The business model for managing financial assets refers to how the Company manages its financial assets in order to generate cash flows. The business model determines whether the source of the cash flows of the financial assets managed by the Company is the collection of contractual cash flows, the sale of financial assets, or both. The Company determines the business model for managing financial assets on the basis of objective facts and the specific business objectives for managing the financial assets determined by key management personnel.

The Company assesses the contractual cash flow characteristics of its financial assets in order to determine whether the contractual cash flows arising from the relevant financial assets on specified dates are solely payments of principal and interest on the principal amount outstanding. Principal refers to the fair value of the financial asset at initial recognition; interest comprises consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period, and for other basic lending risks, costs and profit. In addition, the Company assesses contractual terms that may change the timing or amount of the contractual cash flows of a financial asset in order to determine whether they meet the requirements of the above contractual cash flow characteristics.

Only when the Company changes its business model for managing financial assets are all affected financial assets reclassified on the first day of the first reporting period following the change in the business model; otherwise, financial assets shall not be reclassified after initial recognition.

(3) Classification and measurement of financial liabilities

On initial recognition, the financial liabilities of the Company are classified into: financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. For financial liabilities that are not classified as at fair value through profit or loss, the related transaction costs are included in their initially recognised amounts.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise held-for-trading financial liabilities and financial liabilities designated, on initial recognition, as at fair value through profit or loss. Such financial liabilities are subsequently measured at fair value, and gains or losses arising from changes in fair value, together with dividends and interest expenses relating to such financial liabilities, are recognised in profit or loss for the current period.

Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, and gains or losses arising from derecognition or amortisation are recognised in profit or loss for the current period.

Distinction between financial liabilities and equity instruments

A financial liability is a liability that meets any of the following conditions:

- ① a contractual obligation to deliver cash or another financial asset to another party.
- ② a contractual obligation to exchange financial assets or financial liabilities with another party under potentially unfavourable conditions.
- ③ a non-derivative contract that will or may be settled in the enterprise's own equity instruments, under which the enterprise will deliver a variable number of its own equity instruments.
- ④ a derivative contract that will or may be settled in the enterprise's own equity instruments, other than a derivative contract that will be settled by exchanging a fixed amount of cash or another financial asset for a fixed number of the enterprise's own equity instruments.

An equity instrument is a contract that evidences a residual interest in the assets of an enterprise after deducting all of its liabilities.

If the Company cannot unconditionally avoid settling a contractual obligation by delivering cash or another financial asset, that contractual obligation meets the definition of a financial liability.

If a financial instrument will or may be settled in the Company's own equity instruments, it is necessary to consider whether the Company's own equity instruments used to settle the instrument serve as a substitute for cash or another financial asset, or serve to entitle the holder of the instrument to a residual interest in the assets of the issuer after deducting all of its liabilities. In the former case, the instrument is a financial liability of the Company; in the latter case, the instrument is an equity instrument of the Company.

(4) Derivative financial instruments and embedded derivatives

Derivative financial instruments are initially measured at fair value on the date on which the derivative transaction contract is entered into, and are subsequently measured at fair value. A derivative financial instrument with a positive fair value is recognised as an asset, and one with a negative fair value is recognised as a liability. Any gain or loss arising from changes in fair value that does not qualify for hedge accounting is recognised directly in profit or loss for the current period.

For a hybrid instrument that contains an embedded derivative, where the host contract is a financial asset, the hybrid instrument as a whole is subject to the relevant requirements for the classification of financial assets. Where the host contract is not a financial asset, the hybrid instrument is not accounted for at fair value through profit or loss, the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, the embedded derivative is separated from the hybrid instrument and accounted for as a stand-alone derivative financial instrument. Where the embedded derivative cannot be measured separately either at acquisition or at a subsequent balance sheet date, the hybrid instrument as a whole is designated as a financial asset or financial liability at fair value through profit or loss.

(5) Fair value of financial instruments

The methods for determining the fair values of financial assets and financial liabilities are set out in Note III.12.

(6) Impairment of financial assets

The Company accounts for impairment and recognises a loss allowance for the following items on the basis of expected credit losses:

- financial assets at amortised cost;
- receivables and debt instrument investments at fair value through other comprehensive income;

- contract assets as defined in “Accounting Standard for Business Enterprises No. 14 – Revenue”;
- lease receivables;
- financial guarantee contracts (other than those measured at fair value through profit or loss, those arising from transfers of financial assets that do not qualify for derecognition, and those arising from continuing involvement in transferred financial assets).

Measurement of expected credit losses

Expected credit losses are the weighted average of credit losses on financial instruments, with the respective risks of a default occurring as the weights. Credit losses are the difference between all contractual cash flows that are due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate, i.e. the present value of all cash shortfalls.

The Company recognises expected credit losses by taking into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions, and by calculating, with the respective risks of a default occurring as the weights, the probability-weighted amount of the present value of the difference between the contractual cash flows receivable and the cash flows expected to be received.

The Company measures expected credit losses separately for financial instruments at different stages. Where the credit risk of a financial instrument has not increased significantly since initial recognition, the financial instrument is at Stage 1 and the Company measures the loss allowance at an amount equal to the expected credit losses within the next 12 months; where the credit risk of a financial instrument has increased significantly since initial recognition but the financial instrument is not yet credit-impaired, the financial instrument is at Stage 2 and the Company measures the loss allowance at an amount equal to the lifetime expected credit losses of the instrument; where a financial instrument has become credit-impaired since initial recognition, the financial instrument is at Stage 3 and the Company measures the loss allowance at an amount equal to the lifetime expected credit losses of the instrument.

For financial instruments with low credit risk at the balance sheet date, the Company assumes that their credit risk has not increased significantly since initial recognition and measures the loss allowance at an amount equal to the expected credit losses within the next 12 months.

Lifetime expected credit losses are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. Expected credit losses within the next 12 months are the expected credit losses resulting from default events on a financial instrument that are possible within the 12 months after the balance sheet date (or, if the expected life of the financial instrument is less than 12 months, over its expected life), and represent a portion of the lifetime expected credit losses.

In measuring expected credit losses, the maximum period the Company considers is the maximum contractual period over which the enterprise is exposed to credit risk (including consideration of extension options).

For financial instruments at Stage 1 and Stage 2 and those with low credit risk, the Company calculates interest income on the basis of the gross carrying amount before deducting the impairment allowance and the effective interest rate. For financial instruments at Stage 3, the Company calculates interest income on the basis of the amortised cost, being the gross carrying amount less the impairment allowance recognised, and the effective interest rate.

For receivables such as notes receivable, accounts receivable, receivables financing and other receivables, where the credit risk characteristics of a particular customer are significantly different from those of the other customers in the portfolio, or where the credit risk characteristics of that customer have changed significantly, the Company makes bad debt provision for that receivable on an individual basis. Apart from receivables for which bad debt provision is made on an individual basis, the Company groups receivables into portfolios based on credit risk characteristics and calculates bad debt provision on a portfolio basis.

Notes receivable and accounts receivable

For notes receivable and accounts receivable, whether or not they contain a significant financing component, the Company always measures the loss allowance at an amount equal to the lifetime expected credit losses.

Where the information about expected credit losses on an individual financial asset cannot be assessed at a reasonable cost, the Company groups notes receivable and accounts receivable into portfolios based on credit risk characteristics and calculates expected credit losses on a portfolio basis. The bases for determining the portfolios are as follows:

A. Notes receivable

- Notes receivable portfolio 1: Bank acceptance bills
- Notes receivable portfolio 2: Commercial acceptance bills

B. Accounts receivable

- Accounts receivable portfolio 1: Portfolio of balances with related parties within the scope of consolidation
- Accounts receivable portfolio 2: Receivables from other customers

For notes receivable grouped into portfolios, the Company calculates expected credit losses by reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, and by using the exposure at default and the lifetime expected credit loss rate.

For accounts receivable grouped into portfolios, the Company calculates expected credit losses by reference to historical credit loss experience, taking into account current conditions and forecasts of future economic conditions, and by preparing a comparison table of the ageing of accounts receivable and the lifetime expected credit loss rates. The ageing of accounts receivable is calculated from the date of recognition.

Other receivables

The Company groups other receivables into a number of portfolios based on credit risk characteristics and calculates expected credit losses on a portfolio basis. The bases for determining the portfolios are as follows:

- Other receivables portfolio 1: Portfolio of balances with related parties within the scope of consolidation
- Other receivables portfolio 2: Portfolio of export tax refunds receivable
- Other receivables portfolio 3: Portfolio of deposits and guarantee deposits receivable
- Other receivables portfolio 4: Portfolio of receivables from related parties and other investments
- Other receivables portfolio 5: Portfolio of current account balances and other characteristics

For other receivables grouped into portfolios, the Company calculates expected credit losses by using the exposure at default and the expected credit loss rate for the next 12 months or the lifetime. For other receivables grouped into portfolios by ageing, the ageing is calculated from the date of recognition.

Debt investments and other debt investments

For debt investments and other debt investments, the Company calculates expected credit losses, according to the nature of the investments and based on the various types of counterparties and risk exposures, by using the exposure at default and the expected credit loss rate for the next 12 months or the lifetime.

Assessment of significant increases in credit risk

The Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of a default occurring on the financial instrument at the balance sheet date with the risk of a default occurring at the date of initial recognition, so as to determine the relative change in the risk of a default occurring over the expected life of the financial instrument.

In determining whether credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, including forward-looking information, that is available without undue additional cost or effort. The information considered by the Company includes:

- failure of the debtor to pay principal and interest by the contractual due dates;
- an actual or expected significant deterioration in the external or internal credit rating (if any) of the financial instrument;
- an actual or expected significant deterioration in the operating results of the debtor;
- existing or expected changes in the technological, market, economic or legal environment that will have a significant adverse effect on the debtor's ability to repay the Company.

Depending on the nature of the financial instruments, the Company assesses whether credit risk has increased significantly on an individual financial instrument basis or on a portfolio basis. Where the assessment is performed on a portfolio basis, the Company may classify financial instruments on the basis of common credit risk characteristics, such as past due information and credit risk ratings.

Credit-impaired financial assets

The Company assesses at the balance sheet date whether financial assets measured at amortised cost and debt investments at fair value through other comprehensive income are credit-impaired. A financial asset becomes credit-impaired when one or more events that have an adverse effect on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- significant financial difficulty of the issuer or the debtor;
- a breach of contract by the debtor, such as a default or delinquency in the payment of interest or principal;

- the Company, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that would not otherwise be granted under any other circumstances;
- it is probable that the debtor will enter bankruptcy or undergo other financial reorganisation;
- the disappearance of an active market for that financial asset because of the financial difficulty of the issuer or the debtor.

Presentation of the allowance for expected credit losses

In order to reflect changes in the credit risk of financial instruments since initial recognition, the Company remeasures expected credit losses at each balance sheet date, and the resulting increase in, or reversal of, the loss allowance shall be recognised in profit or loss for the current period as an impairment loss or gain. For financial assets measured at amortised cost, the loss allowance reduces the carrying amount of the financial asset presented in the balance sheet; for debt investments at fair value through other comprehensive income, the Company recognises the loss allowance in other comprehensive income without reducing the carrying amount of the financial asset.

Write-off

If the Company no longer reasonably expects that the contractual cash flows of a financial asset will be recovered in whole or in part, it directly writes down the gross carrying amount of that financial asset. Such a write-down constitutes a derecognition of the relevant financial asset. This normally occurs when the Company determines that the debtor has no assets or sources of income capable of generating sufficient cash flows to repay the amount to be written down. However, financial assets that have been written down may still be subject to enforcement activities in accordance with the Company's procedures for recovering amounts due.

Where a financial asset previously written down is subsequently recovered, the recovery is accounted for as a reversal of impairment loss and recognised in profit or loss for the period in which the recovery occurs.

(7) *Transfer of financial assets*

A transfer of financial assets refers to the assignment or delivery of a financial asset to a party other than the issuer of that financial asset (the transferee).

Where the Company has transferred substantially all the risks and rewards of ownership of a financial asset to the transferee, it derecognises the financial asset; where the Company has retained substantially all the risks and rewards of ownership of the financial asset, it does not derecognise the financial asset.

Where the Company has neither transferred nor retained substantially all the risks and rewards of ownership of a financial asset, it is accounted for as follows: where the Company has given up control of the financial asset, it derecognises the financial asset and recognises the assets and liabilities arising therefrom; where the Company has not given up control of the financial asset, it recognises the relevant financial asset to the extent of its continuing involvement in the transferred financial asset and recognises the related liability accordingly.

(8) Offsetting of financial assets and financial liabilities

Where the Company has a legal right to offset recognised financial assets and financial liabilities and such legal right is currently enforceable, and the Company intends either to settle on a net basis or to realise the financial asset and settle the financial liability simultaneously, the financial asset and the financial liability are presented in the balance sheet at the net amount after offsetting. Otherwise, financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other.

12. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When the Company measures a relevant asset or liability at fair value, it assumes that the orderly transaction to sell the asset or transfer the liability takes place in the principal market for the relevant asset or liability; where there is no principal market, the Company assumes that the transaction takes place in the most advantageous market for the relevant asset or liability. The principal market (or the most advantageous market) is the market that the Company can access at the measurement date. The Company uses the assumptions that market participants would use when pricing the asset or liability with the objective of maximising their economic benefits.

For a financial asset or financial liability with an active market, the Company determines its fair value using the quoted price in the active market. Where a financial instrument has no active market, the Company determines its fair value using valuation techniques.

When a non-financial asset is measured at fair value, consideration is given to a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are applicable in the current circumstances and for which sufficient available data and other information exist to support them, giving priority to the use of relevant observable inputs, and uses unobservable inputs only where observable inputs are unavailable or impracticable to obtain.

Assets and liabilities measured or disclosed at fair value in the financial statements are categorised within the fair value hierarchy on the basis of the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are obtainable at the measurement date; Level 2 inputs are inputs other than Level 1 inputs that are directly or indirectly observable for the relevant asset or liability; Level 3 inputs are unobservable inputs for the relevant asset or liability.

At each balance sheet date, the Company reassesses the assets and liabilities recognised in the financial statements that are measured at fair value on a recurring basis in order to determine whether any transfers between levels of the fair value hierarchy have occurred.

13. Inventories

(1) Classification of inventories

The Company's inventories are classified into materials for consignment processing, finished goods, goods shipped, materials in transit, raw materials, contract fulfilment costs, etc.

(2) Method of measuring inventories issued

Inventories of the Company are measured at actual cost upon acquisition. Raw materials, finished goods and materials for consignment processing, etc. are measured using the moving weighted average method when issued.

(3) Basis for determining and method of making provision for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. Where the net realisable value is lower than the cost, a provision for decline in value of inventories is made.

Net realisable value is the estimated selling price of inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the related taxes and surcharges. In determining the net realisable value of inventories, the Company bases its determination on conclusive evidence obtained and also takes into consideration the purpose of holding the inventories and the effect of events after the balance sheet date.

The Company normally makes provision for decline in value of inventories on an individual inventory item basis. For inventories with large quantities and low unit prices, provision for decline in value of inventories is made by category of inventories.

At the balance sheet date, where the factors that previously caused inventories to be written down have ceased to exist, the provision for decline in value of inventories is reversed to the extent of the amount previously provided.

(4) Inventory count system

The Company adopts the perpetual inventory system.

(5) Amortisation method for low-value consumables

Low-value consumables of the Company are amortised using the one-off write-off method when issued for use.

14. Assets held for sale and discontinued operations***(1) Criteria for recognition of, and accounting treatment for, non-current assets or disposal groups classified as held for sale***

Where the Company recovers the carrying amount of a non-current asset or a disposal group principally through a sale (including an exchange of non-monetary assets that has commercial substance) rather than through continuing use, that non-current asset or disposal group is classified as held for sale.

The non-current assets referred to above do not include investment properties subsequently measured using the fair value model, biological assets measured at fair value less costs to sell, assets arising from employee benefits, financial assets, deferred tax assets or rights arising from insurance contracts.

A disposal group is a group of assets to be disposed of together as a whole by sale or otherwise in a single transaction, together with the liabilities directly associated with those assets that will be transferred in the transaction. In certain circumstances, a disposal group includes goodwill acquired in a business combination.

A non-current asset or disposal group is classified as held for sale when all of the following conditions are satisfied: the non-current asset or disposal group is available for immediate sale in its present condition in accordance with the customary practices for sales of such assets or disposal groups in similar transactions; and the sale is highly probable, that is, a resolution has been made on a sale plan and a binding purchase commitment has been obtained, and the sale is expected to be completed within one year. Where control over a subsidiary is lost as a result of the disposal of an investment in the subsidiary or for other reasons, the investment in the subsidiary is classified in its entirety as held for sale in the separate financial statements, and all the assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements, when the investment in the subsidiary to be disposed of satisfies the criteria for classification as held for sale, irrespective of whether the Company retains part of the equity investment after the disposal.

On initial measurement or remeasurement at the balance sheet date of a non-current asset or disposal group held for sale, the excess of the carrying amount over the fair value less costs to sell is recognised as an impairment loss on assets. The amount of the impairment loss recognised in respect of a disposal group held for sale is first applied to reduce the carrying amount of the goodwill in the disposal group, and is then applied to reduce the carrying amounts of the non-current assets in the disposal group on a pro rata basis according to their respective carrying amounts.

Where the fair value less costs to sell of a non-current asset or disposal group held for sale increases at a subsequent balance sheet date, the amount previously written down is reinstated and reversed to the extent of the impairment loss on assets recognised after classification as held for sale, and the amount reversed is recognised in profit or loss for the current period. The carrying amount of goodwill that has been reduced shall not be reversed.

Non-current assets held for sale and assets in disposal groups held for sale are not depreciated or amortised; interest and other expenses on liabilities in disposal groups held for sale continue to be recognised. Where all or part of an investment in an associate or a joint venture is classified as held for sale, the equity method ceases to be applied to the portion classified as held for sale, while the portion retained (not classified as held for sale) continues to be accounted for using the equity method; where the Company loses significant influence over an associate or a joint venture as a result of a disposal, the equity method ceases to be applied.

Where a non-current asset or disposal group has been classified as held for sale but subsequently no longer satisfies the criteria for such classification, the Company ceases to classify it as held for sale and measures it at the lower of:

- ① the carrying amount of the asset or disposal group before it was classified as held for sale, adjusted for the depreciation, amortisation or impairment that would have been recognised had it not been classified as held for sale; and
- ② the recoverable amount.

(2) *Criteria for identification of discontinued operations*

A discontinued operation is a separately identifiable component that has been disposed of by the Company or classified by the Company as held for sale and that satisfies one of the following conditions:

- ① the component represents a separate major line of business or a separate major geographical area of operations;
- ② the component is part of a coordinated plan to dispose of a separate major line of business or a separate major geographical area of operations;
- ③ the component is a subsidiary acquired exclusively with a view to resale.

(3) Presentation

In the balance sheet, the Company presents non-current assets held for sale and assets in disposal groups held for sale under “Assets held for sale”, and liabilities in disposal groups held for sale under “Liabilities held for sale”.

In the income statement, the Company presents profit or loss from continuing operations and profit or loss from discontinued operations separately. Impairment losses and the amounts reversed thereof, and gains or losses on disposal, in respect of non-current assets or disposal groups held for sale that do not meet the definition of a discontinued operation are presented as profit or loss from continuing operations. Operating profit or loss, such as impairment losses and the amounts reversed thereof, and gains or losses on disposal, in respect of discontinued operations are presented as profit or loss from discontinued operations.

A disposal group that is to be abandoned rather than sold and that satisfies the conditions relating to a component in the definition of a discontinued operation is presented as a discontinued operation from the date on which it ceases to be used.

For a discontinued operation presented in the current period, information previously presented as profit or loss from continuing operations is re-presented as profit or loss from discontinued operations for the comparative accounting period in the financial statements of the current period. Where a discontinued operation no longer satisfies the criteria for classification as held for sale, information previously presented as profit or loss from discontinued operations is re-presented as profit or loss from continuing operations for the comparative accounting period in the financial statements of the current period.

15. Long-term equity investments

Long-term equity investments comprise equity investments in subsidiaries, joint ventures and associates. An investee over which the Company is able to exercise significant influence is an associate of the Company.

(1) Determination of initial investment cost

Long-term equity investments arising from business combinations: for a long-term equity investment acquired through a business combination involving entities under common control, the share of the carrying amount of the owners’ equity of the party being combined in the consolidated financial statements of the ultimate controlling party at the combination date is taken as the investment cost; for a long-term equity investment acquired through a business combination not involving entities under common control, the combination cost is taken as the investment cost of the long-term equity investment.

For long-term equity investments acquired by other means: for a long-term equity investment acquired by payment of cash, the purchase consideration actually paid is taken as the initial investment cost; for a long-term equity investment acquired by issuing equity securities, the fair value of the equity securities issued is taken as the initial investment cost.

(2) Subsequent measurement and method of recognising profit or loss

Investments in subsidiaries are accounted for using the cost method, unless the investment satisfies the conditions for classification as held for sale; investments in associates and joint ventures are accounted for using the equity method.

For a long-term equity investment accounted for using the cost method, cash dividends or profits declared by the investee are recognised as investment income and included in profit or loss for the period, other than cash dividends or profits declared but not yet distributed that are included in the consideration or price actually paid at the time the investment was acquired.

For a long-term equity investment accounted for using the equity method, where the initial investment cost exceeds the share of the fair value of the investee's identifiable net assets attributable to the Company at the time of investment, the investment cost of the long-term equity investment is not adjusted; where the initial investment cost is less than the share of the fair value of the investee's identifiable net assets attributable to the Company at the time of investment, the carrying amount of the long-term equity investment is adjusted and the difference is recognised in profit or loss for the period in which the investment is made.

When the equity method is adopted, investment income and other comprehensive income are recognised respectively based on the share of the investee's net profit or loss and other comprehensive income to be enjoyed or borne, and the carrying amount of the long-term equity investment is adjusted accordingly; the carrying amount of the long-term equity investment is reduced correspondingly by the portion attributable to the Company calculated on the basis of the profits or cash dividends declared by the investee; for other changes in the owners' equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment is adjusted and the amount is included in capital reserve (other capital reserve). In recognising the share of the investee's net profit or loss, such share is recognised after adjusting the investee's net profit on the basis of the fair values of the investee's identifiable assets, etc. at the time the investment was acquired and in accordance with the Company's accounting policies and accounting periods.

Where, as a result of additional investment or other reasons, the Company is able to exercise significant influence or joint control over, but not control of, an investee, the sum of the fair value of the previously held equity interest plus the cost of the additional investment is taken, at the date of conversion, as the initial investment cost under the equity method. Where the previously held equity interest was classified as a non-trading equity instrument investment measured at fair value

through other comprehensive income, the accumulated changes in fair value relating thereto that were previously included in other comprehensive income are transferred to retained earnings upon the change to the equity method.

Where the Company loses joint control of or significant influence over an investee as a result of the disposal of part of an equity investment or other reasons, the remaining equity interest after the disposal is accounted for in accordance with “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” from the date on which joint control or significant influence is lost, and the difference between its fair value and its carrying amount is recognised in profit or loss for the period. Other comprehensive income recognised in respect of the original equity investment under the equity method is accounted for, upon discontinuation of the equity method, on the same basis as would have been applicable had the investee directly disposed of the related assets or liabilities; other changes in owners’ equity relating to the original equity investment are transferred to profit or loss for the period.

Where the Company loses control of an investee as a result of the disposal of part of an equity investment or other reasons and the remaining equity interest after the disposal enables the Company to exercise joint control or significant influence over the investee, the equity method is adopted and the remaining equity interest is adjusted as if it had been accounted for using the equity method from the date of acquisition; where the remaining equity interest after the disposal does not enable the Company to exercise joint control or significant influence over the investee, it is accounted for in accordance with the relevant provisions of “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, and the difference between its fair value and its carrying amount at the date on which control is lost is recognised in profit or loss for the period.

Where the Company’s shareholding percentage decreases as a result of a capital increase by other investors and, as a result, the Company loses control of the investee but is able to exercise joint control or significant influence over it, the Company recognises, based on the new shareholding percentage, its share of the increase in the investee’s net assets arising from the capital increase and share expansion, and the difference between such share and the original carrying amount of the long-term equity investment corresponding to the portion of the decrease in shareholding percentage to be transferred out is recognised in profit or loss for the period; thereafter, adjustments are made based on the new shareholding percentage as if the equity method had been adopted from the date the investment was acquired.

Unrealised gains or losses on internal transactions between the Company and its associates and joint ventures are recognised as investment income or loss on an offsetting basis, to the extent of the portion attributable to the Company calculated according to the shareholding percentage. However, unrealised losses on internal transactions between the Company and the investee that represent impairment losses on the assets transferred are not offset.

(3) Basis for determining joint control of or significant influence over an investee

Joint control refers to the sharing of control over an arrangement in accordance with the relevant agreement, whereby decisions on the relevant activities of the arrangement require the unanimous consent of the parties sharing control. In determining whether joint control exists, it is first determined whether the arrangement is collectively controlled by all the parties or by a group of the parties, and then whether decisions on the relevant activities of the arrangement require the unanimous consent of those parties that collectively control the arrangement. Where all the parties or a group of the parties must act in concert in order to decide on the relevant activities of an arrangement, all the parties or that group of parties are regarded as collectively controlling the arrangement; where two or more combinations of parties are able to collectively control an arrangement, joint control does not exist. Protective rights held are not taken into account in determining whether joint control exists.

Significant influence refers to the power of an investor to participate in the decision-making on the financial and operating policies of an investee, but not to control, or jointly control with other parties, the formulation of such policies. In determining whether significant influence can be exercised over an investee, consideration is given to the voting shares of the investee held directly or indirectly by the investor, as well as to the effect of currently exercisable potential voting rights held by the investor and other parties assuming their conversion into equity interests in the investee, including the effect of currently convertible warrants, share options and convertible corporate bonds, etc. issued by the investee.

Where the Company directly, or indirectly through its subsidiaries, holds 20% (inclusive of 20%) or more but less than 50% of the voting shares of an investee, it is generally considered to have significant influence over the investee, unless there is clear evidence that in such circumstances it cannot participate in the production and operating decisions of the investee and therefore does not have significant influence; where the Company holds less than 20% (exclusive) of the voting shares of an investee, it is generally not considered to have significant influence over the investee, unless there is clear evidence that in such circumstances it is able to participate in the production and operating decisions of the investee and therefore has significant influence.

(4) Method of impairment testing and method of making provision for impairment

For investments in subsidiaries, associates and joint ventures, the method of making provision for impairment of assets is set out in Note III.21.

16. Fixed assets***(1) Conditions for recognition of fixed assets***

Fixed assets of the Company are tangible assets held for the production of goods, the rendering of services, rental or administrative purposes with a useful life exceeding one accounting year.

A fixed asset is recognised only when it is probable that the economic benefits associated with the fixed asset will flow into the enterprise and the cost of the fixed asset can be measured reliably.

Fixed assets of the Company are initially measured at the actual cost at the time of acquisition.

Subsequent expenditure relating to a fixed asset is included in the cost of the fixed asset when it is probable that the related economic benefits will flow into the Company and its cost can be measured reliably; day-to-day repair costs of fixed assets that do not satisfy the conditions for capitalisation of subsequent expenditure on fixed assets are recognised, when incurred, in profit or loss for the period or included in the cost of the related assets according to the beneficiary. The carrying amount of the replaced part is derecognised.

(2) Depreciation methods for each class of fixed assets

The Company provides depreciation using the straight-line method. Depreciation of a fixed asset commences when it reaches its intended usable condition and ceases upon derecognition or upon classification as a non-current asset held for sale. Without taking into account provision for impairment, the Company determines the annual depreciation rates of each class of fixed assets by reference to the class of fixed assets, the estimated useful life and the estimated residual value as follows:

Category	Useful life (years)	Residual value rate %	Annual depreciation rate %
R&D and automated testing equipment	5	5.00	19.00
Motor vehicles	5	5.00	19.00
Office equipment and others	3-5	5.00	31.67-19.00
Machinery and equipment	3-10	5.00	31.67-9.50

For fixed assets in respect of which provision for impairment has been made, the depreciation rate is determined after further deducting the accumulated amount of provision for impairment of fixed assets already made.

(3) *The method of impairment testing and the method of making provision for impairment of fixed assets are set out in Note III.21.*

(4) *At the end of each year, the Company reviews the useful lives, estimated net residual values and depreciation methods of fixed assets.*

Where the estimated useful life differs from the previous estimate, the useful life of the fixed asset is adjusted; where the estimated net residual value differs from the previous estimate, the estimated net residual value is adjusted.

(5) *Disposal of fixed assets*

A fixed asset is derecognised when it is disposed of or when no economic benefits are expected to be generated from its use or disposal. The amount of the proceeds from the sale, transfer, retirement or damage of a fixed asset, net of its carrying amount and the related taxes and surcharges, is recognised in profit or loss for the period.

17. Construction in progress

The cost of construction in progress of the Company is determined based on the actual construction expenditure, including all necessary construction expenditure incurred during the construction period, borrowing costs eligible for capitalisation before the construction reaches its intended usable condition, and other related expenses.

Construction in progress is transferred to fixed assets when it reaches its intended usable condition.

The method of making provision for impairment of construction in progress is set out in Note III.21.

18. Borrowing costs

(1) *Principles for recognition of capitalisation of borrowing costs*

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised and included in the cost of the related asset; other borrowing costs are recognised as expenses in the amount incurred and included in profit or loss for the period when incurred. Capitalisation of borrowing costs commences only when all of the following conditions are satisfied:

- ① expenditure on the asset has been incurred, which includes expenditure incurred in the form of cash payments, transfers of non-cash assets or the assumption of interest-bearing debts for the acquisition, construction or production of a qualifying asset;

- ② borrowing costs have been incurred;
- ③ the acquisition, construction or production activities necessary to bring the asset to its intended usable or saleable condition have commenced.

(2) Capitalisation period of borrowing costs

When a qualifying asset acquired, constructed or produced by the Company reaches its intended usable or saleable condition, capitalisation of borrowing costs ceases. Borrowing costs incurred after a qualifying asset reaches its intended usable or saleable condition are recognised as expenses in the amount incurred and included in profit or loss for the period when incurred.

Where the acquisition, construction or production of a qualifying asset is abnormally interrupted and the interruption lasts for more than 3 consecutive months, capitalisation of borrowing costs is suspended; borrowing costs incurred during normal interruptions continue to be capitalised.

(3) Capitalisation rate of borrowing costs and method of calculating the capitalised amount

The interest expense actually incurred on specific borrowings during the period, less any interest income earned on the unused borrowings deposited with banks or investment income obtained from temporary investments thereof, is capitalised; for general borrowings, the capitalised amount is determined by multiplying the weighted average of the asset expenditure by which the accumulated asset expenditure exceeds the specific borrowings by the capitalisation rate of the general borrowings occupied. The capitalisation rate is determined based on the weighted average interest rate of the general borrowings.

During the capitalisation period, exchange differences on foreign currency specific borrowings are capitalised in full; exchange differences on foreign currency general borrowings are recognised in profit or loss for the period.

19. Intangible assets

The Company's intangible assets include land use rights, development platforms, software, customer relationships and trademarks and patents, etc.

Intangible assets are initially measured at cost and their useful lives are analysed and determined upon acquisition. An intangible asset with a finite useful life is amortised over its estimated useful life from the date on which it is available for use, using an amortisation method that reflects the expected pattern of realisation of the economic benefits related to the asset; where the expected pattern of realisation cannot be determined reliably, the straight-line method is adopted. Intangible assets with indefinite useful lives are not amortised.

The amortisation methods for intangible assets with finite useful lives are as follows:

Category	Useful life (years)	Basis for determining the useful life	Amortisation method	Remarks
Development platforms	5-10	Benefit period	Straight-line method	
Software	3-10	Benefit period	Straight-line method	
Trademarks and patents, etc.	2-10	Benefit period	Straight-line method	
Land use rights	30	Land use period	Straight-line method	
Customer relationships	7	Benefit period	Straight-line method	

At the end of each year, the Company reviews the useful lives and amortisation methods of intangible assets with finite useful lives. Where they differ from previous estimates, the previous estimates are adjusted and the adjustment is accounted for as a change in accounting estimate.

Where it is expected at the balance sheet date that an intangible asset can no longer bring future economic benefits to the enterprise, the entire carrying amount of that intangible asset is transferred to profit or loss for the period.

The method of making provision for impairment of intangible assets is set out in Note III.21.

20. Research and development expenditure

The Company's research and development expenditure comprises expenditure directly related to the Company's research and development activities, including employee benefits of research and development personnel, depreciation charges, outsourced research and development expenses, material costs and other expenses.

The Company classifies expenditure on internal research and development projects into research phase expenditure and development phase expenditure.

Research phase expenditure is recognised in profit or loss for the period when incurred.

Development phase expenditure may be capitalised only when all of the following conditions are satisfied, namely: it is technically feasible to complete the intangible asset so that it will be available for use or sale; there is the intention to complete the intangible asset and use or sell it; the manner in which the intangible asset will generate economic benefits, including the ability to demonstrate the existence of a market for the products produced using the intangible asset or for the intangible asset itself, and, where the intangible asset is to be used internally, the ability to demonstrate its usefulness; there are adequate technical, financial and other resources to support the completion of the development of the intangible asset, and the ability to use or sell the intangible asset exists; the expenditure attributable to the development phase of the intangible asset can be measured reliably. Development expenditure that does not satisfy the above conditions is recognised in profit or loss for the period.

The Company's research and development projects enter the development phase upon satisfaction of the above conditions and after technical and economic feasibility studies have been conducted and the projects have been formally approved.

Capitalised development phase expenditure is presented as development expenditure in the balance sheet and is transferred to intangible assets from the date on which the project reaches its intended use.

Capitalisation conditions for specific research and development projects:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

The Company has established a dedicated research and development team to conduct research on the relevant technologies. Having been verified at the planning and conceptual design phase, the technical feasibility of the project has been fully demonstrated, and the project entered the development and verification phase after passing the final decision review of the Company's product committee. Accordingly, it can be fully demonstrated that the research and development investment is technically feasible.

- (2) There is the intention to complete the intangible asset and use or sell it;

Through the research and development of major projects, the Company further enriches its product lines. On the one hand, this enables the Company to provide corresponding products to different categories of customers in the market according to their needs and to satisfy the continuously growing market demand of downstream customers, thereby further expanding the application fields of the Company's products and enhancing its profitability. On the other hand, it is an inevitable measure for the Company to continue to consolidate its principal business, comprehensively enhance its technological research and development capabilities, further improve its market layout and market competitiveness, and gradually become a leading enterprise in the cellular wireless communication module industry. The Company needs to invest on an ongoing basis in order to seize business opportunities as the wave of the Internet of Everything is about to arrive. The Company therefore has the intention to complete and use the projects under research and development.

- (3) The manner in which the intangible asset will generate economic benefits, including the ability to demonstrate the existence of a market for the products produced using the intangible asset or for the intangible asset itself, and, where the intangible asset is to be used internally, its usefulness shall be demonstrated;

For each research and development project, the Company conducts a comprehensive and systematic market analysis of the project and, for each project, prepares profit forecast data for the project life cycle based on inputs and outputs. Only major projects that meet the

Company's profitability requirements may proceed to the next stage of development work and be accounted for on a capitalised basis. Based on the profit forecasts, it is estimated that all capitalised research and development expenses can be recovered through future sales.

- (4) There are adequate technical, financial and other resources to support the completion of the development of the intangible asset, and the ability to use or sell the intangible asset exists;

In terms of technology, since its establishment the Company has been committed to technological research and development, solution design and application promotion in the field of wireless communication for the Internet of Things and the mobile Internet. It has built strong research and development capabilities in communication technology, radio frequency technology, data transmission technology and signal processing technology, and possesses extensive experience in the development of wireless communication module products. Its current research and development team has established a well-developed technological innovation system with sustained innovation capability, providing reliable technical support for the implementation of the projects. In terms of finance, the Company currently has satisfactory operating results, a sound credit standing and smooth financing channels, and is able to provide adequate funding support for the implementation of the fundraising investment projects and the sale of the products. In terms of other resources, the Company has accumulated extensive sales channels and customer resources by virtue of its excellent product performance, and has at the same time cultivated a group of experienced management and research and development personnel, which can fully support the development of the fundraising investment projects and the sale of the products.

- (5) The expenditure attributable to the development phase of the intangible asset can be measured reliably;

Apart from employee benefits, research and development expenses can all be collected by department and by project. Each research and development staff member is required to complete a weekly timesheet, and the hours worked by each research and development staff member on a project are collected by project. After the finance department collects the weekly timesheets each month, employee benefits are reasonably allocated according to the project hours reported. Therefore, once the capitalisation date of a particular project has been determined, the expenses of that project incurred after the capitalisation date can be collected.

21. Impairment of assets

Impairment of long-term equity investments in subsidiaries and associates, fixed assets, construction in progress, right-of-use assets, intangible assets, goodwill, etc. (other than inventories, deferred tax assets and financial assets) is determined using the following methods:

At the balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. Where such an indication of impairment exists, the Company estimates the recoverable amount of the asset and performs an impairment test. Goodwill arising from a business combination, intangible assets with indefinite useful lives and intangible assets not yet ready for their intended use are tested for impairment annually, irrespective of whether there is any indication of impairment.

The recoverable amount is determined as the higher of the fair value of the asset less costs of disposal and the present value of the estimated future cash flows of the asset. The Company estimates the recoverable amount on an individual asset basis; where it is difficult to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the asset belongs. An asset group is identified on the basis of whether the principal cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

Where the recoverable amount of an asset or asset group is lower than its carrying amount, the Company writes down its carrying amount to the recoverable amount, and the amount written down is recognised in profit or loss for the period, with a corresponding provision for impairment of assets being made.

For the purpose of goodwill impairment testing, the carrying amount of goodwill arising from a business combination is allocated, from the acquisition date, to the relevant asset groups on a reasonable basis; where it is difficult to allocate the goodwill to the relevant asset groups, it is allocated to the relevant sets of asset groups. The relevant asset group or set of asset groups is one that is able to benefit from the synergies of the business combination and is not larger than the reporting segment determined by the Company.

When performing the impairment test, where there is an indication of impairment of an asset group or set of asset groups related to goodwill, the asset group or set of asset groups excluding goodwill is first tested for impairment, its recoverable amount is calculated and the corresponding impairment loss is recognised. Thereafter, the asset group or set of asset groups including goodwill is tested for impairment by comparing its carrying amount with its recoverable amount; where the recoverable amount is lower than the carrying amount, an impairment loss on goodwill is recognised.

Once an impairment loss on an asset has been recognised, it is not reversed in subsequent accounting periods.

22. Long-term deferred expenses

Long-term deferred expenses incurred by the Company are measured at actual cost and amortised evenly over the expected beneficial period. For long-term prepaid expense items that cannot benefit subsequent accounting periods, the entire unamortised value is recognised in profit or loss for the period.

23. Employee benefits***(1) Scope of employee benefits***

Employee benefits refer to all forms of remuneration or compensation given by an enterprise in exchange for services rendered by employees or for the termination of employment relationships. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. Benefits provided by an enterprise to employees' spouses, children, dependants, family members of deceased employees and other beneficiaries also constitute employee benefits.

Based on liquidity, employee benefits are presented in the balance sheet under the items "Employee benefits payable" and "Long-term employee benefits payable" respectively.

(2) Short-term employee benefits

In the accounting period in which employees render services, the Company recognises as liabilities the employee wages and bonuses actually incurred, as well as the social insurance premiums such as medical insurance premiums, work injury insurance premiums and maternity insurance premiums and the housing provident fund contributions paid for employees in accordance with the prescribed bases and rates, and includes them in profit or loss for the period or in the cost of the related assets.

(3) Post-employment benefits

Post-employment benefit plans comprise defined contribution plans and defined benefit plans. A defined contribution plan is a post-employment benefit plan under which an enterprise, after paying fixed contributions into a separate fund, assumes no further payment obligation; a defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Defined contribution plans

Defined contribution plans comprise basic pension insurance and unemployment insurance, etc.

In the accounting period in which employees render services, the amount payable calculated in accordance with the defined contribution plan is recognised as a liability and included in profit or loss for the period or in the cost of the related assets.

Defined benefit plans

For defined benefit plans, actuarial valuations are performed by an independent actuary at the annual balance sheet date, and the cost of providing the benefits is determined using the projected unit credit method. The employee benefit costs arising from the Company's defined benefit plans comprise the following components:

- ① Service cost, comprising current service cost, past service cost and gains or losses on settlement. Current service cost is the increase in the present value of the defined benefit plan obligation resulting from employee service in the current period; past service cost is the increase or decrease in the present value of the defined benefit plan obligation relating to employee service in prior periods resulting from an amendment to the defined benefit plan.
- ② Net interest on the net defined benefit liability or net defined benefit asset, comprising interest income on plan assets, interest expense on the defined benefit plan obligation and interest on the effect of the asset ceiling.
- ③ Changes arising from the remeasurement of the net defined benefit liability or net defined benefit asset.

Unless another accounting standard requires or permits employee benefit costs to be included in the cost of an asset, the Company includes items ① and ② above in profit or loss for the period; item ③ is included in other comprehensive income and is not reversed to profit or loss in subsequent accounting periods, and upon termination of the original defined benefit plan the amounts previously included in other comprehensive income are transferred in full to retained earnings within equity.

(4) Termination benefits

Where the Company provides termination benefits to employees, the employee benefit liability arising from the termination benefits is recognised, and included in profit or loss for the period, at the earlier of the following dates: when the Company can no longer unilaterally withdraw the termination benefits offered under a plan to terminate employment relationships or a redundancy proposal; and when the Company recognises the costs or expenses related to a restructuring that involves the payment of termination benefits.

Where an internal retirement plan for employees is implemented, the economic compensation prior to the formal retirement date constitutes termination benefits, and the wages and social insurance premiums, etc. proposed to be paid to the internally retired employees for the period from the date on which the employees cease to render services to the normal retirement date are recognised in profit or loss for the period on a one-off basis. Economic compensation after the formal retirement date (such as normal pension benefits) is accounted for as post-employment benefits.

(5) Other long-term benefits

Where other long-term employee benefits provided by the Company to employees satisfy the conditions of a defined contribution plan, they are accounted for in accordance with the above provisions relating to defined contribution plans. Where they satisfy the conditions of a defined benefit plan, they are accounted for in accordance with the above provisions relating to defined benefit plans, except that the component of the related employee benefit costs representing “changes arising from the remeasurement of the net defined benefit liability or net defined benefit asset” is included in profit or loss for the period or in the cost of the related assets.

24. Provisions

Where an obligation related to a contingency satisfies all of the following conditions, the Company recognises it as a provision:

- (1) the obligation is a present obligation assumed by the Company;
- (2) the performance of the obligation is likely to result in an outflow of economic benefits from the Company;
- (3) the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to perform the related present obligation, taking into account comprehensively such factors as the risks, uncertainties and time value of money relating to the contingency. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. At the balance sheet date, the Company reviews the carrying amounts of provisions and adjusts the carrying amounts to reflect the current best estimates.

Where all or part of the expenditure required to settle a recognised provision is expected to be compensated by a third party or another party, the compensation amount is separately recognised as an asset only when it is virtually certain to be received. The amount of compensation recognised does not exceed the carrying amount of the liability recognised.

25. Share-based payments and equity instruments***(1) Types of share-based payments***

Share-based payments of the Company are classified into equity-settled share-based payments and cash-settled share-based payments.

(2) Method for determining the fair value of equity instruments

For the options and other equity instruments granted by the Company for which an active market exists, the Company determines their fair value at the quoted prices in the active market. For the options and other equity instruments granted for which no active market exists, the Company determines their fair value using an option pricing model or other methods. The option pricing model selected takes the following factors into consideration: A. the exercise price of the option; B. the term of the option; C. the current price of the underlying shares; D. the expected volatility of the share price; E. the expected dividends on the shares; F. the risk-free interest rate within the term of the option.

(3) Basis for determining the best estimate of the number of equity instruments expected to vest

At each balance sheet date during the vesting period, the Company makes the best estimate based on the latest available subsequent information, such as changes in the number of employees expected to satisfy the vesting conditions, and revises the estimated number of equity instruments expected to vest. On the vesting date, the final estimated number of equity instruments expected to vest shall be consistent with the actual number vested.

(4) Accounting treatment relating to the implementation, modification and termination of share-based payment plans

Equity-settled share-based payments are measured at the fair value of the equity instruments granted to employees. Where the equity instruments vest immediately after the grant, the fair value of the equity instruments is recognised in the relevant costs or expenses on the grant date, with a corresponding increase in capital reserve. Where the equity instruments vest only after the completion of services during the vesting period or upon the satisfaction of specified performance conditions, at each balance sheet date during the vesting period, the services received in the current period are recognised in the relevant costs or expenses and capital reserve based on the best estimate of the number of equity instruments expected to vest, at the fair value of the equity instruments at the grant date. After the vesting date, no adjustment is made to the relevant costs or expenses and total owners' equity already recognised.

Cash-settled share-based payments are measured at the fair value of the liability assumed by the Company that is determined based on shares or other equity instruments. Where the equity instruments vest immediately after the grant, the fair value of the liability assumed by the Company is recognised in the relevant costs or expenses on the grant date, with a corresponding increase in liabilities. For cash-settled share-based payments that vest only after the completion of services during the vesting period or upon the satisfaction of specified performance conditions, at each balance sheet date during the vesting period, the services received in the current period are recognised in costs or expenses and the corresponding liabilities, based on the best estimate of the vesting position and at the fair value of the liability assumed by the Company. At each balance sheet date prior to the settlement of the relevant liability, and at the settlement date, the fair value of the liability is remeasured, with the changes recognised in profit or loss for the current period.

Where the Company modifies a share-based payment plan, if the modification increases the fair value of the equity instruments granted, the Company recognises a corresponding increase in the services received based on the increase in the fair value of the equity instruments; if the modification increases the number of equity instruments granted, the fair value of the additional equity instruments is recognised as a corresponding increase in the services received. The increase in the fair value of the equity instruments refers to the difference between the fair value at the modification date of the equity instruments before and after the modification. If the modification reduces the total fair value of the share-based payment or modifies the terms and conditions of the share-based payment plan in a manner that is otherwise unfavourable to the employees, the Company continues to account for the services received as if the modification had never occurred, unless the Company cancels part or all of the equity instruments granted.

If, during the vesting period, the equity instruments granted are cancelled (other than a cancellation resulting from the failure to satisfy a non-market vesting condition), the Company accounts for the cancellation of the equity instruments granted as an acceleration of vesting, and immediately recognises in profit or loss for the current period the amount that would otherwise have been recognised over the remainder of the vesting period, with a corresponding recognition in capital reserve. Where an employee or another party is able to choose to satisfy a non-vesting condition but fails to do so during the vesting period, the Company accounts for this as a cancellation of the equity instruments granted.

(5) Restricted shares

Under the share incentive plan, the Company grants restricted shares to the incentive recipients, who first subscribe for the shares; if the unlocking conditions specified in the share incentive plan are not subsequently satisfied, the Company repurchases the shares at the pre-agreed price. Where the restricted shares issued to employees have completed the registration and other capital increase procedures in accordance with the relevant regulations, on the grant date the Company recognises share capital and capital reserve based on the subscription monies received from the employees, and at the same time recognises treasury shares and other payables in respect of the repurchase obligation.

26. Revenue

(1) General principles

The Company recognises revenue when it has satisfied the performance obligations in a contract, that is, when the customer obtains control of the relevant goods or services.

Where a contract contains two or more performance obligations, the Company allocates, at the inception of the contract, the transaction price to each single performance obligation in proportion to the relative stand-alone selling prices of the goods or services promised under each single performance obligation, and measures revenue at the transaction price allocated to each single performance obligation.

A performance obligation is satisfied over time if one of the following conditions is met; otherwise, the performance obligation is satisfied at a point in time:

- (1) The customer simultaneously receives and consumes the economic benefits provided by the Company's performance as the Company performs.
- (2) The customer is able to control the goods under construction in the course of the Company's performance.
- (3) The goods produced in the course of the Company's performance have no alternative use, and the Company has an enforceable right to payment for performance completed to date throughout the contract term.

For a performance obligation satisfied over time, the Company recognises revenue over that period according to the progress towards complete satisfaction of the performance obligation. Where the progress of performance cannot be reasonably determined, the Company recognises revenue to the extent of the costs incurred that are expected to be recovered, until such time as the progress of performance can be reasonably determined.

For a performance obligation satisfied at a point in time, the Company recognises revenue at the point in time when the customer obtains control of the relevant goods or services. In assessing whether the customer has obtained control of the goods or services, the Company considers the following indicators:

- (1) The Company has a present right to payment for the goods or services, that is, the customer has a present obligation to pay for the goods.
- (2) The Company has transferred the legal title of the goods to the customer, that is, the customer has legal title to the goods.
- (3) The Company has transferred physical possession of the goods to the customer, that is, the customer has physical possession of the goods.
- (4) The Company has transferred the significant risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the significant risks and rewards of ownership of the goods.
- (5) The customer has accepted the goods or services.
- (6) Other indicators that the customer has obtained control of the goods.

(2) *Specific methods*

The specific methods of revenue recognition adopted by the Company are as follows:

(1) Communication modules, terminals and materials

Product sales are mainly divided into domestic sales and overseas sales, and the specific methods of revenue recognition are as follows:

Specific method of revenue recognition for domestic sales: revenue is recognised on the basis of the relevant documents when the products have been dispatched and the delivery note or consignment note signed by the buyer has been obtained;

Specific method of revenue recognition for overseas sales: overseas sales are mainly settled on FOB and EXW terms. Under the FOB model, the Company recognises revenue upon completion of the customs declaration and commodity inspection formalities; under the EXW model, the Company recognises revenue when the products are delivered, the right to receive payment has been obtained and the related economic benefits are probable to flow in.

(2) Service business

The Company provides IoT data connectivity services and aggregation management services, and recognises revenue based on the progress of the customer's usage of global data communication service traffic.

27. Contract costs

Contract costs comprise the incremental costs of obtaining a contract and the costs to fulfil a contract.

The incremental costs of obtaining a contract refer to the costs that the Company would not have incurred had the contract not been obtained (such as sales commissions). Where such costs are expected to be recovered, the Company recognises them as an asset as costs of obtaining a contract. Expenditures other than the incremental costs expected to be recovered that are incurred by the Company in obtaining a contract are recognised in profit or loss for the current period when incurred.

Costs incurred to fulfil a contract that do not fall within the scope of inventories or other accounting standards for business enterprises and that meet all of the following conditions are recognised by the Company as an asset as costs to fulfil a contract:

- (1) the costs relate directly to an existing or anticipated contract, including direct labour, direct materials, manufacturing overheads (or similar expenses), costs that are explicitly chargeable to the customer and other costs that are incurred only because of the contract;
- (2) the costs enhance the resources of the Company that will be used in satisfying performance obligations in the future;
- (3) the costs are expected to be recovered.

Assets recognised as costs of obtaining a contract and assets recognised as costs to fulfil a contract (hereinafter collectively referred to as “assets related to contract costs”) are amortised on the same basis as the recognition of revenue from the goods or services to which such assets relate, and are recognised in profit or loss for the current period.

Where the carrying amount of an asset related to contract costs exceeds the difference between the following two items, the Company recognises a provision for impairment for the excess and recognises it as an asset impairment loss:

- (1) the remaining consideration that the Company expects to be entitled to receive in exchange for transferring the goods or services to which the asset relates;
- (2) the costs estimated to be incurred in transferring the related goods or services.

28. Government grants

Government grants are recognised when the conditions attaching to the government grants are satisfied and the grants can be received.

Government grants in the form of monetary assets are measured at the amount received or receivable. Government grants in the form of non-monetary assets are measured at fair value; where the fair value cannot be obtained reliably, they are measured at a nominal amount of RMB1.

Government grants related to assets refer to government grants obtained by the Company for the purpose of acquiring, constructing or otherwise forming long-term assets; other government grants are classified as government grants related to income.

For a government grant for which the government document does not expressly specify the object of the grant, the portion of the government grant corresponding to the value of the long-term asset, where a long-term asset can be formed, is treated as a government grant related to assets, and the remaining portion is treated as a government grant related to income; where it is difficult to distinguish between them, the government grant is treated as a whole as a government grant related to income.

Government grants related to assets are recognised as deferred income and are recognised in profit or loss on a reasonable and systematic basis over the useful life of the related asset. Government grants related to income that are used to compensate for related costs, expenses or losses already incurred are recognised in profit or loss for the current period; those used to compensate for related costs, expenses or losses of subsequent periods are recognised as deferred income and are recognised in profit or loss for the current period in the periods in which the related costs, expenses or losses are recognised. Government grants measured at a nominal amount are recognised directly in profit or loss for the current period. The Company applies a consistent method to the accounting treatment of identical or similar government grant transactions.

Government grants related to the Company's ordinary activities are recognised in other income in accordance with the substance of the economic transaction. Government grants not related to ordinary activities are recognised in non-operating income.

Where a government grant already recognised is required to be refunded, if the carrying amount of the related asset was reduced upon initial recognition, the carrying amount of the asset is adjusted; if a balance of related deferred income exists, the carrying amount of the related deferred income is reduced, with any excess recognised in profit or loss for the current period; in other cases, the refund is recognised directly in profit or loss for the current period.

For interest subsidies obtained on policy-based preferential loans, where the fiscal authority allocates the interest subsidy funds to the lending bank, the amount of the borrowing actually received is taken as the carrying value of the borrowing on initial recognition, and borrowing costs are calculated based on the principal of the borrowing and the policy-based preferential interest rate. Where the fiscal authority allocates the interest subsidy funds directly to the Company, the interest subsidy is offset against borrowing costs.

29. Deferred tax assets and deferred tax liabilities

Income tax comprises current tax and deferred tax. Except for goodwill adjustments arising from business combinations and deferred tax relating to transactions or events recognised directly in owners' equity, which is recognised in owners' equity, income tax is recognised as income tax expense in profit or loss for the current period.

The Company recognises deferred tax using the balance sheet liability method on the basis of the temporary differences between the carrying amounts of assets and liabilities at the balance sheet date and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the taxable temporary difference arises from the following transactions:

- (1) the initial recognition of goodwill, or the initial recognition of an asset or a liability in a transaction which has the following characteristics: the transaction is not a business combination, and at the time of the transaction it affects neither accounting profit nor taxable income (other than a single transaction in which the assets and liabilities initially recognised give rise to equal taxable and deductible temporary differences);
- (2) in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences, deductible losses that can be carried forward to subsequent years and tax credits, the Company recognises the resulting deferred tax assets to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, deductible losses and tax credits can be utilised, except where the deductible temporary difference arises from the following transactions:

- (1) the transaction is not a business combination, and at the time of the transaction it affects neither accounting profit nor taxable income (other than a single transaction in which the assets and liabilities initially recognised give rise to equal taxable and deductible temporary differences);
- (2) in respect of deductible temporary differences associated with investments in subsidiaries, joint ventures and associates, the corresponding deferred tax assets are recognised when both of the following conditions are satisfied: it is probable that the temporary difference will reverse in the foreseeable future, and it is probable that taxable income will be available in the future against which the deductible temporary difference can be utilised.

At the balance sheet date, the Company measures deferred tax assets and deferred tax liabilities at the tax rates applicable to the period in which the asset is expected to be recovered or the liability is expected to be settled, and reflects the income tax effect of the expected manner of recovery of the asset or settlement of the liability at the balance sheet date.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. If it is no longer probable that sufficient taxable income will be available in future periods to allow the benefit of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset is written down. Any amount written down is reversed when it becomes probable that sufficient taxable income will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are presented at the net amount after offsetting when all of the following conditions are satisfied:

- (1) the taxable entity within the Company has a legally enforceable right to settle current tax assets and current tax liabilities on a net basis;
- (2) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax administration authority on the same taxable entity within the Company.

30. Leases

(1) Identification of a lease

At the inception of a contract, the Company, whether as lessee or as lessor, assesses whether the customer in the contract has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use and has the right to direct the use of the identified asset throughout that period of use. Where one party to a contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration, the Company determines that the contract is, or contains, a lease.

(2) The Company as lessee

At the commencement date of a lease, the Company recognises a right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low-value assets to which the practical expedient is applied.

For the accounting policy for right-of-use assets, please refer to Note III.31.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the lease, discounted using the interest rate implicit in the lease; where the interest rate implicit in the lease cannot be determined, the incremental borrowing rate is used as the discount rate. Lease payments comprise: fixed payments and in-substance fixed payments, less any amounts of lease incentives where lease incentives exist; variable lease payments that depend on an index or a rate; the exercise price of a purchase option, provided that the lessee is reasonably certain to exercise that option; amounts payable for exercising an option to terminate the lease, provided that the lease term reflects that the lessee will exercise the option to terminate the lease; and amounts expected to be payable under residual value guarantees provided by the lessee. Subsequently, interest expense on the lease liability for each period during the lease term is calculated at a constant periodic rate of interest and is recognised in profit or loss for the current period. Variable lease payments not included in the measurement of the lease liability are recognised in profit or loss for the current period when actually incurred.

Short-term leases

A short-term lease is a lease that, at the commencement date of the lease, has a lease term of not more than 12 months, other than a lease that contains a purchase option.

The Company recognises the lease payments of short-term leases in the cost of the related asset or in profit or loss for the current period on a straight-line basis over the periods of the lease term.

For short-term leases, the Company elects, by class of underlying asset, to apply the above practical expedient to items among the following types of assets that meet the criteria for short-term leases.

- Office equipment
- R&D testing equipment

Leases of low-value assets

A lease of a low-value asset is a lease for which the value of the single underlying asset, when it is new, is less than RMB40,000.

The Company recognises the lease payments of leases of low-value assets in the cost of the related asset or in profit or loss for the current period on a straight-line basis over the periods of the lease term.

For leases of low-value assets, the Company elects to apply the above practical expedient on a lease-by-lease basis according to the specific circumstances of each lease.

Lease modifications

Where a lease is modified and all of the following conditions are satisfied, the Company accounts for the lease modification as a separate lease: (1) the lease modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the increase in consideration is commensurate with the stand-alone price of the increase in the scope of the lease, as adjusted for the circumstances of the particular contract.

Where a lease modification is not accounted for as a separate lease, at the effective date of the lease modification the Company reallocates the consideration of the modified contract, redetermines the lease term, and remeasures the lease liability at the present value calculated using the revised lease payments and the revised discount rate.

Where a lease modification results in a decrease in the scope of the lease or a shortening of the lease term, the Company reduces the carrying amount of the right-of-use asset accordingly, and recognises the relevant gain or loss on the partial or full termination of the lease in profit or loss for the current period.

For other lease modifications resulting in a remeasurement of the lease liability, the Company adjusts the carrying amount of the right-of-use asset accordingly.

(3) The Company as lessor

When acting as lessor, the Company classifies a lease that transfers substantially all the risks and rewards incidental to ownership of an asset as a finance lease, and classifies leases other than finance leases as operating leases.

Finance leases

For a finance lease, at the commencement date of the lease the Company records the net investment in the lease as the carrying value of the finance lease receivable. The net investment in the lease is the sum of the unguaranteed residual value and the present value of the lease receipts not yet received at the commencement date of the lease, discounted using the interest rate implicit in the lease. As lessor, the Company calculates and recognises interest income for each period during the lease term at a constant periodic rate of interest. Variable lease payments obtained by the Company as lessor that are not included in the measurement of the net investment in the lease are recognised in profit or loss for the current period when actually incurred.

The derecognition and impairment of finance lease receivables are accounted for in accordance with “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” and “Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets”.

Operating leases

Rentals under operating leases are recognised by the Company in profit or loss for the current period on a straight-line basis over the periods of the lease term. Initial direct costs incurred in connection with an operating lease are capitalised and amortised over the lease term on the same basis as the recognition of rental income, and are recognised in profit or loss on a periodic basis. Variable lease payments obtained in connection with an operating lease that are not included in the lease receipts are recognised in profit or loss for the current period when actually incurred.

Lease modifications

Where an operating lease is modified, the Company accounts for the modification as a new lease from the effective date of the modification, and any lease receipts received in advance or receivable relating to the lease before the modification are regarded as receipts of the new lease.

Where a finance lease is modified and all of the following conditions are satisfied, the Company accounts for the modification as a separate lease: (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; (2) the increase in consideration is commensurate with the stand-alone price of the increase in the scope of the lease, as adjusted for the circumstances of the particular contract.

Where a modification of a finance lease is not accounted for as a separate lease, the Company accounts for the modified lease in the following circumstances respectively: (1) if the lease would have been classified as an operating lease had the modification been in effect at the inception date of the lease, the Company accounts for it as a new lease from the effective date of the lease modification, and takes the net investment in the lease immediately before the effective date of the lease modification as the carrying amount of the leased asset; (2) if the lease would have been classified as a finance lease had the modification been in effect at the inception date of the lease, the Company accounts for it in accordance with the provisions of “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” regarding the modification or renegotiation of a contract.

31. Right-of-use assets***(1) Recognition criteria for right-of-use assets***

A right-of-use asset is the right of the Company, as lessee, to use the underlying asset during the lease term.

At the commencement date of the lease, a right-of-use asset is initially measured at cost. Such cost comprises: the amount of the initial measurement of the lease liability; lease payments made at or before the commencement date of the lease, less any amounts of lease incentives already enjoyed where lease incentives exist; initial direct costs incurred by the Company as lessee; and the costs estimated to be incurred by the Company as lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms of the lease. The Company, as lessee, recognises and measures the costs of dismantling and restoration in accordance with “Accounting Standards for Business Enterprises No. 13 – Contingencies”. Subsequent adjustments are made for any remeasurement of the lease liability.

(2) Depreciation method for right-of-use assets

The Company provides depreciation using the straight-line method. Where the Company, as lessee, is reasonably certain to obtain ownership of the underlying asset by the end of the lease term, depreciation is provided over the remaining useful life of the underlying asset. Where it is not reasonably certain that ownership of the underlying asset will be obtained by the end of the lease term, depreciation is provided over the shorter of the lease term and the remaining useful life of the underlying asset.

(3) For the impairment testing method and the method of providing for impairment of right-of-use assets, please refer to Note III.21.**32. Repurchase of shares**

Shares repurchased by the Company are accounted for as treasury shares before they are cancelled or transferred, and all expenditures on the repurchase of shares are transferred to the cost of treasury shares. The consideration paid and transaction costs incurred in a share repurchase reduce owners' equity, and no gain or loss is recognised upon the repurchase, transfer or cancellation of the Company's shares.

Upon the transfer of treasury shares, the difference between the amount actually received and the carrying amount of the treasury shares is recognised in capital reserve; where the capital reserve is insufficient to absorb the difference, the shortfall is offset against surplus reserve and retained earnings. Upon the cancellation of treasury shares, share capital is reduced by the par value of the shares multiplied by the number of shares cancelled, and the difference between the carrying amount of the treasury shares cancelled and their par value is offset against capital reserve; where the capital reserve is insufficient to absorb the difference, the shortfall is offset against surplus reserve and retained earnings.

33. Debt restructuring***(1) The Company as debtor***

A debt is derecognised when the present obligation in respect of the debt is discharged; specifically, the gains or losses relating to the debt restructuring are recognised when the uncertainties as to the process and outcome of the performance of the debt restructuring agreement have been eliminated.

Where a debt restructuring is effected by way of settlement of the debt with assets, the Company derecognises the relevant assets and the debt settled when the conditions for derecognition are satisfied, and the difference between the carrying amount of the debt settled and the carrying amount of the assets transferred is recognised in profit or loss for the current period.

Where a debt restructuring is effected by way of conversion of the debt into an equity instrument, the Company derecognises the debt settled when the conditions for derecognition are satisfied. The Company measures the equity instrument at its fair value on initial recognition; where the fair value of the equity instrument cannot be measured reliably, it is measured at the fair value of the debt settled. The difference between the carrying amount of the debt settled and the amount recognised for the equity instrument is recognised in profit or loss for the current period.

Where a debt restructuring is effected by way of modification of other terms, the Company recognises and measures the restructured debt in accordance with “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments” and “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments”.

Where a debt restructuring is effected by way of settlement of the debt with multiple assets or by a combination of methods, the Company recognises and measures the equity instrument and the restructured debt in accordance with the methods described above, and the difference between the carrying amount of the debt settled and the sum of the carrying amount of the assets transferred and the amounts recognised for the equity instrument and the restructured debt is recognised in profit or loss for the current period.

(2) The Company as creditor

A receivable is derecognised when the contractual rights to the cash flows from the receivable expire. Specifically, the gains or losses relating to the debt restructuring are recognised when the uncertainties as to the process and outcome of the performance of the debt restructuring agreement have been eliminated.

Where a debt restructuring is effected by way of settlement of the debt with assets, the Company measures assets other than the financial assets received at cost on initial recognition. The cost of inventories comprises the fair value of the receivable waived and other costs directly attributable to the asset, such as taxes, transportation costs, loading and unloading costs and insurance premiums, incurred in bringing the asset to its present location and condition. The cost of an investment in an associate or a joint venture comprises the fair value of the receivable waived and other costs directly attributable to the asset, such as taxes. The cost of an investment property comprises the fair value of the receivable waived and other costs directly attributable to the asset, such as taxes. The cost of a fixed asset comprises the fair value of the receivable waived and other costs directly attributable to the asset, such as taxes, transportation costs, loading and unloading costs, installation costs and professional service fees, incurred before the asset is brought to the condition for its intended use. The cost of an intangible asset comprises the fair value of the receivable waived and other costs, such as taxes, directly attributable to bringing the asset to its intended use. The difference between the fair value and the carrying amount of the receivable waived is recognised in profit or loss for the current period.

Where a debt restructuring effected by way of conversion of the debt into an equity instrument results in the Company converting the receivable into an equity investment in an associate or a joint venture, the Company measures the initial investment cost at the fair value of the receivable waived plus other costs, such as taxes, directly attributable to the asset. The difference between the fair value and the carrying amount of the receivable waived is recognised in profit or loss for the current period.

Where a debt restructuring is effected by way of modification of other terms, the Company recognises and measures the restructured receivable in accordance with “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”.

Where a debt restructuring is effected by way of settlement of the debt with multiple assets or by a combination of methods, the Company first recognises and measures the financial assets received and the restructured receivable in accordance with “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, and then allocates the net amount of the fair value of the receivable waived less the amounts recognised for the financial assets received and the restructured receivable in proportion to the fair values of the assets other than the financial assets received, and determines the cost of each asset on that basis in accordance with the methods described above. The difference between the fair value and the carrying amount of the receivable waived is recognised in profit or loss for the current period.

34. Significant accounting judgements and estimates

The Company continually evaluates the significant accounting estimates and key assumptions adopted, based on historical experience and other factors, including reasonable expectations of future events. The significant accounting estimates and key assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next accounting year are set out below:

Classification of financial assets

The significant judgements involved in the Company’s determination of the classification of financial assets include the analysis of the business model and the contractual cash flow characteristics.

The Company determines the business model for managing financial assets at the level of a portfolio of financial assets, taking into consideration factors such as the manner in which the performance of the financial assets is evaluated and reported to key management personnel, the risks affecting the performance of the financial assets and the manner in which such risks are managed, and the manner in which the relevant business managers are remunerated.

In assessing whether the contractual cash flows of a financial asset are consistent with a basic lending arrangement, the Company makes the following principal judgements: whether the principal may change in the timing of its distribution or in amount over the life of the financial asset due to reasons such as early repayment; and whether interest includes only consideration for the time value of money, credit risk, other basic lending risks and costs and profit. For example, whether the prepayment amount reflects only the unpaid principal and interest based on the outstanding principal, together with reasonable compensation paid for the early termination of the contract.

Measurement of expected credit losses on accounts receivable

The Company calculates the expected credit losses on accounts receivable based on the exposure at default of accounts receivable and the expected credit loss rate, and determines the expected credit loss rate based on the probability of default and the loss given default. In determining the expected credit loss rate, the Company uses data such as its internal historical credit loss experience and adjusts the historical data in light of current conditions and forward-looking information. In considering forward-looking information, the indicators used by the Company include the risk of economic downturn, the external market environment, the technological environment and changes in the circumstances of customers. The Company regularly monitors and reviews the assumptions relating to the calculation of expected credit losses.

Goodwill impairment

The Company assesses at least annually whether goodwill has been impaired. This requires an estimation of the value in use of the asset group to which the goodwill has been allocated. In estimating the value in use, the Company is required to estimate the future cash flows from the asset group and to select an appropriate discount rate to calculate the present value of those future cash flows.

Development expenditure

In determining the amount to be capitalised, management is required to make assumptions regarding the generation of expected future cash flows from the asset, the discount rate to be applied and the expected period of benefit.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that sufficient taxable profit will be available against which the losses can be utilised. This requires management to exercise significant judgement in estimating the timing and amount of future taxable profits, together with tax planning strategies, in order to determine the amount of deferred tax assets to be recognised.

35. Changes in significant accounting policies and accounting estimates***(1) Changes in significant accounting policies******① Interpretation No. 17 of the Accounting Standards for Business Enterprises***

In November 2023, the Ministry of Finance issued “Interpretation No. 17 of the Accounting Standards for Business Enterprises” (Cai Kuai [2023] No. 21) (hereinafter referred to as “Interpretation No. 17”).

Disclosure of supplier finance arrangements

Interpretation No. 17 requires the following to be disclosed in respect of supplier finance arrangements: (1) the terms and conditions of the supplier finance arrangements (such as extended payment terms and guarantees provided); (2) ① the line items in the balance sheet in which the financial liabilities that are part of the supplier finance arrangements are presented and their carrying amounts; ② where the suppliers have already received payment from the finance providers, the line items in which the corresponding financial liabilities are presented and their carrying amounts; and ③ the range of payment due dates of the related financial liabilities and the range of payment due dates of comparable accounts payable that are not part of the supplier finance arrangements. Where the range of payment due dates is wide, the entity shall also disclose explanatory information about those ranges or additional range information; (3) the types and effects of non-cash changes during the period in the carrying amounts of the related financial liabilities (including business combinations, exchange rate changes and other transactions or events that do not require the use of cash or cash equivalents).

When disclosing liquidity risk information in accordance with the requirements of “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments”, an entity shall consider whether it has obtained, or has access to, credit facilities that provide it with extended payment terms or provide its suppliers with early payment through supplier finance arrangements. When identifying concentrations of liquidity risk in accordance with the requirements of the relevant standards, an entity shall consider the fact that supplier finance arrangements result in the concentration with the finance providers of part of the financial liabilities that were originally payable to suppliers.

The Company has applied these requirements from 1 January 2024. On first application of these requirements, the Company is not required to disclose comparative period information or the opening information required by ② and ③ under item (2).

The adoption of Interpretation No. 17 did not have a material effect on the financial position or results of operations of the Company.

② *Interpretation No. 18 of the Accounting Standards for Business Enterprises*

On 31 December 2024, the Ministry of Finance issued “Interpretation No. 18 of the Accounting Standards for Business Enterprises” (Cai Kuai [2024] No. 24, “Interpretation No. 18”).

Accounting treatment for assurance-type warranties that do not constitute a separate performance obligation

Interpretation No. 18 provides that, in accounting for provisions arising from assurance-type warranties that do not constitute a separate performance obligation, an entity shall, in accordance with the relevant requirements of “Accounting Standards for Business Enterprises No. 13 – Contingencies”, debit accounts such as “cost of principal operations” and “cost of other operations” and credit the account “provisions” by the amount of the provision determined, and shall present the amounts accordingly under “operating costs” in the income statement and under “other current liabilities”, “non-current liabilities due within one year” and “provisions” in the balance sheet.

The Company has applied these requirements from the date of promulgation of Interpretation No. 18 and has made retrospective adjustments.

The effects of the implementation of the above accounting policy on the consolidated income statement for 2024 are as follows:

Items of the consolidated income statement (For the year ended 31 December 2024)	Amount of impact
Selling expenses	-4,931,777.39
Operating costs	4,931,777.39

The effects of the implementation of the above accounting policy on the consolidated income statement for 2023 are as follows:

Items of the consolidated income statement (For the year ended 31 December 2023)	Before adjustment	Adjustment amount	After adjustment
Selling expenses	270,631,008.28	-41,684,849.10	228,946,159.18
Operating costs	5,930,406,432.49	41,684,849.10	5,972,091,281.59

(2) *Changes in significant accounting estimates*

The Company had no significant changes in accounting estimates during the current period.

IV. TAXATION

1. Major categories of taxes and tax rates

Tax type	Tax base	Statutory tax rate %
Value-added tax	Taxable value added (the tax payable is calculated as the balance of taxable sales multiplied by the applicable tax rate, less the input tax allowed to be deducted for the current period)	0, 6, 9, 13, 20
Urban maintenance and construction tax	Turnover tax actually paid	7, 5
Enterprise income tax	Taxable income	28, 25, 24.94, 23.2, 23, 21, 20, 16.5, 15, 9
Education surcharge	Turnover tax actually paid	3.00
Local education surcharge	Turnover tax actually paid	2.00

The enterprise income tax rates applicable to the companies for the current period are as follows:

Name of taxpaying entity	Abbreviation	Income tax rate %
Fibocom Wireless Inc.	the Company	15
Shenzhen Fibocom Wireless Communication Software Co., Ltd.	Fibocom Software	15
Fibocom Wireless (H.K.) Limited	Hong Kong Fibocom	16.5
Fibocom Wireless Taiwan Co., Ltd.	Taiwan Fibocom	20
Fibocom Wireless USA Inc.	U.S. Fibocom	21
THINGSMATRIX INC.	THINGSMATRIX	21
Zhejiang Nodecom Technology Co., Ltd.	Zhejiang Nodecom	25
Xi'an Fibocom Wireless Software Co., Ltd.	Xi'an Software	12.5
Shenzhen Fibocom Investment Development Co., Ltd.	Fibocom Investment	25
FIA Inc.	FIA	25
Shenzhen Favalon Technology Co., Ltd.	Favalon Technology	15
Fibocom Wireless EU GmbH	EU Fibocom	15.825
Xi'an Fibocom Wireless Communication Co., Ltd.	Xi'an Communications	25

Name of taxpaying entity	Abbreviation	Income tax rate %
Shenzhen Guangtong Yilian Technology Co., Ltd.	Guangtong Yilian	25
FAIOT Co., Ltd.	Shanghai Faiot	15
Shanghai Faiot Software Co., Ltd.	Shanghai Faiot Software	25
Shanghai Favalon Technology Co., Ltd.	Shanghai Favalon	25
Shenzhen Yaboda Technology Co., Ltd.	Yaboda	25
Shenzhen Fibocom Technology Co., Ltd.	Fibocom Technology	15
Shenzhen Favalon Software Co., Ltd.	Favalon Software	25
Shenzhen Chuanglian Future Wireless Technology Co., Ltd.	Chuanglian Future	25
Shanghai Sevenfold Universe Digital Technology Co., Ltd.	Sevenfold Universe	5
ROLLING WIRELESS (H.K.) LIMITED	Rolling Wireless (H.K.) Limited	16.5
Rolling Wireless S.à r.l.	Rolling Wireless S.à r.l.	24.94
ROLLING WIRELESS FRANCE	Rolling Wireless France	25
Rolling Wireless German GmbH	Rolling Wireless German GmbH	15.825
ROLLING WIRELESS TECHNOLOGY (H.K.) LIMITED	Rolling Wireless Technology (H.K.) Limited	16.5
Rolling Wireless Communication Technology (Shenzhen) Ltd	Rolling Wireless Communication Technology (Shenzhen)	15
Rolling Wireless J.P. Limited	Rolling Wireless J.P. Limited	23.2
Rolling Wireless (K.R.) Limited	Rolling Wireless (K.R.) Limited	9
Rolling Wireless Hungary	Rolling Wireless Hungary	9
ROLLING WIRELESS PTE. LTD.	Rolling Wireless PTE. LTD.	17

2. Tax preferential treatments and approval documents

(1) *Value-added tax preferential treatment*

In accordance with the relevant provisions of the “Notice of the Ministry of Finance and the State Administration of Taxation on Value-added Tax Policies for Software Products” (Cai Shui [2011] No. 100), the Company’s subsidiaries Fibocom Software, Xi’an Software, Favalon Technology and Favalon Software are entitled to the tax preferential treatment of immediate refund upon collection in respect of the portion of the actual value-added tax burden exceeding 3% after value-added tax is levied on their sales of self-developed and self-produced software products.

(2) Enterprise income tax preferential treatment

In 2024, the Company obtained the “High and New Technology Enterprise Certificate” jointly issued by the Shenzhen Science, Technology and Innovation Commission, the Shenzhen Municipal Finance Bureau and the Shenzhen Municipal Tax Service of the State Taxation Administration, with certificate number GR202444208676 and a validity period of three years. In accordance with Article 28 of the “Enterprise Income Tax Law of the People’s Republic of China”, high and new technology enterprises that require key support from the State are subject to enterprise income tax at the reduced rate of 15%. The Company is entitled to the preferential enterprise income tax rate of 15%.

In 2024, the Company’s subsidiary Fibocom Technology obtained the “High and New Technology Enterprise Certificate” jointly issued by the Shenzhen Municipal Bureau of Industry and Information Technology, the Shenzhen Municipal Finance Bureau and the Shenzhen Municipal Tax Service of the State Taxation Administration, with certificate number GR202444207754 and a validity period of three years. In accordance with Article 28 of the “Enterprise Income Tax Law of the People’s Republic of China”, high and new technology enterprises that require key support from the State are subject to enterprise income tax at the reduced rate of 15%. The Company is entitled to the preferential enterprise income tax rate of 15%.

In 2022, the Company’s subsidiary Xi’an Software obtained the “High and New Technology Enterprise Certificate” jointly issued by the Department of Science and Technology of Shaanxi Province, the Department of Finance of Shaanxi Province and the Shaanxi Provincial Tax Service of the State Taxation Administration, with certificate number GR202261005700 and a validity period of three years. In accordance with Article 28 of the “Enterprise Income Tax Law of the People’s Republic of China”, high and new technology enterprises that require key support from the State are subject to enterprise income tax at the reduced rate of 15%. On 28 June 2024, Xi’an Software obtained the “Software Enterprise Certificate” issued by the China Software Industry Association, with certificate number Shaan RQ-2022-0190 and a validity period of one year. Xi’an Software was established on 14 May 2018 and made its first profit in 2022; in 2024 it is entitled, as the third year of the enterprise income tax preferential treatment of two-year exemption followed by three-year 50% reduction for software enterprises, to a 50% reduction in enterprise income tax.

On 19 December 2022, the Company’s subsidiary Favalon Technology obtained the “High and New Technology Enterprise Certificate” jointly issued by the Shenzhen Science, Technology and Innovation Commission, the Shenzhen Municipal Finance Bureau and the Shenzhen Municipal Tax Service of the State Taxation Administration, with certificate number GR202244206374 and a validity period of three years. In accordance with Article 28 of the “Enterprise Income Tax Law of the People’s Republic of China”, high and new technology enterprises that require key support from the State are subject to enterprise income tax at the reduced rate of 15%. Favalon Technology is entitled to the preferential enterprise income tax rate of 15%.

In 2022, the Company's subsidiary Fibocom Software obtained the "High and New Technology Enterprise Certificate" jointly issued by the Shenzhen Science, Technology and Innovation Commission, the Shenzhen Municipal Finance Bureau and the Shenzhen Municipal Tax Service of the State Taxation Administration, with certificate number GR202244201283 and a validity period of three years. In accordance with Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", high and new technology enterprises that require key support from the State are subject to enterprise income tax at the reduced rate of 15%. Fibocom Software is entitled to the preferential enterprise income tax rate of 15%.

In 2024, the Company's subsidiary Shanghai Faiot obtained the "High and New Technology Enterprise Certificate" jointly issued by the Shanghai Municipal Science and Technology Commission, the Shanghai Municipal Finance Bureau and the Shanghai Municipal Tax Service of the State Taxation Administration, with certificate number GR202431000694 and a validity period of three years. In accordance with Article 28 of the "Enterprise Income Tax Law of the People's Republic of China", high and new technology enterprises that require key support from the State are subject to enterprise income tax at the reduced rate of 15%. The Company is entitled to the preferential enterprise income tax rate of 15%.

In accordance with the relevant provisions of the "Announcement of the State Taxation Administration on Issues Concerning the Implementation and Administration of Preferential Enterprise Income Tax Policies for Small Low-Profit Enterprises" (Announcement No. 6 of 2023), from 1 January 2023 to 31 December 2027 the Company's subsidiary Sevenfold Universe is entitled to the preferential tax treatment for small low-profit enterprises, under which taxable income is calculated at a reduced rate of 25% and enterprise income tax is payable at a rate of 20%.

V. NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	Closing balance	Balance at the end of prior year
Cash on hand	—	—
Bank deposits	710,074,535.24	978,445,216.77
Other Cash at bank and on hand	409,584,532.76	46,712,246.06
Total	1,119,659,068.00	1,025,157,462.83
Including: Total amount deposited overseas	397,726,286.08	228,184,808.38

Note:

- (1) Bank deposits and other Cash at bank and on hand include interest accrued using the effective interest method of RMB238,860.56 and RMB6,624,818.68 respectively;
- (2) Other Cash at bank and on hand of RMB66,363,483.66 represent deposits for notes and borrowings; RMB270,283,991.17 represents time deposits; RMB1,616,639.25 represents funds frozen by judicial order; and RMB64,695,600.00 represents Cunliying deposits, of which RMB14,376,800.00 of Cunliying deposits has been pledged as security for notes.

2. Financial assets held for trading

Item	Closing balance	Balance at the end of prior year
Financial assets at fair value through profit or loss	373,688,765.35	—
Including: Wealth management products	20,037,260.27	—
Contingent consideration	353,651,505.08	—
Total	373,688,765.35	—

Note: In July 2024, the Company entered into an “Asset Purchase Agreement” with EUROPASOLAR S.à.r.l. and completed the closing, disposing of the automotive front-installed wireless communication module business of Shenzhen Chuanglian Future Wireless Technology Co., Ltd. (formerly known as Rolling Wireless Technology Co. Ltd). The fair value of the contingent consideration at the end of the period was RMB353,651,505.08.

3. Notes receivable

Category of notes	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Bank acceptance notes	106,108,637.28	—	106,108,637.28	84,611,253.16	—	84,611,253.16
Commercial acceptance notes	13,113,243.02	327,796.45	12,785,446.57	1,902,480.00	—	1,902,480.00
Total	119,221,880.30	327,796.45	118,894,083.85	86,513,733.16	—	86,513,733.16

(1) Notes receivable pledged by the Company at the end of the period

Category	Amount pledged at the end of the period
Bank acceptance notes	4,221,886.35

Note: In accordance with the “Cooperation Agreement on Asset Pool Business” entered into with China CITIC Bank, the Company has pledged notes receivable accepted by banks other than the 6+9 banks in the amount of RMB4,221,886.35.

(2) Notes receivable endorsed or discounted by the Company but not yet due at the end of the period

Category	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance notes	–	82,593,864.21

(3) At the end of the period, the Company had no notes transferred to accounts receivable as a result of the drawers' failure to perform**(4) Classified by method of provision for bad debts**

Category	Gross carrying amount		Closing balance		
			Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	–	–	–	–	–
Provision for bad debts assessed by portfolio	119,221,880.30	100.00	327,796.45	0.27	118,894,083.85
Including:					
Commercial acceptance notes	13,113,243.02	11.00	327,796.45	2.50	12,785,446.57
Bank acceptance notes	106,108,637.28	89.00	–	–	106,108,637.28
Total	119,221,880.30	100.00	327,796.45	0.27	118,894,083.85

Continued:

Category	Balance at the end of prior year				
	Gross carrying amount		Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	–	–	–	–	–
Provision for bad debts assessed by portfolio	86,513,733.16	100.00	–	–	86,513,733.16
Including:					
Commercial acceptance notes	1,902,480.00	2.20	–	–	1,902,480.00
Bank acceptance notes	84,611,253.16	97.80	–	–	84,611,253.16
Total	86,513,733.16	100.00	–	–	86,513,733.16

4. Accounts receivable**(1) Disclosure by ageing**

Ageing	Balance at the end of prior year	
	Closing balance	
Within 1 year	1,884,838,396.70	1,941,428,179.98
1 to 2 years	104,806,866.28	33,353,980.19
2 to 3 years	3,705,637.98	–
Subtotal	1,993,350,900.96	1,974,782,160.17
Less: Provision for bad debts	46,948,749.50	35,463,754.81
Total	1,946,402,151.46	1,939,318,405.36

(2) Disclosure by method of provision for bad debts

Category	Gross carrying amount		Closing balance Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	7,701,440.48	0.39	7,701,440.48	100.00	–
Provision for bad debts assessed by portfolio	1,985,649,460.48	99.61	39,247,309.02	1.98	1,946,402,151.46
Including:					
Portfolio of receivables from other customers	1,985,649,460.48	99.61	39,247,309.02	1.98	1,946,402,151.46
Total	1,993,350,900.96	100.00	46,948,749.50	2.36	1,946,402,151.46

Continued:

Category	Gross carrying amount		Balance at the end of prior year Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	–	–	–	–	–
Provision for bad debts assessed by portfolio	1,974,782,160.17	100.00	35,463,754.81	1.80	1,939,318,405.36
Including:					
Portfolio of receivables from other customers	1,974,782,160.17	100.00	35,463,754.81	1.80	1,939,318,405.36
Total	1,974,782,160.17	100.00	35,463,754.81	1.80	1,939,318,405.36

Accounts receivable for which provision for bad debts is assessed individually

Name	Gross carrying amount	Provision for bad debts	Closing balance	Basis of provision
			Expected credit loss rate (%)	
Customer 1	4,617,157.48	4,617,157.48	100.00	Expected to be irrecoverable
Customer 2	3,084,283.00	3,084,283.00	100.00	Expected to be irrecoverable
Total	7,701,440.48	7,701,440.48	100.00	

Continued:

Name	Gross carrying amount	Provision for bad debts	Balance at the end of prior year	Basis of provision
			Expected credit loss rate (%)	
Customer 1	–	–	–	–
Customer 2	–	–	–	–
Total	–	–	–	–

Accounts receivable for which provision for bad debts is assessed by portfolio

Portfolio item: receivables from other customers

	Gross carrying amount	Closing balance		Gross carrying amount	Balance at the end of prior year	
		Provision for bad debts	Expected credit loss rate (%)		Provision for bad debts	Expected credit loss rate (%)
Within 1 year	1,880,333,399.34	28,526,470.13	1.52	1,941,428,179.98	32,128,356.80	1.65
1 to 2 years	101,610,423.16	9,979,711.29	9.82	33,353,980.19	3,335,398.01	10.00
2 to 3 years	3,705,637.98	741,127.60	20.00	–	–	–
Total	1,985,649,460.48	39,247,309.02	1.98	1,974,782,160.17	35,463,754.81	1.80

(3) Provision, recovery or reversal of provision for bad debts for the period

	Amount of provision for bad debts
Opening balance	35,463,754.81
Provision for the period	11,889,694.01
Recovery or reversal for the period	—
Write-off for the period	—
Foreign currency translation	-166,637.37
Changes in the scope of consolidation	571,336.69
Closing balance	46,948,749.50

(4) There were no accounts receivable written off during the period.**(5) Top five closing balances of accounts receivable by debtor**

The top five accounts receivable by debtor at the end of the period amounted to RMB1,216,966,820.50, representing 61.05% of the total closing balance of accounts receivable, and the aggregate closing balance of the related provision for bad debts was RMB18,605,266.66.

5. Receivables financing

Item	Closing balance	Balance at the end of prior year
Notes receivable	44,463,930.29	93,422,284.73
Receivable claim certificates	319,220,833.42	231,042,278.21
Subtotal	363,684,763.71	324,464,562.94
Less: Other comprehensive income		
— changes in fair value	—	—
Fair value at the end of the period	363,684,763.71	324,464,562.94

Note:

Based on the needs of its daily fund management, the Company discounts and endorses part of its bank acceptance notes/receivable claim certificates, and therefore classifies such bank acceptance notes/receivable claim certificates as financial assets measured at fair value through other comprehensive income.

The Company has no bank acceptance notes/receivable claim certificates for which provision for impairment is assessed individually. At the end of the period, the Company considers that the bank acceptance notes/receivable claim certificates held do not bear significant credit risk and will not give rise to significant losses as a result of bank defaults.

(1) *At the end of the period, the Company had no notes receivable pledged*

(2) *Notes receivable endorsed or discounted by the Company but not yet due at the end of the period*

Category	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance notes	316,126,218.75	—

6. Prepayments

(1) *Disclosure of prepayments by ageing*

Ageing	Closing balance		Balance at the end of prior year	
	Amount	Percentage %	Amount	Percentage %
Within 1 year	32,739,536.09	95.85	18,255,058.04	99.81
1 to 2 years	1,417,328.79	4.15	34,640.04	0.19
Total	34,156,864.88	100.00	18,289,698.08	100.00

(2) *At the end of the period, the Company had no significant prepayments with an ageing of over 1 year*

(3) *Top five closing balances of prepayments by prepayment recipient*

The top five closing balances of prepayments by prepayment recipient for the period amounted to RMB21,524,229.42 in aggregate, accounting for 63.02% of the total closing balance of prepayments.

7. Other receivables

Item	Closing balance	Balance at the end of prior year
Interest receivable	—	—
Dividends receivable	—	—
Other receivables	479,188,634.28	31,312,353.60
Total	479,188,634.28	31,312,353.60

(1) Other receivables**① Disclosure by ageing**

Ageing	Closing balance	Balance at the end of prior year
Within 1 year	473,391,583.08	25,749,597.63
1 to 2 years	1,373,608.62	2,296,007.90
2 to 3 years	1,799,913.13	3,724,006.94
Over 3 years	3,015,623.38	24,000.00
Subtotal	479,580,728.21	31,793,612.47
Less: Provision for bad debts	392,093.93	481,258.87
Total	479,188,634.28	31,312,353.60

② Disclosure by nature of amount

Item	Closing amount			Amount at the end of prior year		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Current accounts with entities	417,846,772.08	121,483.82	417,725,288.26	3,438,213.94	171,910.69	3,266,303.25
Guarantee deposits and deposits	9,427,567.13	47,137.82	9,380,429.31	24,467,377.90	122,336.91	24,345,040.99
Export tax refunds receivable	47,836,942.88	–	47,836,942.88	147,756.45	–	147,756.45
Current accounts with employees	3,173,270.47	158,663.51	3,014,606.96	2,867,687.68	143,384.45	2,724,303.23
Petty cash	1,296,175.65	64,808.78	1,231,366.87	872,576.50	43,626.82	828,949.68
Total	479,580,728.21	392,093.93	479,188,634.28	31,793,612.47	481,258.87	31,312,353.60

③ *Provision for bad debts*

Provision for bad debts in Stage 1 at the end of the period

Category	Gross carrying amount	Expected credit loss rate for the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	415,417,096.73	–	–	415,417,096.73
Provision for bad debts assessed by portfolio	64,163,631.48	0.61	392,093.93	63,771,537.55
Portfolio of deposits and guarantee deposits receivable	9,427,567.13	0.50	47,137.82	9,380,429.31
Portfolio of export tax refunds receivable	47,836,942.88	–	–	47,836,942.88
Portfolio of receivables from related parties and other investments	–	–	–	–
Portfolio of current accounts and other characteristics	6,899,121.47	5.00	344,956.11	6,554,165.36
Total	<u>479,580,728.21</u>	<u>0.08</u>	<u>392,093.93</u>	<u>479,188,634.28</u>

At the end of the period, the Company had no interest receivable, dividends receivable or other receivables in Stage 2 or Stage 3.

Provision for bad debts in Stage 1 at the end of prior year

Category	Gross carrying amount	Expected credit loss rate for the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	–	–	–	–
Provision for bad debts assessed by portfolio	31,793,612.47	1.51	481,258.87	31,312,353.60
Portfolio of deposits and guarantee deposits receivable	24,467,377.90	0.50	122,336.91	24,345,040.99
Portfolio of export tax refunds receivable	147,756.45	–	–	147,756.45
Portfolio of receivables from related parties and other investments	–	–	–	–
Portfolio of current accounts and other characteristics	7,178,478.12	5.00	358,921.96	6,819,556.16
Total	31,793,612.47	1.51	481,258.87	31,312,353.60

At the end of prior year, the Company had no interest receivable, dividends receivable or other receivables in Stage 2 or Stage 3.

④ *Provision, recovery or reversal of provision for bad debts for the period*

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses (not credit- impaired)	Stage 3 Lifetime expected credit losses (credit- impaired)	Total
Opening balance	481,258.87	—	—	481,258.87
Opening balance during the period				
– Transferred to Stage 2	—	—	—	—
– Transferred to Stage 3	—	—	—	—
– Transferred back to Stage 2	—	—	—	—
– Transferred back to Stage 1	—	—	—	—
Provision for the period	335,611.38	—	—	335,611.38
Reversal for the period	—	—	—	—
Charged off for the period	—	—	—	—
Write-off for the period	—	—	—	—
Foreign currency translation	-3,152.06	—	—	-3,152.06
Changes in the scope of consolidation	427,928.38	—	—	427,928.38
Closing balance	392,093.93	—	—	392,093.93

⑤ *There were no other receivables written off during the period.*

⑥ *Top five closing balances of other receivables by debtor*

Name of entity	Nature of amount	Closing balance of other receivables	Ageing	Percentage of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
EUROPASOLAR S.À R.L Shenzhen Nanshan District Tax Bureau	Current accounts Export tax refunds	415,417,096.73 47,104,554.57	Within 1 year Within 1 year	86.62 9.82	– –
Middle East Gateway CO. Ltd for contracting	Deposits and guarantee deposits	1,560,128.43	Within 1 year	0.33	7,800.64
Shenzhen Hi-Tech Industrial Park Comprehensive Service Centre	Deposits and guarantee deposits	1,374,817.20	2 to 3 years, 3 to 4 years	0.29	6,874.09
Shenzhen Wanwu Shangqi Property Service Co., Ltd.	Deposits and guarantee deposits	1,190,899.25	3 to 4 years	0.25	5,954.50
Total		<u>466,647,496.18</u>		<u>97.31</u>	<u>20,629.23</u>

8. Inventories

(1) *Category of inventories*

Item	Gross carrying amount	Closing balance Provision for decline in value/ provision for impairment of contract	Carrying amount	Balance at the end of prior year		
		fulfilment costs		Gross carrying amount	Provision for decline in value/ provision for impairment of contract	Carrying amount
Materials for consignment processing	555,460,647.45	18,019,917.59	537,440,729.86	510,169,869.13	5,133,257.92	505,036,611.21
Finished goods	312,265,620.15	25,217,446.61	287,048,173.54	359,545,277.30	17,230,693.38	342,314,583.92
Goods shipped	89,920,840.73	559,815.23	89,361,025.50	259,563,787.86	–	259,563,787.86
Materials in transit	57,776,216.33	–	57,776,216.33	108,609,558.33	–	108,609,558.33
Raw materials	862,266.92	112,474.96	749,791.96	89,225,753.91	23,133,748.31	66,092,005.60
Contract fulfilment costs	7,343,123.36	–	7,343,123.36	4,011,985.02	–	4,011,985.02
Total	<u>1,023,628,714.94</u>	<u>43,909,654.39</u>	<u>979,719,060.55</u>	<u>1,331,126,231.55</u>	<u>45,497,699.61</u>	<u>1,285,628,531.94</u>

(2) Provision for decline in value of inventories and provision for impairment of contract fulfilment costs

Item	Increase for the period			Decrease for the period			Closing balance
	Opening balance	Provision	Other	Reversal or write-off	Foreign currency translation	Changes in the scope of consolidation	
Materials for consignment processing	5,133,257.92	15,726,239.89	–	2,839,580.22	–	–	18,019,917.59
Finished goods	17,230,693.38	28,772,297.76	–	13,552,829.74	-54,026.57	7,286,741.36	25,217,446.61
Goods shipped	–	559,815.23	–	–	–	–	559,815.23
Materials in transit	–	–	–	–	–	–	–
Raw materials	23,133,748.31	1,336,401.45	–	6,765,009.45	-161,271.04	17,753,936.39	112,474.96
Contract fulfilment costs	–	–	–	–	–	–	–
Total	45,497,699.61	46,394,754.33	–	23,157,419.41	-215,297.61	25,040,677.75	43,909,654.39

Provision for decline in value of inventories and provision for impairment of contract fulfilment costs (Continued)

Item	Specific basis for determining net realisable value/ residual consideration and the costs to be incurred	Reason for the reversal or write-off of the provision for decline in value of inventories/ provision for impairment of contract fulfilment costs during the period
Materials for consignment processing	The estimated selling price of the inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the relevant taxes and surcharges	Requisitioned for production of finished goods which have been sold externally and transferred to operating costs
Finished goods	The estimated selling price of the inventories less the estimated selling expenses and the relevant taxes and surcharges	Sold externally and transferred to operating costs
Goods shipped	The estimated selling price of the inventories less the estimated selling expenses and the relevant taxes and surcharges	–
Materials in transit	The estimated selling price of the inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the relevant taxes and surcharges	–

Item	Specific basis for determining net realisable value/ residual consideration and the costs to be incurred	Reason for the reversal or write-off of the provision for decline in value of inventories/ provision for impairment of contract fulfilment costs during the period
Raw materials	The estimated selling price of the inventories less the estimated costs to be incurred to completion, the estimated selling expenses and the relevant taxes and surcharges	Requisitioned for production of finished goods which have been sold externally and transferred to operating costs
Contract fulfilment costs	The estimated selling price of the service projects less the estimated costs to be incurred until the performance obligations are satisfied, the estimated selling expenses and the relevant taxes and surcharges	–

9. Non-current assets due within one year

Item	Closing balance	Balance at the end of prior year
Large-denomination certificates of deposit due within one year	83,883,123.28	–

10. Other current assets

Item	Closing balance	Balance at the end of prior year
Rebates receivable from suppliers	417,311,257.27	524,743,258.24
Input VAT to be deducted	348,915,629.87	230,671,022.98
Prepaid taxes	17,256,167.23	19,553,990.37
Total	783,483,054.37	774,968,271.59

11. Long-term equity investments

Investee	Opening balance (carrying amount)	Opening balance of provision for impairment	Changes for the period					Cash dividends or profits declared	Provision for impairment	Other	Closing balance (carrying amount)	Closing balance of provision for impairment
			Investment income or loss recognised under the equity method	Adjustment of other comprehensive income	Other changes in equity	Decrease in investments	Additional/new investments					
① Associates												
Shenzhen Bogesi Communication Technology Co., Ltd.	2,767,514.90	-	148,846.08	-	-	-	-	-	-	-	2,916,360.98	-
Hubei Liancheng Intelligent Technology Co., Ltd.	26,799,517.01	-	4,992,800.23	-	-	-	-	-	-	694,536.12	22,501,252.90	-
Shenzhen High-tech Investment Fibocom IoT Industry Private Equity Investment Fund Partnership (Limited Partnership)	30,909,799.37	-	946,133.40	-	-	-	-	-	-	-	31,855,932.77	-
Total	60,476,831.28	-	-3,897,820.75	-	-	-	-	-	-	694,536.12	57,273,546.65	-

- Note: (1) The Company holds a 15% equity interest in Shenzhen Bogesi Communication Technology Co., Ltd. (hereinafter referred to as “Bogesi”), and investment income of RMB148,846.08 was recognised for the period.
- (2) In July 2020, the Company entered into the “Agreement on the Capital Increase and Share Expansion of Xi’an Liancheng Intelligent Technology Co., Ltd.” with Zhejiang Huanfu Technology Co., Ltd. (hereinafter referred to as Huanfu Technology), the parent company of Hubei Liancheng Intelligent Technology Co., Ltd. (hereinafter referred to as “Hubei Liancheng”), and Fibocom Investment held a 40.00% equity interest in Hubei Liancheng; in August 2023, Fibocom Investment entered into an equity transfer agreement with Zhang Junjie and Huanfu Technology, and as at 31 December 2023 Fibocom Investment had subscribed capital of RMB16,875,000 and held a 27% equity interest in Hubei Liancheng. As the employee shareholding platform established by Hubei Liancheng had not yet actually granted the shares to employees, Fibocom Investment actually held a 33.75% equity interest in Hubei Liancheng. In January 2024, Hubei Liancheng changed its registered capital and introduced a new shareholder, Xiamen Huiqiao Gongying Venture Capital Investment Partnership (Limited Partnership); Fibocom Investment had subscribed capital of RMB16,875,000 and held a 19.2857% equity interest in Hubei Liancheng, and as the employee shareholding platform established by Hubei Liancheng has not yet actually granted the shares to employees, Fibocom Investment actually held a 22.50% equity interest in Hubei Liancheng. For 2024, investment income of RMB -4,992,800.23 was recognised for the period.
- (3) The Company holds a 30% equity interest in Shenzhen High-tech Investment Fibocom IoT Industry Private Equity Investment Fund Partnership (Limited Partnership) (hereinafter referred to as the “Internet of Things Private Equity Fund”), and investment income of RMB946,133.40 was recognised for the period.

12. Investments in other equity instruments

Item	Closing balance	Balance at the end of prior year
Shanghai Mytech IoT Technology Co., Ltd.	54,786,800.00	36,099,753.84
Allystar Technology (Shenzhen) Co., Ltd.	22,791,300.00	27,154,272.75
Guangzhou Yuekun Industrial Park Investment Development Co., Ltd.	—	1.00
United Micro Technology (Shenzhen) Co., Ltd.	251,999,994.58	154,025,670.43
Total	329,578,094.58	217,279,698.02

Note: As at 31 December 2024, the Company held a 4.0082% equity interest in Shanghai Mytech IoT Technology Co., Ltd. (hereinafter referred to as “Shanghai Mytech”), a 0.6952% equity interest in Allystar Technology (Shenzhen) Co., Ltd. (hereinafter referred to as “Allystar”) and a 13.0556% equity interest in United Micro Technology (Shenzhen) Co., Ltd. (hereinafter referred to as “United Micro”). The Company intends to hold the above equity investments on a long-term basis and not for trading purposes, and it has no seat on the board of directors of any of the above companies and does not have significant influence over any of them. Accordingly, in accordance with the China Accounting Standards for Business Enterprises, these investments are accounted for as investments in other equity instruments and are subsequently measured at fair value.

13. Fixed assets

Item	Closing balance	Balance at the end of prior year
Fixed assets	78,971,527.95	151,563,058.85
Disposal of fixed assets	—	—
Total	78,971,527.95	151,563,058.85

(1) Fixed assets

① Details of fixed assets

Item	R&D and automated testing equipment	Motor vehicles	Office equipment and others	Machinery and equipment	Total
I. Cost:					
1. Opening balance	172,285,260.85	4,140,365.03	39,372,813.84	88,451,299.95	304,249,739.67
2. Additions for the period	21,478,537.53	351,115.93	6,977,461.78	9,914,344.58	38,721,459.82
(1) Acquisition	21,505,721.77	351,115.93	7,035,930.93	9,373,446.36	38,266,214.99
(2) Translation of foreign currency financial statements	-27,184.24	—	-58,469.15	540,898.22	455,244.83
3. Decreases for the period	34,054,215.62	—	7,590,163.61	81,120,977.72	122,765,356.95
(1) Disposal or retirement	1,645,990.88	—	457,291.54	2,346,738.51	4,450,020.93
(2) Other decreases	368,949.62	—	11,422.57	—	380,372.19
(3) Changes in the scope of consolidation	32,039,275.12	—	7,121,449.50	78,774,239.21	117,934,963.83
4. Closing balance	159,709,582.76	4,491,480.96	38,760,112.01	17,244,666.81	220,205,842.54
II. Accumulated depreciation					
1. Opening balance	106,457,535.81	3,469,007.81	24,676,173.81	18,083,963.39	152,686,680.82
2. Additions for the period	27,736,904.70	180,020.24	6,261,257.39	11,219,740.87	45,397,923.20
(1) Charge for the period	27,756,118.78	180,020.24	6,273,882.76	10,940,228.68	45,150,250.46
(2) Translation of foreign currency financial statements	-19,214.08	—	-12,625.37	279,512.19	247,672.74
3. Decreases for the period	30,831,177.11	—	4,581,201.18	21,437,911.14	56,850,289.43
(1) Disposal or retirement	1,038,506.81	—	424,077.19	1,952,205.59	3,414,789.59
(2) Other decreases	37,668.33	—	10,851.44	—	48,519.77
(3) Changes in the scope of consolidation	29,755,001.97	—	4,146,272.55	19,485,705.55	53,386,980.07

Item	R&D and automated testing equipment	Motor vehicles	Office equipment and others	Machinery and equipment	Total
4. Closing balance	103,363,263.40	3,649,028.05	26,356,230.02	7,865,793.12	141,234,314.59
III. Provision for impairment					
1. Opening balance	—	—	—	—	—
2. Additions for the period	—	—	—	—	—
3. Decreases for the period	—	—	—	—	—
4. Closing balance	—	—	—	—	—
IV. Carrying amount					
1. Carrying amount at the end of the period	56,346,319.36	842,452.91	12,403,881.99	9,378,873.69	78,971,527.95
2. Carrying amount at the beginning of the period	65,827,725.04	671,357.22	14,696,640.03	70,367,336.56	151,563,058.85

14. Construction in progress

Item	Closing balance	Balance at the end of prior year
Construction in progress	92,850,902.58	66,689,229.85
Construction materials	—	—
Total	92,850,902.58	66,689,229.85

(1) Construction in progress**① Details of construction in progress**

Item	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for impairment	Net carrying amount	Gross carrying amount	Provision for impairment	Net carrying amount
R&D office building of the Liuxiandong Headquarters Joint Construction Building	92,850,902.58	—	92,850,902.58	66,689,229.85	—	66,689,229.85

② *Movements in significant construction in progress projects*

Project name	Opening balance	Increase for the period	Transferred to fixed assets	Other decreases
R&D office building of the Liuxiandong Headquarters Joint Construction Building	66,689,229.85	26,161,672.73	—	—

Movements in significant construction in progress projects (Continued):

Project name	Accumulated amount of capitalised interest	Including: Amount of interest capitalised for the period	Capitalisation rate of interest for the period %	Closing balance
R&D office building of the Liuxiandong Headquarters Joint Construction Building	—	—	—	92,850,902.58

Movements in significant construction in progress projects (Continued):

Project name	Budgeted amount	Percentage of accumulated investment to budget %	Progress of the project %	Source of funds
R&D office building of the Liuxiandong Headquarters Joint Construction Building	165,483,819.75	56.11	56.11	Raised funds, own funds

15. Right-of-use assets

Item	Buildings	Machinery and equipment	Total
I. Cost:			
1. Opening balance	78,214,031.94	63,865.49	78,277,897.43
2. Additions for the period	12,352,316.85	–	12,352,316.85
(1) New leases	13,132,998.24	–	13,132,998.24
(2) Adjustments to lease liabilities	-476,339.57	–	-476,339.57
(3) Translation of foreign currency financial statements	-304,341.82	–	-304,341.82
3. Decreases for the period	35,346,967.19	63,865.49	35,410,832.68
(1) Expiry of leases/termination of leases	19,790,268.29	–	19,790,268.29
(2) Changes in the scope of consolidation	15,556,698.90	63,865.49	15,620,564.39
4. Closing balance	55,219,381.60	–	55,219,381.60
II. Accumulated depreciation			
1. Opening balance	41,111,196.45	30,655.43	41,141,851.88
2. Additions for the period	18,878,161.89	22,991.58	18,901,153.47
(1) Charge for the period	18,997,877.61	22,991.58	19,020,869.19
(2) Translation of foreign currency financial statements	-119,715.72	–	-119,715.72
3. Decreases for the period	25,831,678.59	53,647.01	25,885,325.60
(1) Expiry of leases/termination of leases	19,743,929.99	–	19,743,929.99
(2) Changes in the scope of consolidation	6,087,748.60	53,647.01	6,141,395.61
4. Closing balance	34,157,679.75	–	34,157,679.75
III. Provision for impairment			
1. Opening balance	–	–	–
2. Additions for the period	–	–	–
3. Decreases for the period	–	–	–
4. Closing balance	–	–	–
IV. Carrying amount			
1. Carrying amount at the end of the period	21,061,701.85	–	21,061,701.85
2. Carrying amount at the beginning of the period	37,102,835.49	33,210.06	37,136,045.55

The lease expenses recognised by the Company in relation to short-term leases and leases of low-value assets are set out in Note V.62.

16. Intangible assets

(1) Details of intangible assets

Item	Land use rights	Trademarks, patents, etc.	Development platforms	Customer relationships	Software	Total
I. Cost						
1. Opening balance	76,250,979.27	156,660,975.58	177,769,767.41	98,949,510.99	39,901,988.05	549,533,221.30
2. Additions for the period	51,603,000.00	18,688,288.45	24,754,516.45	309,067.63	11,694,708.40	107,049,580.93
(1) Acquisition	51,603,000.00	155,660.38	24,072,845.42	–	9,654,628.18	85,486,133.98
(2) Internally developed	–	17,763,695.41	–	–	1,996,662.37	19,760,357.78
(3) Translation of foreign currency financial statements	–	768,932.66	681,671.03	309,067.63	43,417.85	1,803,089.17
3. Decreases for the period	–	76,111,525.71	8,272,399.73	99,258,578.62	12,107,803.06	195,750,307.12
(1) Changes in the scope of consolidation	–	76,111,525.71	8,272,399.73	99,258,578.62	12,107,803.06	195,750,307.12
4. Closing balance	127,853,979.27	99,237,738.32	194,251,884.13	–	39,488,893.39	460,832,495.11
II. Accumulated amortisation						
1. Opening balance	9,408,904.40	36,758,807.10	50,468,952.24	17,582,111.44	13,662,393.36	127,881,168.54
2. Additions for the period	4,089,393.15	18,494,314.74	19,950,885.65	9,288,164.38	4,492,067.68	56,314,825.60
(1) Charge for the period	4,089,393.15	17,481,139.12	19,804,347.90	9,205,599.81	4,481,796.69	55,062,276.67
(2) Translation of foreign currency financial statements	–	1,013,175.62	146,537.75	82,564.57	10,270.99	1,252,548.93
3. Decreases for the period	–	26,941,336.21	1,429,947.76	26,870,275.82	2,089,763.03	57,331,322.82
(1) Changes in the scope of consolidation	–	26,941,336.21	1,429,947.76	26,870,275.82	2,089,763.03	57,331,322.82
4. Closing balance	13,498,297.55	28,311,785.63	68,989,890.13	–	16,064,698.01	126,864,671.32
III. Provision for impairment						
1. Opening balance	–	–	–	–	–	–
2. Additions for the period	–	–	–	–	–	–
3. Decreases for the period	–	–	–	–	–	–
4. Closing balance	–	–	–	–	–	–
IV. Carrying amount						
1. Carrying amount at the end of the period	114,355,681.72	70,925,952.69	125,261,994.00	–	23,424,195.38	333,967,823.79
2. Carrying amount at the beginning of the period	66,842,074.87	119,902,168.48	127,300,815.17	81,367,399.55	26,239,594.69	421,652,052.76

Note: Intangible assets arising from internal research and development for the period accounted for 4.29% of the balance of intangible assets.

(2) Land use rights for which title certificates have not been obtained

Item	Carrying amount	Reason for not having obtained the title certificate
Land use rights for the key industrial project of the global intelligent manufacturing base for intelligent communication modules	50,169,583.33	In progress

17. Development expenditure

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
5G series wireless communication modules	12,685,718.24	39,836,089.70	24,158,169.90	28,363,638.04

For details, please refer to Note VI. Research and development expenditure.

18. Goodwill**(1) Cost of goodwill**

Name of investee or event giving rise to goodwill	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Arising from business combinations	Other	Disposal	Other	
Zhejiang Nodecom Technology Co., Ltd.	22,970,110.91	-	-	-	-	22,970,110.91
Shanghai Sevenfold Universe Digital Technology Co., Ltd.	-	4,815,887.47	-	-	-	4,815,887.47
Shenzhen Chuanglian Future Wireless Technology Co., Ltd.	303,132,698.77	-	-	303,132,698.77	-	-
Total	326,102,809.68	4,815,887.47	-	303,132,698.77	-	27,785,998.38

(2) Provision for impairment of goodwill

Name of investee or event giving rise to goodwill	Increase for the period			Decrease for the period		Closing balance
	Opening balance	Provision	Other	Disposal	Other	
Zhejiang Nodecom Technology Co., Ltd.	14,883,905.11	-	-	-	-	14,883,905.11
Shanghai Sevenfold Universe Digital Technology Co., Ltd.	-	-	-	-	-	-
Shenzhen Chuanglian Future Wireless Technology Co., Ltd.	-	-	-	-	-	-
Total	14,883,905.11	-	-	-	-	14,883,905.11

Note:

Zhejiang Nodecom Technology Co., Ltd. The Company calculates the recoverable amount of the asset group using the present value of estimated future cash flows. The Company estimates the cash flows for the next five years based on the financial budgets approved by management, and the cash flow growth rate adopted for the subsequent years is estimated to be 0% (prior period: 0%), which does not exceed the long-term average growth rate of the business operations of the asset group. Management prepared the above financial budgets based on past performance and its expectations for market development. The pre-tax discount rate used in calculating the present value of future cash flows is 15.87% (prior period: 13.22%), which reflects the risks relating to the relevant segment. Based on the results of the impairment test, no impairment of goodwill occurred for the period.

Shanghai Sevenfold Universe Digital Technology Co., Ltd. The Company calculates the recoverable amount of the asset group using the present value of estimated future cash flows. The Company estimates the cash flows for the next five years based on the financial budgets approved by management, and the cash flow growth rate adopted for the subsequent years is estimated to be 0% (prior period: 0%), which does not exceed the long-term average growth rate of the business operations of the asset group. Management prepared the above financial budgets based on past performance and its expectations for market development. The pre-tax discount rate used in calculating the present value of future cash flows is 14.22%, which reflects the risks relating to the relevant segment. Based on the results of the impairment test, no impairment of goodwill occurred for the period.

19. Long-term deferred expenses

Item	Opening balance	Decrease for the period			Changes in the scope of consolidation	Closing balance
		Increase for the period	Amortisation for the period	Other decreases		
Certification fees	70,192,308.35	10,929,982.17	26,481,100.87	-	-	54,641,189.65
Renovation costs	13,445,512.14	289,638.07	5,728,145.68	28,403.71	1,952,764.58	6,025,836.24
Other	14,388,131.38	3,341,714.26	10,642,851.41	-6,472.59	1,411,229.31	5,682,237.51
Total	98,025,951.87	14,561,334.50	42,852,097.96	21,931.12	3,363,993.89	66,349,263.40

20. Deferred tax assets and deferred tax liabilities**(1) Deferred tax assets and deferred tax liabilities not offset**

Item	Closing balance		Balance at the end of prior year	
	Deductible/ taxable temporary differences	Deferred tax assets/liabilities	Deductible/ taxable temporary differences	Deferred tax assets/liabilities
Deferred tax assets:				
Unrealised profits from intra-group transactions	24,852,427.40	3,727,864.11	50,179,926.93	7,526,989.04
Provision for asset impairment	60,333,272.11	9,144,056.55	25,364,721.51	4,090,030.34
Share-based payments	3,749,803.01	571,275.75	14,682,054.98	2,323,854.88
Deductible losses	760,846,456.57	141,419,157.60	395,367,441.40	77,305,524.54
Deferred income	11,337,969.12	1,700,695.37	13,288,034.01	1,993,205.10
Accrued expenses	–	–	164,189,397.12	27,091,250.53
Lease liabilities	10,061,294.00	1,491,081.48	36,764,869.41	6,731,622.23
Subtotal	871,181,222.21	158,054,130.86	699,836,445.36	127,062,476.66
Deferred tax liabilities:				
Differences in depreciation of fixed assets	–	–	5,904,512.38	974,244.55
Appreciation in the valuation of assets arising from business combinations not involving entities under common control	1,219,677.73	182,951.66	66,695,983.04	10,004,397.46
Changes in fair value of investments in other equity instruments	211,391,427.58	52,847,856.90	117,093,030.02	29,273,257.51
Investment income from disposal of businesses	162,610,863.73	24,391,629.56	–	–
Right-of-use assets	10,061,294.00	1,491,081.48	34,721,452.27	6,360,504.37
Subtotal	385,283,263.04	78,913,519.60	224,414,977.71	46,612,403.89

(2) Deferred tax assets or liabilities presented at the net amount after offsetting

Item	Amount of deferred tax assets and liabilities offset against each other at the end of the period	Closing balance of deferred tax assets or liabilities after offsetting	Amount of deferred tax assets and liabilities offset against each other at the end of prior year	Balance of deferred tax assets or liabilities after offsetting at the end of prior year
Deferred tax assets	1,491,081.48	156,563,049.38	7,334,748.92	119,727,727.74
Deferred tax liabilities	1,491,081.48	77,422,438.12	7,334,748.92	39,277,654.97

(3) Details of deductible temporary differences and deductible losses for which no deferred tax assets have been recognised

Item	Closing balance	Balance at the end of prior year
Deductible temporary differences	31,245,022.16	56,077,991.78
Deductible losses	655,606,401.94	846,157,313.04
Total	686,851,424.10	902,235,304.82

(4) Deductible losses for which no deferred tax assets have been recognised will expire in the following years

Year	Closing balance	Balance at the end of prior year	Remarks
2024	—	56,771,268.35	
2025	58,928,355.63	97,507,191.57	
2026	143,392,533.01	227,393,146.64	
2027	20,409,437.24	98,513,490.22	
2028	102,481,195.75	149,552,243.64	
2029	40,172,809.08	—	
2032	91,299,860.04	91,299,860.04	
2033	10,300,944.42	—	
2034	151,258,341.15	—	
2038	—	15,395,596.66	
2039	—	73,540,421.73	
No expiry date	37,362,925.62	36,184,094.19	
Total	655,606,401.94	846,157,313.04	

21. Other non-current assets

Item	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Prepayments for equipment	3,475,018.00	–	3,475,018.00	7,839,724.22	–	7,839,724.22
Prepaid certification service fees	622,137.04	–	622,137.04	10,320,971.31	–	10,320,971.31
Prepayments for intangible assets	1,028,850.00	–	1,028,850.00	2,211,577.36	–	2,211,577.36
Certificates of deposit with a term of over one year	83,288,093.03	–	83,288,093.03	92,805,589.04	–	92,805,589.04
Total	88,414,098.07	–	88,414,098.07	113,177,861.93	–	113,177,861.93

22. Assets with restricted ownership or right of use

Item	End of the period			
	Gross carrying amount	Carrying amount	Type of restriction	Details of restriction
Cash at bank and on hand	66,363,483.66	66,363,483.66	Security deposits	Security deposits
Cash at bank and on hand	14,376,800.00	14,376,800.00	Pledged as security for notes	Pledged as security for notes
Cash at bank and on hand	1,616,639.25	1,616,639.25	Frozen by judicial order	Frozen by judicial order
Notes receivable	4,221,886.35	4,221,886.35	Pledge	Pledge of notes
Total	86,578,809.26	86,578,809.26		

Continued:

Item	End of prior year			
	Gross carrying amount	Carrying amount	Type of restriction	Details of restriction
Cash at bank and on hand	35,378,305.03	35,378,305.03	Security deposits	Security deposits
Notes receivable	24,941,407.10	24,941,407.10	Pledge	Pledge of notes
Receivables financing	32,478,595.26	32,478,595.26	Pledge	Pledge of notes
Total	92,798,307.39	92,798,307.39		

23. Short-term borrowings**(1) Categories of short-term borrowings**

Item	Closing balance	Balance at the end of prior year
Credit borrowings	472,111,751.16	188,057,662.13
Discounted notes	199,505,593.11	85,997,709.74
Total	671,617,344.27	274,055,371.87

Note: As at the end of the period, the Company had no overdue borrowings.

24. Financial liabilities held for trading

Item	Closing balance	Balance at the end of prior year
Financial liabilities held for trading	11,117,066.76	—
Including: Others	11,117,066.76	—
Total	11,117,066.76	—

25. Notes payable

Category	Closing balance	Balance at the end of prior year
Bank acceptance notes	307,635,067.66	211,750,434.91

Note: As at the end of the period, the Company had no notes payable that were due but unpaid.

26. Accounts payable

Item	Closing balance	Balance at the end of prior year
Payments for goods	1,684,375,874.82	1,719,675,322.49
Land use rights	25,050,000.00	–
Service fees, etc.	9,129,310.19	6,549,483.36
Total	<u>1,718,555,185.01</u>	<u>1,726,224,805.85</u>

27. Contract liabilities

Item	Closing balance	Balance at the end of prior year
Advances received for goods	27,943,121.57	49,375,734.00

28. Employee benefits payable

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Short-term employee benefits	177,835,349.06	694,345,503.43	736,048,982.20	136,131,870.29
Post-employment benefits – defined contribution plan	7,971,504.68	44,913,020.61	52,152,188.51	732,336.78
Total	<u>185,806,853.74</u>	<u>739,258,524.04</u>	<u>788,201,170.71</u>	<u>136,864,207.07</u>

(1) Short-term employee benefits

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Salaries, bonuses, allowances and subsidies	177,043,754.68	640,642,386.69	682,362,918.70	135,323,222.67
Employee welfare benefits	–	12,269,952.21	12,269,952.21	–
Social insurance premiums	377,812.05	20,467,921.52	20,426,631.81	419,101.76
Including: 1. Medical insurance premiums	361,989.54	18,704,034.90	18,656,550.41	409,474.03
2. Work-related injury insurance premiums	10,862.85	969,797.07	971,857.69	8,802.23
3. Maternity insurance premiums	4,959.66	794,089.55	798,223.71	825.50
Housing provident fund	221,586.60	19,057,653.45	19,023,832.05	255,408.00
Labour union funds and employee education funds	192,195.73	1,907,589.56	1,965,647.43	134,137.86
Total	177,835,349.06	694,345,503.43	736,048,982.20	136,131,870.29

(2) Defined contribution plans

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Post-employment benefits	7,971,504.68	44,913,020.61	52,152,188.51	732,336.78
Including: Basic pension insurance premiums	7,945,954.97	42,990,192.64	50,227,253.70	708,893.91
Unemployment insurance premiums	25,549.71	1,922,827.97	1,924,934.81	23,442.87
Total	7,971,504.68	44,913,020.61	52,152,188.51	732,336.78

29. Taxes payable

Tax item	Closing balance	Balance at the end of prior year
Value-added tax	29,031,728.86	62,409,336.65
Enterprise income tax	120,685,416.09	109,166,588.04
Individual income tax	4,410,269.74	5,011,820.54
Deed tax	1,503,000.00	—
Urban maintenance and construction tax	828,181.78	702,285.54
Education surcharge	591,504.17	503,128.73
Other	1,646,932.39	1,296,431.39
Total	158,697,033.03	179,089,590.89

30. Other payables

Item	Closing balance	Balance at the end of prior year
Interest payable	—	—
Dividends payable	—	—
Other payables	154,542,495.40	112,600,360.71
Total	154,542,495.40	112,600,360.71

(1) Other payables

Item	Closing balance	Balance at the end of prior year
Current accounts	121,241,431.27	62,227,497.88
Obligation to repurchase restricted shares	33,288,375.40	50,360,174.10
Funds for exercise of share options	12,688.73	12,688.73
Total	154,542,495.40	112,600,360.71

31. Non-current liabilities due within one year

Item	Closing balance	Balance at the end of prior year
Long-term borrowings due within one year	409,274,567.34	517,878,080.90
Lease liabilities due within one year	10,983,684.09	18,141,876.65
Total	420,258,251.43	536,019,957.55

(1) Long-term borrowings due within one year

Item	Closing balance	Balance at the end of prior year
Credit borrowings	110,197,240.55	405,406,986.11
Borrowings secured by pledge and guarantee	299,077,326.79	112,471,094.79
Total	409,274,567.34	517,878,080.90

(2) Lease liabilities due within one year

Item	Closing balance	Balance at the end of prior year
Lease liabilities	10,983,684.09	18,141,876.65

32. Other current liabilities

Item	Closing balance	Balance at the end of prior year
Notes receivable not derecognised	38,088,271.10	38,003,520.77
Output VAT to be transferred	1,363,164.69	2,085,024.23
Total	39,451,435.79	40,088,545.00

33. Long-term borrowings

Item	Closing balance	Balance at the end of prior year
Borrowings secured by pledge and guarantee	299,077,326.79	406,963,261.30
Credit borrowings	300,167,240.55	505,386,986.11
Subtotal	599,244,567.34	912,350,247.41
Less: Long-term borrowings due within one year	409,274,567.34	517,878,080.90
Total	189,970,000.00	394,472,166.51

Note: The borrowings secured by pledge and guarantee are long-term borrowings obtained from China Merchants Bank Co., Ltd., for which Chuanglian Future pledged the equity interest it holds in Rolling Wireless (H.K.) Limited and the Company pledged the 73% equity interest it holds in Chuanglian Future as collateral, and for which the Company and Zhang Tianyu, the actual controller of the Company, acted as guarantors.

For details of guarantees, mortgages or pledges involving related parties, please refer to Note XI.5.

34. Lease liabilities

Item	Closing balance	Balance at the end of prior year
Lease liabilities	21,666,487.23	41,063,492.46
Less: Lease liabilities due within one year	10,983,684.09	18,141,876.65
Total	10,682,803.14	22,921,615.81

Note: The interest expense on lease liabilities included in finance costs – interest expenses in 2024 amounted to RMB1,402,100.

35. Long-term employee benefits payable

Item	Closing balance	Balance at the end of prior year
Net liability of the defined benefit plan	–	7,885,826.73

(1) Movements in the defined benefit plan

Present value of defined benefit plan obligations:

Item	Current period	Prior period
I. Opening balance	7,885,826.73	7,040,576.84
II. Defined benefit cost recognised in profit or loss for the period		
1. Current service cost	1,243,308.42	95,336.02
2. Net interest	264,880.59	268,157.16
III. Defined benefit cost recognised in other comprehensive income		
1. Actuarial gains (losses to be presented with “-”)	391,491.32	55,953.59
2. Translation of foreign currency financial statements	-95,221.51	425,803.12
IV. Changes in the scope of consolidation	9,690,285.55	
V. Closing balance	–	7,885,826.73

(2) Actuarial assumptions

Item	End of the period	End of prior year
Discount rate	–	3.70%
Mortality rate	–	INSEE 2023 age-related mortality rates
Employee turnover rate	–	Turnover rate statistics
Expected rate of salary increase	–	5.00%

36. Provisions

Item	Closing balance	Balance at the end of prior year
Product quality warranties	–	64,559,940.74
Licensing rights	–	109,260,349.73
Total	–	173,820,290.47

37. Deferred income

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason for recognition
Government grants	13,288,034.01	4,683,976.19	6,634,041.08	11,337,969.12	Related to assets

For details of the government grants recognised in deferred income, please refer to Note VIII. Government grants.

38. Share capital (in ten thousand shares)

Item	Opening balance	Increase/decrease for the period (+, -)					Closing balance
		Issue of new shares	Bonus shares	Transfer of reserves to share capital	Other	Subtotal	
Total number of shares	76,580.58	–	–	–	-24.09	-24.09	76,556.49

39. Capital reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Share premium	633,917,705.47	–	2,008,745.94	631,908,959.53
Other capital reserve	55,267,994.76	2,818,092.10	–	58,086,086.86
Total	689,185,700.23	2,818,092.10	2,008,745.94	689,995,046.39

Note:

(1) Decrease in share premium of RMB2,008,745.94

① The repurchase during the period of restricted shares granted in prior periods decreased share premium by RMB2,008,745.94.

(2) Increase in other capital reserve of RMB2,818,092.10

① Capital reserve of RMB75,858.02 was recognised in respect of share-based incentives for the year.

② The passive dilution of the Company's equity interest in an associate increased capital reserve by RMB694,536.12.

③ Capital reserve of RMB2,047,697.96 was recognised in respect of share-based incentives of the Company's subsidiaries.

40. Treasury shares

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Obligation to repurchase restricted shares	44,894,395.60	–	19,134,291.70	25,760,103.90
Repurchase of shares	<u>50,998,371.54</u>	<u>–</u>	<u>–</u>	<u>50,998,371.54</u>
Total	<u>95,892,767.14</u>	<u>–</u>	<u>19,134,291.70</u>	<u>76,758,475.44</u>

Note: The decrease in treasury shares – obligation to repurchase restricted shares for the period represented the repurchase and cancellation of restricted shares and the unlocking of restricted shares.

41. Other comprehensive income

Other comprehensive income attributable to the parent company in the balance sheet:

Item	Opening balance ⁽¹⁾	Attributable to the parent company, net of tax ⁽²⁾	Current period amount		Closing balance ^{(5) = (1) + (2) – (3) – (4)}
			Less: Amounts previously recognised in other comprehensive income and transferred to retained earnings in the current period ⁽³⁾	Changes in the scope of consolidation ⁽⁴⁾	
I. Other comprehensive income that will not be reclassified to profit or loss	86,716,251.24	70,345,631.91	–	-1,481,687.53	158,543,570.68
1. Changes in fair value of investments in other equity instruments	87,819,772.51	70,723,798.17	–	–	158,543,570.68
2. Actuarial changes in long-term employee benefits payable	-1,103,521.27	-378,166.26	–	-1,481,687.53	–
II. Other comprehensive income that will be reclassified to profit or loss	11,981,337.20	25,549,755.50	–	23,805,674.56	13,725,418.14
1. Exchange differences on translation of foreign currency financial statements	<u>11,981,337.20</u>	<u>25,549,755.50</u>	<u>–</u>	<u>23,805,674.56</u>	<u>13,725,418.14</u>
Total other comprehensive income	<u>98,697,588.44</u>	<u>95,895,387.41</u>	<u>–</u>	<u>22,323,987.03</u>	<u>172,268,988.82</u>

42. Surplus reserve

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	166,663,984.43	27,995,638.11	—	194,659,622.54

Note: The increase in surplus reserve represents the appropriation to the statutory surplus reserve at 10% of the Company's net profit.

43. Retained earnings

Item	Current period amount	Prior period amount	Appropriation or distribution ratio
Retained earnings at the end of the prior period before adjustment	1,508,620,652.64	1,048,350,948.21	—
Total adjustments to retained earnings at the beginning of the period (increases +, decreases -)	—	—	—
Retained earnings at the beginning of the period after adjustment	1,508,620,652.64	1,048,350,948.21	
Add: Net profit attributable to shareholders of the parent company for the period	667,964,222.42	563,554,950.37	—
Less: Appropriation to statutory surplus reserve	27,995,638.11	40,144,470.04	10%
Dividends payable on ordinary shares	289,984,106.22	63,140,775.90	
Retained earnings at the end of the period	1,858,605,130.73	1,508,620,652.64	

44. Revenue and operating costs**(1) Revenue and operating costs**

Item	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Principal operations	8,124,885,528.08	6,551,987,676.14	7,652,818,290.64	5,917,199,342.40
Other operations	63,966,966.42	53,942,134.72	63,010,706.43	54,891,939.19
Total	8,188,852,494.50	6,605,929,810.86	7,715,828,997.07	5,972,091,281.59

(2) Revenue and operating costs by product type

Major product types	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Principal operations:				
Communication modules	8,021,774,012.42	6,464,456,310.98	7,511,064,469.41	5,815,704,125.97
Terminals and materials	78,030,242.41	66,353,760.16	132,508,494.99	93,497,739.63
Other	25,081,273.25	21,177,605.00	9,245,326.24	7,997,476.80
Subtotal	8,124,885,528.08	6,551,987,676.14	7,652,818,290.64	5,917,199,342.40
Other operations:	63,966,966.42	53,942,134.72	63,010,706.43	54,891,939.19
Total	<u>8,188,852,494.50</u>	<u>6,605,929,810.86</u>	<u>7,715,828,997.07</u>	<u>5,972,091,281.59</u>

(3) Revenue from principal operations and cost of principal operations by geographical area

Major geographical areas of operation	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Domestic	3,180,050,392.03	2,573,991,783.30	3,187,339,628.58	2,566,941,546.51
Overseas	4,944,835,136.05	3,977,995,892.84	4,465,478,662.06	3,350,257,795.89
Subtotal	<u>8,124,885,528.08</u>	<u>6,551,987,676.14</u>	<u>7,652,818,290.64</u>	<u>5,917,199,342.40</u>

(4) Revenue and operating costs by timing of transfer of goods

Item	Current period amount	
	Revenue	Costs
Principal operations	8,124,885,528.08	6,551,987,676.14
Including: Recognised at a point in time	8,099,804,254.83	6,530,810,071.14
Recognised over a period of time	25,081,273.25	21,177,605.00
Other operations	63,966,966.42	53,942,134.72
Including: Recognised at a point in time	63,966,966.42	53,942,134.72
Total	<u>8,188,852,494.50</u>	<u>6,605,929,810.86</u>

45. Taxes and surcharges

Item	Current period amount	Prior period amount
Urban maintenance and construction tax	6,749,255.62	7,827,341.62
Education surcharge	4,823,357.01	5,611,647.70
Stamp duty	6,300,874.06	4,261,560.23
Water conservancy fund and others	2,190,783.97	715,415.83
Total	20,064,270.66	18,415,965.38

For the basis of calculation and payment of taxes and surcharges, please refer to Note IV. Taxation.

46. Selling expenses

Item	Current period amount	Prior period amount
Employee benefits	132,329,161.12	155,839,802.69
Travel expenses	11,135,349.84	10,489,862.38
Advertising and publicity expenses	10,507,862.57	7,660,218.92
Amortisation of customer relationships	9,184,313.23	12,766,481.77
Entertainment expenses	8,249,370.03	8,614,207.24
Office expenses	5,092,607.63	5,462,795.49
Depreciation and amortisation	2,556,085.90	2,518,576.99
Lease expenses	1,012,082.94	1,413,436.71
Market development expenses	777,999.64	11,381,352.64
Share-based incentives	-157,082.56	1,909,777.77
Other	11,816,486.51	10,889,646.58
Total	192,504,236.85	228,946,159.18

47. General and administrative expenses

Item	Current period amount	Prior period amount
Employee benefits	108,365,613.18	92,908,863.59
Depreciation and amortisation	25,557,236.00	35,183,279.00
Professional service fees	12,799,847.76	18,135,416.46
Office expenses	6,441,658.43	6,663,428.47
Entertainment expenses	3,943,621.65	4,406,190.94
Utilities and property management fees	3,767,049.17	2,735,713.19
Travel expenses	2,940,203.96	2,258,776.83
Share-based incentives	2,043,325.75	2,106,478.67
Training expenses	1,849,176.41	1,110,561.85
Lease expenses	907,098.12	442,452.93
Motor vehicle expenses	850,318.90	792,666.79
Other	8,786,398.49	5,097,604.68
Total	178,251,547.82	171,841,433.40

48. Research and development expenses

Item	Current period amount	Prior period amount
Employee benefits	464,768,501.42	478,003,908.29
Depreciation and amortisation	112,070,552.35	111,236,176.94
Materials	26,156,217.30	39,739,994.07
Outsourced research and development expenses	25,488,629.29	26,327,182.47
Testing and certification fees	16,752,207.20	11,807,698.28
Travel expenses	11,195,182.41	11,796,557.48
Utilities and property management fees	6,327,104.36	5,377,179.89
Office expenses	4,136,557.33	4,359,467.09
Trademark and patent royalties	2,668,806.60	2,288,867.41
Share-based incentives	988,023.45	4,980,260.97
Lease expenses	777,789.02	1,124,806.16
Consultancy fees	748,559.65	1,929,498.26
Other	14,814,666.70	8,551,575.72
Total	686,892,797.08	707,523,173.03

49. Finance costs

Item	Current period amount	Prior period amount
Interest expense	42,773,729.96	42,391,628.71
Less: Interest capitalised	—	—
Interest income	35,946,464.96	20,201,303.06
Exchange gains or losses	17,077,073.35	5,566,445.32
Less: Exchange gains or losses capitalised	—	—
Handling charges and others	3,670,272.66	2,538,631.72
Total	27,574,611.01	30,295,402.69

50. Other income

Item	Current period amount	Prior period amount
Government grants	63,872,391.03	58,790,942.49
Value-added tax preferential treatment	22,042,997.65	1,070,544.90
Refund of handling fees for withholding individual income tax	716,851.94	1,115,345.25
Total	86,632,240.62	60,976,832.64

Note:

- (1) For details of the government grants, please refer to Note VIII. Government grants.
- (2) For the reasons for classifying certain government grants as recurring profit or loss, please refer to Note XVII.1.

51. Investment income

Item	Current period amount	Prior period amount
Income from long-term equity investments accounted for using the equity method	-3,897,820.75	2,016,777.10
Investment income from disposal of businesses	162,610,863.73	627,943.36
Investment income from wealth management products	4,890,165.59	3,048,498.83
Other	-741,601.00	—
Total	162,861,607.57	5,693,219.29

52. Gains from changes in fair value

Source of gains from changes in fair value	Current period amount	Prior period amount
Financial assets held for trading	1,844,933.23	—
Including: Wealth management products	37,260.27	—
Contingent consideration	1,807,672.96	—
Financial liabilities held for trading	183,599.59	—
Including: Others	183,599.59	—
Total	2,028,532.82	—

53. Credit impairment losses (losses to be presented with “-”)

Item	Current period amount	Prior period amount
Bad debt losses on accounts receivable	-11,889,694.01	7,584,814.55
Bad debt losses on notes receivable	-327,796.45	—
Bad debt losses on other receivables	-335,611.38	747,096.21
Total	-12,553,101.84	8,331,910.76

54. Asset impairment losses (losses to be presented with “-”)

Item	Current period amount	Prior period amount
Losses on decline in value of inventories	-46,394,754.33	-37,718,587.92

55. Gains on disposal of assets (losses to be presented with “-”)

Item	Current period amount	Prior period amount
Early termination of leases of right-of-use assets	805.10	102,640.86
Gains on disposal of fixed assets	111,534.63	—
Total	112,339.73	102,640.86

56. Non-operating income

Item	Current period amount	Prior period amount	Amount recognised in non-recurring profit or loss for the period
Other	2,520,720.46	10,070.00	2,520,720.46

57. Non-operating expenses

Item	Current period amount	Prior period amount	Amount recognised in non-recurring profit or loss for the period
Public welfare donations	1,056,292.56	430,325.30	1,056,292.56
Losses on damage and retirement of non-current assets	788,721.50	423,260.38	788,721.50
Penalties and late payment charges	121,182.73	—	121,182.73
Other	393,067.23	164,200.94	393,067.23
Total	2,359,264.02	1,017,786.62	2,359,264.02

58. Income tax expense**(1) Details of income tax expense**

Item	Current period amount	Prior period amount
Current income tax calculated in accordance with tax laws and relevant regulations	37,663,321.67	84,476,946.36
Deferred income tax expense	-44,018,230.66	-26,371,628.75
Total	-6,354,908.99	58,105,317.61

(2) Reconciliation of income tax expense to total profit

Item	Current period amount	Prior period amount
Total profit	670,483,541.23	623,093,880.81
Income tax expense calculated at the statutory (or applicable) tax rate (total profit * 15%)	100,572,531.18	93,464,082.12
Effect of different tax rates applicable to certain subsidiaries	-1,940,011.38	-5,957,956.81
Adjustments to current income tax of prior periods	-127,197.80	12,244,805.32
Share of profit or loss of joint ventures and associates accounted for using the equity method	916,795.61	-438,209.83
Non-deductible costs, expenses and losses	9,162,179.92	2,032,250.06
Tax effect of utilisation of deductible losses and deductible temporary differences not recognised in prior years (to be presented with “-”)	-72,220,926.56	-1,164,360.62
Tax effect of unrecognised deductible losses and deductible temporary differences	40,840,661.32	38,115,097.44
Tax effect of the additional deduction of research and development expenses (to be presented with “-”)	-83,558,941.28	-80,190,390.07
Income tax expense	-6,354,908.99	58,105,317.61

59. Notes to items of the cash flow statement

(1) Other cash received relating to operating activities

Item	Current period amount	Prior period amount
Government grants	21,353,059.45	35,756,962.93
Interest income	29,267,197.58	19,874,307.78
Current account balances and others	7,942,528.51	8,735,921.68
Total	58,562,785.54	64,367,192.39

(2) Other cash paid relating to operating activities

Item	Current period amount	Prior period amount
Period expenses	178,135,173.71	179,162,335.11
Current accounts	4,306,255.53	16,618,790.45
Handling charges and others	6,298,788.41	2,498,719.86
Total	188,740,217.65	198,279,845.42

(3) Significant cash received relating to investing activities

Item	Current period amount	Prior period amount
Wealth management products	692,472,462.94	435,742,700.00

(4) Other cash received relating to investing activities

Item	Current period amount	Prior period amount
Current accounts	–	4,177,600.00

(5) Significant cash paid relating to investing activities

Item	Current period amount	Prior period amount
Wealth management products	1,108,802,525.77	538,407,677.53
Equity investments	18,000,000.00	36,000,000.00
Total	1,126,802,525.77	574,407,677.53

(6) Other cash paid relating to investing activities

Item	Current period amount	Prior period amount
Current accounts	5,114,338.56	—

(7) Other cash received relating to financing activities

Item	Current period amount	Prior period amount
Deposits for bank acceptance notes	14,775,859.52	33,251,689.13
Employee incentive payments of subsidiaries	2,636,689.50	2,327,118.50
Receipt of principal and interest of loans assumed by EUROPASOLAR S.ÀR.L	61,124,306.38	—
Total	78,536,855.40	35,578,807.63

(8) Other cash paid relating to financing activities

Item	Current period amount	Prior period amount
Lease liabilities	20,756,823.89	25,241,977.95
Repurchase of restricted shares	2,249,666.94	16,982,565.75
Repurchase of treasury shares	—	50,998,371.54
Deposits for bank acceptance notes and borrowings	45,713,400.25	21,486,163.76
Repurchase of employee incentives of subsidiaries and others	198,750.00	697,734.96
Total	68,918,641.08	115,406,813.96

(9) Changes in liabilities arising from financing activities

Item	Opening balance	Cash changes		Interest accrued	Non-cash changes		Closing balance
		Cash inflows	Cash outflows		Changes in fair value	Other	
Short-term borrowings	274,055,371.87	1,147,246,000.65	750,143,858.57	829,351.16	–	-369,520.84	671,617,344.27
Long-term borrowings	912,350,247.41	200,000,000.00	518,374,240.97	380,728.16	–	4,887,832.74	599,244,567.34
Lease liabilities	41,063,492.46	–	20,756,823.89	–	–	1,359,818.66	21,666,487.23
Total	1,227,469,111.74	1,347,246,000.65	1,289,274,923.43	1,210,079.32	–	5,878,130.56	1,292,528,398.84

60. Supplementary information to the cash flow statement**(1) Supplementary information to the cash flow statement**

Supplementary information	Current period amount	Prior period amount
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	676,838,450.22	564,988,563.20
Add: Asset impairment losses	46,394,754.33	37,718,587.92
Credit impairment losses	12,553,101.84	-8,331,910.76
Depreciation of fixed assets	45,150,250.46	66,374,779.45
Depreciation of right-of-use assets	19,020,869.19	20,429,468.19
Amortisation of intangible assets	55,062,276.67	61,345,775.79
Amortisation of Long-term deferred expenses	42,852,097.96	42,990,988.97
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains to be presented with “-”)	-112,339.73	-102,640.86
Losses on retirement of fixed assets (gains to be presented with “-”)	788,721.50	423,260.38
Losses from changes in fair value (gains to be presented with “-”)	-2,028,532.82	–
Finance costs (gains to be presented with “-”)	59,850,803.31	48,255,490.71
Investment losses (gains to be presented with “-”)	-162,861,607.57	-5,693,219.29
Decrease in deferred tax assets (increases to be presented with “-”)	-36,835,321.64	-24,626,791.63
Increase in deferred tax liabilities (decreases to be presented with “-”)	38,144,783.15	11,720,778.35

Supplementary information	Current period amount	Prior period amount
Decrease in inventories (increases to be presented with “-”)	261,999,817.00	-234,521,029.30
Decrease in operating receivables (increases to be presented with “-”)	-457,604,370.68	-141,567,754.55
Increase in operating payables (decreases to be presented with “-”)	-161,813,049.97	204,648,250.47
Share-based payments	2,484,917.54	9,931,609.20
Net cash flows from operating activities	439,885,620.76	653,984,206.24
2. Significant investing and financing activities not involving cash receipts and payments:		
Conversion of debt into capital	—	—
Convertible corporate bonds due within one year	—	—
Additions to right-of-use assets	13,132,998.24	16,537,492.63
3. Net changes in cash and cash equivalents:		
Cash at the end of the year	709,835,674.68	978,262,425.94
Less: Cash at the beginning of the year	978,262,425.94	816,559,554.39
Add: Cash equivalents at the end of the year	—	—
Less: Cash equivalents at the beginning of the year	—	—
Net increase in cash and cash equivalents	-268,426,751.26	161,702,871.55

Note: The amount of bank acceptance notes received by the Company from sales of goods and transferred by endorsement was RMB646,504,407.32.

(2) Net cash paid for acquisition of subsidiaries during the period

Item	Current period amount
1. Cash or cash equivalents paid during the period in respect of business combinations occurring during the period	4,410,000.00
2. Including: Shanghai Sevenfold Universe Digital Technology Co., Ltd.	4,410,000.00
3. Less: Cash and cash equivalents held by the subsidiary at the acquisition date	1,709,324.82
4. Including: Shanghai Sevenfold Universe Digital Technology Co., Ltd.	1,709,324.82
5. Add: Cash or cash equivalents paid during the period in respect of business combinations occurring in prior periods	—
6. Net cash paid for acquisition of subsidiaries	2,700,675.18

(3) Net cash received from disposal of subsidiaries during the period

Item	Current period amount
7. Cash or cash equivalents received during the period from the disposal of subsidiaries during the period	132,789,781.25
8. Including: Rolling Wireless S.à r.l. and its subsidiaries ROLLING WIRELESS FRANCE, Rolling Wireless German GmbH, ROLLING WIRELESS TECHNOLOGY (H.K.) LIMITED, Rolling Wireless Communication Technology (Shenzhen) Ltd, Rolling Wireless J.P. Limited, Rolling Wireless (K.R.) Limited, Rolling Wireless Hungary and ROLLING WIRELESS PTE. LTD.	132,789,781.25
9. Less: Cash and cash equivalents held by the subsidiaries at the date on which control was lost	49,038,333.43
10. Including: Rolling Wireless S.à r.l. and its subsidiaries ROLLING WIRELESS FRANCE, Rolling Wireless German GmbH, ROLLING WIRELESS TECHNOLOGY (H.K.) LIMITED, Rolling Wireless Communication Technology (Shenzhen) Ltd, Rolling Wireless J.P. Limited, Rolling Wireless (K.R.) Limited, Rolling Wireless Hungary and ROLLING WIRELESS PTE. LTD.	49,038,333.43
11. Add: Cash or cash equivalents received during the period from the disposal of subsidiaries in prior periods	–
12. Net cash received from disposal of subsidiaries	83,751,447.82

(4) Composition of cash and cash equivalents

Item	Closing balance	Balance at the end of prior year
13. I. Cash	709,835,674.68	978,262,425.94
14. Including: Cash on hand	–	–
15. Bank deposits available for payment on demand	709,835,674.68	978,262,425.94
16. II. Cash equivalents	–	–
17. III. Cash and cash equivalents at the end of the year	709,835,674.68	978,262,425.94

(5) Cash at bank and on hand not classified as cash and cash equivalents

Item	Closing balance	Balance at the end of prior year	Reason for not being classified as cash and cash equivalents
Time deposits	270,283,991.17	–	Time deposits
Security deposits	66,363,483.66	35,378,305.03	Notes deposits, borrowing deposits
Cunliying	64,695,600.00	11,332,320.00	Wealth management products
Accrued interest on bank deposits	6,863,679.24	184,411.86	Not actually received
Funds frozen by judicial order	1,616,639.25	–	Funds frozen by judicial order
Total	409,823,393.32	46,895,036.89	

(6) Supplier finance arrangements**① Terms and conditions of the supplier finance arrangements**

Supplier finance arrangement: reverse factoring. The Company conducts reverse factoring business through the “Zhongqi Yunlian Yunxin” supply chain finance service platform, providing services to the sellers of the electronic receivable certificates held on the “Zhongqi Yunlian Yunxin” platform that are payable by the Company at maturity. The Company assumes an unconditional payment obligation in respect of the Yunxin certificates issued through the “Zhongqi Yunlian Yunxin” platform, and shall pay the committed amount into the designated account before the committed payment date, and may not refuse to perform the payment obligations established by the Yunxin certificates on the grounds of any agreement, dispute or controversy between the Company and any third party. Line items presented in the balance sheet and related information

Line item presented	Closing balance	Opening balance
Accounts payable	13,019,390.93	11,599,459.04
Including: Amounts already received by suppliers	8,850,418.58	9,316,336.21

② Range of payment due dates

Item	End of the period
Liabilities under the arrangement	Payment in accordance with the terms agreed in the contracts
Comparable accounts payable not under the arrangement	Payment in accordance with the terms agreed in the contracts

③ *Non-cash changes during the period*

There was no effect of business combinations or exchange rate changes on the above movements in the financial liabilities of the Company.

61. Foreign currency monetary items**(1) Foreign currency monetary items**

Item	Closing balance in foreign currency	Translation exchange rate	Closing balance translated into RMB
Cash at bank and on hand			618,966,852.02
Including: USD	85,899,146.99	7.1884	617,477,640.97
EUR	110,301.05	7.5257	830,091.52
HKD	33,598.09	0.9260	31,113.12
TWD	2,858,678.00	0.2194	627,108.19
KRW	181,906.00	0.0049	898.22
Accounts receivable			1,088,650,803.34
Including: USD	151,303,668.74	7.1884	1,087,631,295.57
INR	12,132,318.01	0.0840	1,019,507.77
Other receivables			420,261,392.40
Including: USD	42,253,232.21	7.1884	303,733,135.15
EUR	223.00	7.5257	1,678.24
HKD	125,551,060.06	0.9260	116,265,302.14
INR	1,967,916.43	0.0840	165,368.74
TWD	437,198.00	0.2194	95,908.13
Short-term borrowings			259,119,056.71
Including: USD	36,046,833.33	7.1884	259,119,056.71
Financial liabilities held for trading			11,117,066.76
Including: USD	1,546,528.68	7.1884	11,117,066.76
Accounts payable			1,304,373,332.75
Including: USD	181,434,546.24	7.1884	1,304,224,092.14
HKD	161,160.00	0.9260	149,240.61

Item	Closing balance in foreign currency	Translation exchange rate	Closing balance translated into RMB
Other payables			89,640,811.72
Including: USD	12,345,050.57	7.1884	88,741,161.50
AUD	61,200.00	4.5070	275,828.40
EUR	44,168.36	7.5257	332,397.83
INR	11,044.32	0.0840	928.08
JPY	88,000.00	0.0462	4,068.50
TWD	1,305,681.79	0.2194	286,427.41
Long-term borrowings			299,077,326.78
Including: USD	41,605,525.50	7.1884	299,077,326.78

(2) Foreign operations

No.	Abbreviation	Place of operation	Functional currency
1	Hong Kong Fibocom	Hong Kong	USD
2	Taiwan Fibocom	Taiwan	TWD
3	U.S. Fibocom	United States	USD
4	THINGSMATRIX	United States	USD
5	EU Fibocom	Germany	EUR
6	Rolling Wireless (H.K.) Limited	Hong Kong	HKD

62. Leases**(1) As lessee**

Item	Current period amount
Short-term lease expenses	2,474,719.22
Expenses for leases of low-value assets	370,202.16
Total	2,844,921.38

VI. RESEARCH AND DEVELOPMENT EXPENDITURE

1. Research and development expenditure

Item	Current period amount		Prior period amount	
	Amount expensed	Amount capitalised	Amount expensed	Amount capitalised
Employee benefits	464,768,501.42	36,442,663.91	478,003,908.29	13,518,627.17
Depreciation and amortisation	112,070,552.35	–	111,236,176.94	–
Materials	26,156,217.30	2,374,593.56	39,739,994.07	1,090,041.75
Outsourced research and development expenses	25,488,629.29	9,009.71	26,327,182.47	–
Testing and certification fees	16,752,207.20	667,997.00	11,807,698.28	41,037.73
Travel expenses	11,195,182.41	337,803.77	11,796,557.48	322,914.62
Utilities and property management fees	6,327,104.36	–	5,377,179.89	–
Office expenses	4,136,557.33	–	4,359,467.09	38,911.40
Trademark and patent royalties	2,668,806.60	–	2,288,867.41	–
Share-based incentives	988,023.45	–	4,980,260.97	–
Lease expenses	777,789.02	–	1,124,806.16	–
Consultancy fees	748,559.65	–	1,929,498.26	–
Other	14,814,666.70	4,021.75	8,551,575.72	5,611.98
Total	686,892,797.08	39,836,089.70	707,523,173.03	15,017,144.65

2. Development expenditure

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Internal development expenditure	Other increases	Recognised as intangible assets	Recognised in profit or loss for the period	
5G series wireless communication modules	12,685,718.24	39,836,089.70	–	19,760,357.78	4,397,812.12	28,363,638.04

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the group

Name of subsidiary	Registered capital	Principal place of business	Place of registration	Nature of business	Shareholding percentage (%)		Method of acquisition
					Direct	Indirect	
Fibocom Software	RMB 10,000,000	Shenzhen	Shenzhen	IT products	100.00	–	Establishment
Hong Kong Fibocom	HKD 1,000	Hong Kong	Hong Kong	Trading	100.00	–	Business combination involving entities under common control
Taiwan Fibocom	TWD 45,000,000	Taiwan	Taiwan	Trading	–	100.00	Establishment
U.S. Fibocom	USD 5,000,000	United States	United States	Market development and trading	100.00	–	Establishment
THINGSMATRIX	USD 20,000	United States	United States	Cloud services	–	100.00	Establishment
Zhejiang Nodecom	RMB 10,000,000	Hangzhou	Hangzhou	Wireless communication modules	100.00	–	Business combination not involving entities under common control
Xi'an Software	RMB 30,000,000	Xi'an	Xi'an	IT products	100.00	–	Establishment
Fibocom Investment	RMB 250,000,000	Shenzhen	Shenzhen	Investment and trading	100.00	–	Establishment
FIA	RMB 20,000,000	Shenzhen	Shenzhen	Terminal products	100.00	–	Establishment
Favalon Technology	RMB 33,241,918	Shenzhen	Shenzhen	Automotive business	–	60.165	Establishment
EU Fibocom	EUR 3,000,000	Germany	Germany	Market development and trading	100.00	–	Establishment
Xi'an Communications	RMB 30,000,000	Xi'an	Xi'an	Trading	100.00	–	Establishment
Guangtong Yilian	RMB 10,000,000	Shenzhen	Shenzhen	Cloud services	–	100.00	Establishment
Shanghai Faiot	RMB 25,974,000	Shanghai	Shanghai	IT products	77.00008	–	Establishment
Shanghai Favalon	RMB 2,000,000	Shanghai	Shanghai	Automotive business	–	60.165	Establishment
Shanghai Faiot Software	RMB 2,000,000	Shanghai	Shanghai	IT products	–	77.00008	Establishment
Yaboda	RMB 10,000,000	Shenzhen	Shenzhen	Technology development	100.00	–	Business combination not involving entities under common control
Fibocom Technology	RMB 100,000,000	Shenzhen	Shenzhen	Technology development	100.00	–	Establishment
Favalon Software	RMB 10,000,000	Shenzhen	Shenzhen	Technology development	–	60.165	Establishment
Chuanglian Future	RMB 468,600,000	Shenzhen	Shenzhen	Investment and trading	100.00	–	Business combination not involving entities under common control
Rolling Wireless (H.K.) Limited	USD 66,010,000	Hong Kong	Hong Kong	Trading	–	100.00	Business combination not involving entities under common control
Shenzhen Chiyao	RMB 547,700	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	–	63.5202	Establishment
Shenzhen Chishang	RMB 850,000	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	–	57.7265	Establishment

APPENDIX X

AUDITED CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR 2024

Name of subsidiary	Registered capital	Principal place of business	Place of registration	Nature of business	Shareholding percentage (%)		Method of acquisition
					Direct	Indirect	
Shenzhen Chisheng	RMB 3,861,429	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	–	59.3959	Establishment
Shenzhen Chiqing	RMB 170,200	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	–	38.0288	Establishment
Guangtong Chuangyuan	RMB 4,710,000	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	–	32.9845	Establishment
Shenzhen Chijun	RMB 1,805,000	Shenzhen	Shenzhen	Favalon Technology employee incentive platform	–	0.277	Establishment
Ningbo Guangxing	RMB 2,718,200	Ningbo	Ningbo	Shanghai Faiot employee incentive platform	–	24.75	Establishment
Ningbo FAIOT	RMB 3,255,800	Ningbo	Ningbo	Shanghai Faiot employee incentive platform	–	60.0129	Establishment
Ningbo Guangyi	RMB 2,045,400	Ningbo	Ningbo	Shanghai Faiot employee incentive platform	–	99.9511	Establishment
FAIOT Gongying	RMB 2,000,000	Shenzhen	Shenzhen	Shanghai Faiot employee incentive platform	–	95.00	Establishment
Sevenfold Universe	RMB 10,000,000	Shanghai	Shanghai	Technology development		45.90	Business combination not involving entities under common control

Note:

In accordance with the contractual arrangements of Shenzhen Chiyao, Shenzhen Chishang, Shenzhen Chisheng, Guangtong Chuangyuan, Shenzhen Chiqing and Shenzhen Chijun, FIA, a subsidiary of the Company, acts as the general partner of each of these partnerships and holds exclusive rights in respect of the management, control, operation and decision-making of their investment business and day-to-day operations, and the limited partners shall not exercise control over the management and other activities of the limited partnerships through the partners' meeting. The Company has substantive control over the above partnerships and has included them in the scope of consolidation.

In accordance with the contractual arrangements of Ningbo Guangxing, Ningbo FAIOT, Ningbo Guangyi and FAIOT Gongying, Fibocom Investment, a subsidiary of the Company, acts as the general partner of each of these partnerships and holds exclusive rights in respect of the management, control, operation and decision-making of their investment business and day-to-day operations, and the limited partners shall not exercise control over the management and other activities of the limited partnerships through the partners' meeting. The Company has substantive control over the above partnerships and has included them in the scope of consolidation.

Favalon Technology, Shanghai Favalon, Favalon Software, Shanghai Faiot and Shanghai Faiot Software, subsidiaries of the Company, have established employee shareholding platforms and share incentive arrangements, and the relevant shares have not yet met the vesting conditions.

2. Business combination not involving entities under common control**(1) Business combination not involving entities under common control occurring during the period**

Name of the acquiree	Date of acquisition of the equity interest	Cost of acquisition of the equity interest	Percentage of equity interest acquired (%)	Method of acquisition of the equity interest	Acquisition date	Basis for determining the acquisition date	Revenue of the acquiree from the acquisition date to the end of the period	Net profit of the acquiree from the acquisition date to the end of the period
Shanghai Sevenfold Universe Digital Technology Co., Ltd.	2 February 2024	4,410,000.00	45.90	Cash	2 February 2024	Obtaining of control	13,097,095.56	-391,396.06

Note: In January 2024, Shenzhen Fibocom Investment Development Co., Ltd., a wholly-owned subsidiary of the Company, acquired a 45.9% equity interest in Sevenfold Universe and entered into an acting-in-concert agreement with Zhu Tao, one of the shareholders, under which both parties jointly undertook to “act in concert” on significant matters at the general meeting of shareholders, so that the two parties together held a 51% equity interest in Sevenfold Universe. On that basis, the Company obtained control over Sevenfold Universe. As at 2 February 2024, Shenzhen Fibocom Investment Development Co., Ltd. had paid an aggregate consideration of RMB4,410,000 for the transaction and obtained actual operating control; the Company included Sevenfold Universe in the scope of consolidation from February 2024.

(2) Cost of combination and goodwill

Item	Shanghai Sevenfold Universe Digital Technology Co., Ltd.
Cost of combination:	
Cash	4,410,000.00
Total cost of combination	4,410,000.00
Less: Share of the fair value of the identifiable net assets acquired	-405,887.47
Goodwill	4,815,887.47

3. Business combination involving entities under common control

During the reporting period, the Company did not have any business combination involving entities under common control.

4. Disposal of subsidiaries

(1) Subsidiaries derecognised as a result of a single disposal resulting in loss of control

Name of subsidiary	Consideration for the disposal of the equity interest	Percentage of equity interest disposed of (%)	Method of disposal of the equity interest	Date on which control was lost	Basis for determining the date on which control was lost	Difference between the disposal consideration and the share of the net assets of the subsidiary attributable to the investment disposed of at the consolidated financial statement level	Goodwill relating to the subsidiary in the consolidated financial statements
Note 1	USD 150 million	100.00	Transfer by agreement	26 July 2024	Transfer of control	162,610,863.73	303,132,698.77

Continued:

Name of subsidiary	Percentage of the remaining equity interest at the date on which control was lost	Carrying amount of the remaining equity interest at the date on which control was lost	Fair value of the remaining equity interest at the date on which control was lost	Gains/losses arising from remeasurement at fair value	Method and key assumptions used in determining the fair value of the remaining equity interest at the date on which control was lost	Amount of other comprehensive income relating to the equity investment in the former subsidiary transferred to investment income or retained earnings
Note 1	-	-	-	-	-	-

Note 1: On 2 July 2024, the Company convened the second meeting of the fourth session of the Board of Directors and the second meeting of the fourth session of the Supervisory Committee, at which the “Proposal on the Sale of Certain Assets and the Equity Interest in a Wholly-owned Subsidiary” was considered and approved. The Company disposed of the automotive front-installed wireless communication module business of Shenzhen Chuanglian Future Wireless Technology Co., Ltd. (formerly known as Rolling Wireless Technology Co. Ltd) by selling it to EUROPASOLAR S.à.r.l. at a price of USD150 million. On 3 July 2024, the Company and its wholly-owned subsidiaries Shenzhen Chuanglian Future Wireless Technology Co., Ltd. and Rolling Wireless (H.K.) Limited entered into the “Asset Purchase Agreement” with the counterparty. On 26 July 2024, the parties to the transaction completed the equity changes and asset transfers relating to the closing, and the transaction was closed. Upon completion of the transaction, Shenzhen Chuanglian Future Wireless Technology Co., Ltd. and its subsidiary ROLLING WIRELESS (H.K.) LIMITED no longer engage in the automotive front-installed wireless communication module business, the Company no longer holds any equity interest in Rolling Wireless S.à r.l., and Rolling Wireless S.à r.l. and its subsidiaries ROLLING WIRELESS FRANCE, Rolling Wireless German GmbH, ROLLING WIRELESS TECHNOLOGY (H.K.) LIMITED, Rolling Wireless Communication Technology (Shenzhen) Ltd, Rolling Wireless J.P. Limited, Rolling Wireless (K.R.) Limited, Rolling Wireless Hungary and ROLLING WIRELESS PTE. LTD. are no longer included in the scope of consolidation of the Company.

5. Interests in associates**(1) Associates**

Name of associate	Principal place of business	Place of registration	Nature of business	Shareholding percentage (%)		Accounting treatment for investments in joint ventures or associates
				Direct	Indirect	
I. Associates						
Shenzhen Bogesi Communication Technology Co., Ltd.	Shenzhen	Shenzhen	Wireless communication	15.00	–	Equity method
Hubei Liancheng Intelligent Technology Co., Ltd.	Xi'an	Xi'an	Wireless communication	–	19.2857	Equity method
Shenzhen High-tech Investment Fibocom IoT Industry Private Equity Investment Fund Partnership (Limited Partnership)	Shenzhen	Shenzhen	Investment	–	30.00	Equity method

Note: As at the end of the period, Fibocom Investment had subscribed for registered capital of Hubei Liancheng of RMB16,875,000 and held a 19.2857% equity interest in Hubei Liancheng. As the employee shareholding platform established by Hubei Liancheng has not yet actually granted shares to employees, Fibocom Investment actually holds a 22.50% equity interest in Hubei Liancheng.

(2) Summarised financial information of associates

Item	Closing balance/ Current period amount	Balance at the end of prior year/Prior period amount
Associates:		
Total carrying amount of investments	57,273,546.65	60,476,831.28
Total of the following items calculated according to the shareholding percentage		
Net profit	-3,897,820.75	2,016,777.10
Other comprehensive income	–	–
Total comprehensive income	-3,897,820.75	2,016,777.10

VIII. GOVERNMENT GRANTS

1. Government grants recognised in deferred income

Grant item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason for recognition
5G communication module technology engineering centre	539,649.76	–	461,246.88	78,402.88	Related to assets
Industrialisation project of 5G IoT wireless communication modules	5,153,627.76	–	2,229,558.36	2,924,069.40	Related to assets
2022 industrialisation technology upgrading and renovation funding project	4,301,650.64	–	1,528,834.71	2,772,815.93	Related to assets
2023 new-generation information technology industry payment subsidy	3,293,105.85	–	1,227,576.60	2,065,529.25	Related to assets
Industrialisation project of 5G industrial intelligent modules based on a domestic platform	–	2,063,676.19	545,790.32	1,517,885.87	Related to assets
Industrial internet development support plan project	–	1,790,000.00	616,937.86	1,173,062.14	Related to assets
Technology upgrading and renovation project for the industrialisation of 5G global version intelligent modules	–	830,300.00	24,096.35	806,203.65	Related to assets
Total	13,288,034.01	4,683,976.19	6,634,041.08	11,337,969.12	

(1) Government grants recognised in deferred income and subsequently measured using the gross method

Grant item	Category	Opening balance	Grants received during the period	Amount transferred to profit or loss for the period	Other changes	Closing balance	Line item in which the amount transferred to profit or loss for the period is presented	Related to assets/ Related to income
5G communication module technology engineering centre	Government appropriation	539,649.76	–	461,246.88	–	78,402.88	Other income	Related to assets
Industrialisation project of 5G IoT wireless communication modules	Government appropriation	5,153,627.76	–	2,229,558.36	–	2,924,069.40	Other income	Related to assets
2022 industrialisation technology upgrading and renovation funding project	Government appropriation	4,301,650.64	–	1,528,834.71	–	2,772,815.93	Other income	Related to assets
2023 new-generation information technology industry payment subsidy	Government appropriation	3,293,105.85	–	1,227,576.60	–	2,065,529.25	Other income	Related to assets
Industrialisation project of 5G industrial intelligent modules based on a domestic platform	Government appropriation	–	2,063,676.19	545,790.32	–	1,517,885.87	Other income	Related to assets
Industrial internet development support plan project	Government appropriation	–	1,790,000.00	616,937.86	–	1,173,062.14	Other income	Related to assets
Technology upgrading and renovation project for the industrialisation of 5G global version intelligent modules	Government appropriation	–	830,300.00	24,096.35	–	806,203.65	Other income	Related to assets
Total		13,288,034.01	4,683,976.19	6,634,041.08	–	11,337,969.12		

Note:

Significant government grants received during the period:

Industrialisation project of 5G industrial intelligent modules based on a domestic platform: In accordance with the Notice on Announcing the Acceptance Results of the Projects under the Strategic Emerging Industry Support Plan (the fourth batch of 2023) issued by the Shenzhen Municipal Development and Reform Commission, the Company received in 2024 a grant of RMB4,840,000.00 from the Shenzhen Municipal Development and Reform Commission as the granting authority, of which RMB2,063,676.19 is related to assets and RMB2,776,323.81 is related to income.

Technology upgrading and renovation project for the industrialisation of 5G global version intelligent modules: In accordance with the special support measures for promoting the development of high-end manufacturing industries in Nanshan District issued by the Bureau of Industry and Information Technology of Nanshan District, Shenzhen, the Company received in 2024 a grant of RMB830,300.00 from the Bureau of Industry and Information Technology of Nanshan District, Shenzhen as the granting authority.

Industrial internet development support plan project: In accordance with the Notice on the Publication of the Projects Proposed to be Funded under the 2023 Industrial Internet Development Support Plan issued by the Shenzhen Municipal Bureau of Industry and Information Technology, the Company received in 2024 a grant of RMB1,790,000.00 from the Shenzhen Municipal Bureau of Industry and Information Technology as the granting authority.

2. Government grants recognised in profit or loss for the period using the gross method

Grant item	Category	Amount recognised in profit or loss for the prior period	Amount recognised in profit or loss for the period	Line item in which the amount recognised in profit or loss is presented	Related to assets/ Related to income
VAT refund upon collection	Tax refund	36,481,392.40	40,569,266.69	Other income	Related to income
Industrial steady growth funding project	Government appropriation	2,058,600.00	4,465,700.00	Other income	Related to income
Industrialisation project of 5G industrial intelligent modules based on a domestic platform	Government appropriation	–	3,322,114.13	Other income	Related to income, related to assets
Industrialisation project of 5G IoT wireless communication modules	Government appropriation	1,486,372.24	2,229,558.36	Other income	Related to assets
2022 industrialisation technology upgrading and renovation funding project	Government appropriation	698,349.36	1,528,834.71	Other income	Related to assets
2023 new-generation information technology industry payment subsidy	Government appropriation	306,894.15	1,227,576.60	Other income	Related to assets
Rent subsidy	Government appropriation	2,660,200.00	1,200,000.00	Other income	Related to income
Receipt of R&D investment subsidy from the Nanshan District Science, Technology and Innovation Bureau	Government appropriation	–	959,800.00	Other income	Related to income

APPENDIX X
**AUDITED CONSOLIDATED FINANCIAL
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Grant item	Category	Amount recognised in profit or loss for the prior period	Amount recognised in profit or loss for the period	Line item in which the amount recognised in profit or loss is presented	Related to assets/ Related to income
Project for tackling key technologies and applications of Beidou short message chips	Government appropriation	–	900,000.00	Other income	Related to income
Funding project for sustained and stable operation in the first half of 2023	Government appropriation	–	827,300.00	Other income	Related to income
Maternity allowance	Government appropriation	615,690.43	801,298.05	Other income	Related to income
Project supporting intellectual property securitisation financing	Government appropriation		787,000.00	Other income	Related to income
Award project for industrial enterprises expanding production and increasing efficiency	Government appropriation	1,880,000.00	740,000.00	Other income	Related to income
Subsidy for the CETC Ceyear project under the national key R&D programme “Basic Scientific Research Conditions and Development of Major Scientific Instruments and Equipment”	Government appropriation	–	630,000.00	Other income	Related to income
Grant under the industrial internet development support plan	Government appropriation	–	616,937.86	Other income	Related to assets
Job stabilisation subsidies	Government appropriation	428,852.61	462,792.57	Other income	Related to income
5G communication module technology engineering centre	Government appropriation	413,066.66	461,246.88	Other income	Related to assets
2023 Shaanxi gazelle enterprise subsidy	Government appropriation	–	300,000.00	Other income	Related to income
Special funding project of the Bureau of Industry and Information Technology of Nanshan District, Shenzhen for promoting the sustained and stable operation of for-profit service industries in the first half of 2023	Government appropriation	–	283,700.00	Other income	Related to income
Award project for specialised, refined, distinctive and innovative enterprises	Government appropriation	1,300,000.00	200,000.00	Other income	Related to income
Award under the Shenzhen support plan for private enterprises and small and medium-sized enterprises	Government appropriation	–	195,110.00	Other income	Related to income
2025 national and provincial matching project funding	Government appropriation	–	194,000.00	Other income	Related to income

APPENDIX X
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024**

Grant item	Category	Amount recognised in profit or loss for the prior period	Amount recognised in profit or loss for the period	Line item in which the amount recognised in profit or loss is presented	Related to assets/ Related to income
2024 special fund grant of Nanshan District for promoting high-quality industrial development	Government appropriation	–	191,800.00	Other income	Related to income
2023 funding for the grant of domestic invention patents	Government appropriation	–	127,500.00	Other income	Related to income
Award project for software production and efficiency improvement in the fourth quarter of 2023	Government appropriation	–	110,000.00	Other income	Related to income
Subsidy for the recognition as a gazelle enterprise in the Xi'an High-tech Zone	Government appropriation	100,000.00	100,000.00	Other income	Related to income
Award for provincial-level demonstration and advantageous intellectual property enterprises	Government appropriation	–	100,000.00	Other income	Related to income
Subsidy supporting enterprise R&D investment	Government appropriation	–	100,000.00	Other income	Related to income
2023 R&D expenditure award and subsidy	Government appropriation	–	60,000.00	Other income	Related to income
Social insurance subsidy for enterprises recruiting college graduates	Government appropriation	240,000.00	47,400.00	Other income	Related to income
Project encouraging for-profit service enterprises to become bigger and stronger	Government appropriation	–	30,100.00	Other income	Related to income
Living allowance project for newly introduced and settled talents	Government appropriation	–	30,000.00	Other income	Related to income
Technology upgrading and renovation project for the industrialisation of 5G global version intelligent modules	Government appropriation	–	24,096.35	Other income	Related to assets
Post expansion subsidy	Government appropriation	–	24,000.00	Other income	Related to income
Employment subsidy	Government appropriation	19,500.00	16,000.00	Other income	Related to income
Subsidy from the National Treasury Agency and the Ministry of Labour of Taiwan	Government appropriation	–	5,302.80	Other income	Related to income
Employee medical insurance subsidy	Government appropriation	–	3,956.03	Other income	Related to income
Subsidy under the technological innovation project support plan	Government appropriation	3,000,000.00	–	Other income	Related to income

APPENDIX X
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024**

Grant item	Category	Amount recognised in profit or loss for the prior period	Amount recognised in profit or loss for the period	Line item in which the amount recognised in profit or loss is presented	Related to assets/ Related to income
Award project for industrial enterprises expanding production capacity	Government appropriation	1,930,000.00	–	Other income	Related to income
Support plan for high-quality growth of foreign trade	Government appropriation	1,300,000.00	–	Other income	Related to income
Subsidy for the high-performance IoT integrated tester project	Government appropriation	970,000.00	–	Other income	Related to income
Talent housing subsidy	Government appropriation	705,000.00	–	Other income	Related to income
Funding for the cultivation of high and new technology enterprises	Government appropriation	600,000.00	–	Other income	Related to income
Qinchuangyuan subsidy supporting enterprise R&D investment	Government appropriation	500,000.00	–	Other income	Related to income
Subsidy for stabilising production, employment and growth in the Xi'an High-tech Zone	Government appropriation	300,000.00	–	Other income	Related to income
Award and subsidy project for R&D investment of enterprises above designated size	Government appropriation	230,000.00	–	Other income	Related to income
Appropriation of funding	Government appropriation	120,000.00	–	Other income	Related to income
The third batch of the 2021 inclusive policies (industrial category)	Government appropriation	116,599.00	–	Other income	Related to income
Subsidy for high and new technology enterprises	Government appropriation	100,000.00	–	Other income	Related to income
2020 Guangdong Province R&D plan for key fields	Government appropriation	60,000.00	–	Other income	Related to income
The first batch of the 2022 inclusive policies granted without application	Government appropriation	60,000.00	–	Other income	Related to income
2021 MWC special subsidy	Government appropriation	22,100.00	–	Other income	Related to income
Social insurance subsidy for employers recruiting college graduates under the third batch of youth talent stations	Government appropriation	19,075.64	–	Other income	Related to income
Award for enterprises introducing young talents in July 2023	Government appropriation	10,000.00	–	Other income	Related to income
Other	Government appropriation	59,250.00	–	Other income	Related to income
Total		58,790,942.49	63,872,391.03		

3. Government grants offsetting related costs using the net method

Grant item	Category	Amount offsetting related costs in the prior period	Amount offsetting related costs in the current period	Line item in which the offset against related costs is presented	Related to assets/ Related to income
Loan interest subsidy	Government appropriation	<u>4,303,200.00</u>	<u>–</u>	Finance costs	Related to income

IX. FINANCIAL INSTRUMENT RISK MANAGEMENT

The Company's principal financial instruments comprise Cash at bank and on hand, notes receivable, accounts receivable, receivables financing, other receivables, other current assets, investments in other equity instruments, notes payable, accounts payable, other payables, short-term borrowings, non-current liabilities due within one year, long-term borrowings and lease liabilities. Details of these financial instruments have been disclosed in the relevant notes. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are set out below. The management of the Company manages and monitors these risk exposures to ensure that the above risks are controlled within a limited scope.

1. Risk management objectives and policies

The principal risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and commodity price risk).

The objective of the Company's risk management is to achieve an appropriate balance between risk and return, to minimise the adverse impact of risks on the Company's operating results and to maximise the interests of shareholders and other equity investors. Based on this risk management objective, the Company's basic risk management strategy is to identify and analyse the various risks faced by the Company, to establish appropriate risk tolerance thresholds and carry out risk management, and to monitor the various risks in a timely and reliable manner so as to control the risks within a limited scope.

The Board of Directors is responsible for planning and establishing the Company's risk management framework, formulating the Company's risk management policies and related guidelines and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyse the risks faced by the Company. These risk management policies set out express requirements for specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Company assesses changes in the market environment and in its operating activities to determine whether the risk management policies and systems need to be updated.

The Company diversifies the risks of financial instruments through appropriate diversification of investments and business portfolios, and reduces the risk of concentration in a single industry, a specific region or a specific counterparty by formulating corresponding risk management policies.

(1) Credit risk

Credit risk is the risk that a counterparty fails to perform its contractual obligations, thereby causing a financial loss to the Company.

The Company manages credit risk by portfolio classification. Credit risk mainly arises from bank deposits, notes receivable, accounts receivable and other receivables.

The Company's bank deposits are mainly placed with state-owned banks and other large and medium-sized listed banks. The Company does not expect any significant credit risk to exist in respect of its bank deposits.

For notes receivable, accounts receivable and other receivables, the Company has established relevant policies to control credit risk exposure. The Company assesses the credit standing of its customers and sets the corresponding credit periods based on the customers' financial position, credit records and other factors such as current market conditions. The Company regularly monitors the credit records of its customers. For customers with poor credit records, the Company adopts measures such as written demands for payment, shortening the credit period or cancelling the credit period, so as to ensure that the Company's overall credit risk remains within a controllable range.

The debtors of the Company's accounts receivable are customers distributed across different industries and regions. The Company continuously performs credit assessments on the financial position of its accounts receivable and, where appropriate, purchases credit guarantee insurance.

The maximum credit risk exposure borne by the Company is the carrying amount of each financial asset in the balance sheet. The Company has not provided any other guarantee that might expose the Company to credit risk.

Among the Company's accounts receivable, the accounts receivable from the top five customers accounted for 61.05% of the Company's total accounts receivable (2023: 55.89%); among the Company's other receivables, the other receivables from the top five debtor companies accounted for 97.31% of the Company's total other receivables (2023: 58.93%).

(2) Liquidity risk

Liquidity risk is the risk that the Company will encounter a shortage of funds in performing its obligations that are settled by delivering cash or another financial asset.

In managing liquidity risk, the Company maintains and monitors cash and cash equivalents at a level considered adequate by the management to meet the Company's operating needs and to reduce the impact of fluctuations in cash flows. The management of the Company monitors the use of bank borrowings and ensures compliance with the borrowing agreements. At the same time, the Company obtains commitments from major financial institutions to provide sufficient standby funds to meet its short-term and long-term funding requirements.

The Company raises working capital through funds generated from its operating activities and through bank and other borrowings. As at the end of the period, the Company's unutilised bank borrowing facilities amounted to RMB3,585,889,300 (end of prior year: RMB3,808,872,500).

As at the end of the period, the maturity analysis of the financial liabilities and off-balance sheet guarantees held by the Company based on the undiscounted remaining contractual cash flows is as follows (in ten thousand yuan):

Item	Closing balance					Total
	Within six months	Within one year	1 to 2 years	2 to 3 years	Over three years	
Financial liabilities:						
Short-term borrowings	31,283.49	35,878.24	–	–	–	67,161.73
Financial liabilities held for trading	1,111.71	–	–	–	–	1,111.71
Notes payable	30,763.51	–	–	–	–	30,763.51
Accounts payable	171,855.52	–	–	–	–	171,855.52
Other payables	15,454.25	–	–	–	–	15,454.25
Non-current liabilities due within one year	7,410.68	34,615.15	–	–	–	42,025.83
Long-term borrowings	–	–	18,997.00	–	–	18,997.00
Lease liabilities	–	–	626.79	391.22	50.27	1,068.28
Total financial liabilities and contingent liabilities	257,879.16	70,493.39	19,623.79	391.22	50.27	348,437.83

As at the end of the prior year, the maturity analysis of the financial liabilities and off-balance sheet guarantees held by the Company based on the undiscounted remaining contractual cash flows was as follows (in ten thousand yuan):

Item	Balance at the end of prior year					Total
	Within six months	Within one year	1 to 2 years	2 to 3 years	Over three years	
Financial liabilities:						
Short-term borrowings	27,405.54	–	–	–	–	27,405.54
Financial liabilities held for trading	–	–	–	–	–	–
Notes payable	21,175.04	–	–	–	–	21,175.04
Accounts payable	172,622.48	–	–	–	–	172,622.48
Other payables	11,260.04	–	–	–	–	11,260.04
Non-current liabilities due within one year	6,609.77	46,992.22	–	–	–	53,601.99
Long-term borrowings	–	–	39,447.22	–	–	39,447.22
Lease liabilities	–	–	1,346.90	592.87	352.39	2,292.16
Total financial liabilities and contingent liabilities	239,072.87	46,992.22	40,794.12	592.87	352.39	327,804.47

The amounts of financial liabilities disclosed in the above table are undiscounted contractual cash flows and may therefore differ from the carrying amounts in the balance sheet.

The maximum guarantee amount under the guarantee contracts that have been entered into does not represent the amount to be paid.

(3) *Market risk*

Market risk of financial instruments is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, including interest rate risk and foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk may arise from recognised interest-bearing financial instruments and unrecognised financial instruments (such as certain loan commitments).

The Company's interest rate risk mainly arises from long-term interest-bearing debts such as long-term bank borrowings. Floating rate financial liabilities expose the Company to cash flow interest rate risk, while fixed rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the relative proportions of fixed rate and floating rate contracts according to the prevailing market environment, and maintains an appropriate mix of fixed rate and floating rate instruments through regular review and monitoring.

The Company pays close attention to the impact of interest rate changes on its interest rate risk. The Company has not adopted any interest rate hedging policy at present. However, the management is responsible for monitoring interest rate risk and will consider hedging significant interest rate risk when necessary. An increase in interest rates would increase the cost of new interest-bearing debts and the interest expenses on the Company's outstanding interest-bearing debts that bear interest at floating rates, and would have a significant adverse impact on the Company's financial performance. The management will make timely adjustments in accordance with the latest market conditions, and such adjustments may include entering into interest rate swap arrangements to reduce interest rate risk.

The interest-bearing financial instruments held by the Company are as follows (in ten thousand yuan):

Item	Current period	Prior period
Fixed rate financial instruments		
Financial liabilities		
Including: Short-term borrowings	67,161.73	27,405.54
Long-term borrowings due within one year	40,927.46	51,787.81
Long-term borrowings	18,997.00	39,447.22
Total	127,086.19	118,640.57

As at the end of the period, if the interest rate on borrowings calculated at floating rates had increased or decreased by 50 basis points, with all other factors remaining unchanged, the Company's net profit and shareholders' equity would have decreased or increased by approximately RMB181,200 (end of prior year: RMB122,800).

For the financial instruments held at the balance sheet date that expose the Company to fair value interest rate risk, the impact on net profit and shareholders' equity in the above sensitivity analysis is the impact of remeasuring the above financial instruments at the new interest rates, assuming that the interest rates change at the balance sheet date. For the floating rate non-derivative instruments held at the balance sheet date that expose the Company to cash flow interest rate risk, the impact on net profit and shareholders' equity in the above sensitivity analysis is the impact of the above interest rate changes on the interest expenses or income estimated on an annual basis. The analysis for the prior year was based on the same assumptions and methods.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk may arise from financial instruments denominated in currencies other than the functional currency.

Foreign exchange risk mainly refers to the impact of fluctuations in foreign exchange rates on the Company's financial position and cash flows. In addition to the assets denominated in Hong Kong dollars, US dollars and euros held by the subsidiaries established in Hong Kong, the United States and Germany, the Company also has foreign currency assets and liabilities denominated in US dollars as the transaction currency, and the Company is therefore exposed to foreign exchange risk.

As at the end of the period, the foreign currency financial assets and foreign currency financial liabilities held by the Company, translated into RMB, are set out as follows (in ten thousand RMB yuan):

Item	Foreign currency liabilities		Foreign currency assets	
	Closing balance	Balance at the end of prior year	Closing balance	Balance at the end of prior year
USD	196,227.88	175,852.93	200,884.20	168,045.25
EUR	33.24	388.93	83.18	527.12
HKD	14.92	6,902.47	11,629.64	56.33
ILS		–		7.25
TWD	28.64	29.04	72.30	19.72
AUD	27.58	–		–
JPY	0.41	12.93		132.18
KRW		10.47	0.09	10.97
HUF		19.82		58.74
INR	0.09	–	118.49	14.54
Total	196,332.76	183,216.59	212,787.90	168,872.10

The Company pays close attention to the impact of exchange rate changes on its foreign exchange risk. The Company has not taken any measures to hedge against foreign exchange risk at present. However, the management is responsible for monitoring foreign exchange risk and will consider hedging significant foreign exchange risk when necessary.

As at the end of the period, in respect of the Company's Cash at bank and on hand, accounts receivable, other receivables, accounts payable, bank borrowings and other payables denominated in foreign currencies, assuming that RMB appreciates or depreciates by 10% against foreign currencies with all other factors remaining unchanged, the Company's shareholders' equity and net profit would both increase or decrease by approximately RMB13,986,900 (end of prior year: approximately RMB12,192,800).

2. Capital management

The objective of the Company's capital management policy is to safeguard the Company's ability to continue as a going concern so as to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure so as to reduce the cost of capital.

In order to maintain or adjust its capital structure, the Company may adjust its financing methods, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments or dispose of assets to reduce debts.

The Company monitors its capital structure on the basis of the gearing ratio (i.e. total liabilities divided by total assets). As at the end of the period, the Company's gearing ratio was 52.14% (end of prior year: 55.91%).

X. FAIR VALUE

Based on the lowest level of input that is significant to the fair value measurement as a whole, the fair value hierarchy is classified as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) Items and amounts measured at fair value

At the end of the period, assets and liabilities measured at fair value are presented in accordance with the above three levels as follows:

Item	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement				
(I) Financial assets held for trading	–	–	373,688,765.35	373,688,765.35
1. Wealth management products	–	–	20,037,260.27	20,037,260.27
2. Contingent consideration	–	–	353,651,505.08	353,651,505.08
(II) Receivables financing	–	363,684,763.71	–	363,684,763.71
(III) Investments in other equity instruments	–	–	329,578,094.58	329,578,094.58
Total assets measured at fair value on a recurring basis	–	363,684,763.71	703,266,859.93	1,066,951,623.64
(IV) Financial liabilities held for trading	–	–	11,117,066.76	11,117,066.76
1. Other	–	–	11,117,066.76	11,117,066.76
Total liabilities measured at fair value on a recurring basis	–	–	11,117,066.76	11,117,066.76

(2) Items and amounts not measured at fair value but for which fair value is disclosed

The financial assets and financial liabilities of the Company measured at amortised cost mainly include: Cash at bank and on hand, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings due within one year and long-term borrowings.

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**1. Information on the actual controller of the Company**

Name	Relationship with the Company	Percentage of shares of the Company held directly %	Percentage of shares of the Company held indirectly %	Form of capital contribution
Zhang Tianyu	Actual controller	36.77	0.6720	Cash and conversion of net assets into shares

2. Information on subsidiaries

For details of the subsidiaries, see Note VII.1.

3. Information on associates

For details of the associates, see Note VII.5.

4. Information on other major related parties

Name of related party	Relationship with the Company
Shenzhen Guangyu Communication Technology Co., Ltd.	Under the same actual controller
Shenzhen Guangsida Venture Capital Co., Ltd.	Under the same actual controller
Xinyu Guangtong Yuanxin Management Consulting Partnership (Limited Partnership)	A partnership in which Chen Shijiang, Secretary to the Board of Directors of the Company, serves as the executive partner
Fangde (Sanya) Private Fund Management Co., Ltd.	A company actually controlled by Chen Shijiang, Secretary to the Board of Directors of the Company
Yipige (Shanghai) Integrated Circuit Partnership (Limited Partnership)	Chen Shijiang, Secretary to the Board of Directors of the Company, is the actual controller
Shenzhen Gaoguang Gongying Investment Partnership (Limited Partnership)	A partnership in which Chen Shijiang, Secretary to the Board of Directors of the Company, serves as the executive partner

Name of related party	Relationship with the Company
Xinyu Guanghe Chuanghong Venture Capital Investment Partnership (Limited Partnership)	Ying Lingpeng, a shareholder of the Company, serves as the executive partner
Shenzhen Pengrui Zhiyuan Sports Development Co., Ltd.	A company controlled by Ying Lingpeng, a shareholder of the Company
Shenzhen Zhuozhiran Technology Co., Ltd.	A company controlled by Ying Lingpeng, a shareholder of the Company, and his spouse
Shenzhen Yongheshun Hardware Co., Ltd.	A company controlled by Xu Ning, a director of the Company
Yongheshun Technology Co., Ltd.	A company controlled by Xu Ning, a director of the Company
Shenzhen Xinqiao Investment Consulting Co., Ltd.	A company controlled by the mother of Chen Shijiang, Deputy General Manager of the Company
Shenzhen Smart Enterprise Management Consulting Co., Ltd.	Zhang Xuebin, a former independent director of the Company, holds a 50% equity interest
Shenzhen Smart Financial Consulting Enterprise (General Partnership)	Zhang Xuebin, a former independent director of the Company, holds a 50% equity interest and serves as the executive partner
Shenzhen Puxin Tianyu Electronic Technology Co., Ltd.	A company in which the brother of Ye Weiping, a former independent director of the Company, serves as general manager
Ying Lingpeng	Director, General Manager
Xu Ning	Deputy General Manager, Director
Ye Weiping, Zhang Xuebin	Former independent directors (terms expired on 20 June 2024)
Wang Ning, Zhao Jing	Independent directors
Chen Qihua, Du Yingying, Sun Xiaojing	Supervisors
Shu Min	Supervisor (term expired on 20 June 2024)
Chen Shijiang	Deputy General Manager, Secretary to the Board of Directors
Wang Hongyan	Deputy General Manager, Chief Financial Officer
Guan Ying	Close family member of the controlling shareholder

Note: Rolling Wireless S.à r.l. and its subsidiaries ROLLING WIRELESS FRANCE, Rolling Wireless German GmbH, ROLLING WIRELESS TECHNOLOGY (H.K.) LIMITED, Rolling Wireless Communication Technology (Shenzhen) Ltd, Rolling Wireless J.P. Limited, Rolling Wireless (K.R.) Limited, Rolling Wireless Hungary and ROLLING WIRELESS PTE. LTD. ceased to be included in the scope of consolidation of the Company on 26 July 2024. However, as less than 12 months have elapsed since the disposal, the above companies remain related parties of the Company.

5. Related party transactions**(1) Related party purchases and sales****① Purchase of goods and receipt of services**

Related party	Nature of related party transaction	Current period amount	Prior period amount
Shenzhen Bogesi Communication Technology Co., Ltd.	Purchase of goods	381,792.59	2,460,707.71
Hubei Liancheng Intelligent Technology Co., Ltd.	Purchase of goods	—	384,613.59

② Sale of goods and rendering of services

Related party	Nature of related party transaction	Current period amount	Prior period amount
Hubei Liancheng Intelligent Technology Co., Ltd.	Sale of goods	37,671,567.69	131,279,425.00
ROLLING WIRELESS PTE. LTD.	Sale of goods	8,978,400.87	—

(2) Related party guarantees**① The Company as guarantor**

Guaranteed party	Amount of guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether the guarantee has been fully performed
Shenzhen Chuanglian Future Wireless Technology Co., Ltd.	USD 41,580,000.00	2020/11/13	2025/11/13	No

② The Company as the guaranteed party

Guarantor	Amount of guarantee	Commencement date of guarantee	Expiry date of guarantee	Whether the guarantee has been fully performed
Zhang Tianyu	USD 41,580,000.00	2020/11/13	2025/11/13	No

(3) Key management personnel remuneration

The Company had 14 key management personnel in the current period and 11 key management personnel in the prior period. The remuneration paid is set out in the table below:

Item	Current period amount	Prior period amount
Key management personnel remuneration	14,021,720.06	10,021,882.04

6. Amounts due from and to related parties**(1) Amounts due from related parties**

Item	Related party	Closing balance		Balance at the end of prior year	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable	Hubei Liancheng Intelligent Technology Co., Ltd.	141,767,592.40	12,048,315.67	176,203,201.74	10,203,032.66
Accounts receivable	ROLLING WIRELESS PTE. LTD.	8,980,896.33	449,044.82	-	-

(2) Amounts due to related parties

Item	Related party	Closing balance	Balance at the end of prior year
Accounts payable	Shenzhen Bogesi Communication Technology Co., Ltd.	2,677,066.98	1,263,797.97

XII. SHARE-BASED PAYMENTS**1. Overview of share-based payments**

Category of grantees	Granted for the period		Exercised for the period		Unlocked for the period		Lapsed for the period	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Sales personnel	-	-	-	-	423,360.00	3,128,583.83	429,207.00	4,675,467.15
Management personnel	-	-	-	-	404,522.00	3,087,854.28	436,295.00	4,731,364.68
Research and development personnel	-	-	-	-	865,027.00	6,673,732.24	947,015.00	10,706,158.75
Other personnel	-	-	-	-	11,664.00	129,820.32	39,020.00	434,292.60
Total	-	-	-	-	1,704,573.00	13,019,990.67	1,851,537.00	20,547,283.18

Share options outstanding at the end of the period

Category of grantees	Share options outstanding at the end of the period	
	Range of exercise prices	Remaining contractual term
Sales personnel	RMB 16.263 per unit	2 months
Management personnel	RMB 16.263 per unit	2 months
Research and development personnel	RMB 16.263 per unit	2 months

2. Equity-settled share-based payments

Method for determining the fair value of equity instruments at the grant date	Share options: Black-Scholes-Merton option pricing model; Restricted shares: closing price on the grant date
Key parameters for determining the fair value of equity instruments at the grant date	Share price volatility
Basis for determining the number of exercisable equity instruments	Management's reasonable judgement on the performance targets and the vesting arrangements of the share incentive plan
Reasons for significant differences between the estimates for the current period and those for the prior period	No significant differences
Cumulative amount of equity-settled share-based payments recognised in capital reserve	RMB 49,485,800

3. Share-based payment expenses for the period

Category of grantees	Expenses of equity-settled share-based payments
Sales personnel	-157,082.56
Management personnel	2,043,325.75
Research and development personnel	988,023.45
Other personnel	-389,349.10
Total	2,484,917.54

4. Modification and termination of share-based payments

Modification of share-based payments	None
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Termination of share-based payments	None
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XIII. COMMITMENTS AND CONTINGENCIES**1. Significant commitments****(1) Capital commitments**

	Closing balance (in ten thousand yuan)	Balance at the end of prior year (in ten thousand yuan)
Capital commitments contracted for but not yet recognised in the financial statements		
Commitments for acquisition and construction of long-term assets	7,263.29	9,879.46
Commitments for external investments	4,346.80	15,525.00

(2) As at 31 December 2024, the Company had no other commitments requiring disclosure.

2. Contingencies**(1) Contingent liabilities arising from pending litigation and arbitration and their financial effects**

Plaintiff	Defendant	Cause of action	Court accepting the case	Amount in dispute	Progress of the case
Shenzhen Lianou Technology Co., Ltd.	FAIOT Co., Ltd.	Dispute over a technology development contract	Nanshan District People's Court of Shenzhen	8,519,606.70	Under trial

Note: FAIOT Co., Ltd. and Shenzhen Lianou Technology Co., Ltd. entered into a "Product Development Contract" in 2023. In September 2024, Shenzhen Lianou Technology Co., Ltd. filed a lawsuit with the Nanshan District People's Court of Shenzhen against Shanghai Faiot for the refund of fees paid of RMB6,319,606.70 and liquidated damages of RMB2,200,000.00. Under case number (2024) Yue 0305 Min Chu No. 24956 of the Nanshan District People's Court of Shenzhen, an amount of RMB1,616,639.25 in the account of Shanghai Faiot with Bank of Ningbo Co., Ltd. Shanghai Jing'an Sub-branch, account number 70060122000491902, was frozen. In December 2024, Shanghai Faiot filed an application with the Nanshan District People's Court of Shenzhen for the case to be under the jurisdiction of the Minhang District People's Court of Shanghai. As at the date hereof, the court's ruling on the jurisdictional objection is still pending.

(2) As at 31 December 2024, the Company had no other contingencies requiring disclosure.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. Profit distribution after the balance sheet date

Based on 762,825,582 shares, being the Company's total share capital of 765,453,542 shares as at 17 April 2025 less the 2,627,960 repurchased shares held in the Company's dedicated share repurchase securities account, a cash dividend of RMB3.5 (inclusive of tax) will be distributed to all shareholders for every 10 shares held, 0 bonus shares (inclusive of tax) will be issued, and 0 shares for every 10 shares held will be transferred to all shareholders from the capital reserve.

2. The Company's subsidiary THINGSMATRIX INC. completed its deregistration in February 2025.

3. Description of other events after the balance sheet date

As at 17 April 2025, the Company had no other events after the balance sheet date requiring disclosure.

XV. OTHER SIGNIFICANT MATTERS

1. Discontinued operations

Item	Current period amount	Prior period amount
Revenue from discontinued operations (A)	1,217,663,245.02	2,064,015,435.81
Less: Expenses of discontinued operations (B)	1,072,558,681.88	1,808,850,238.14
Total profit from discontinued operations (C)	145,104,563.14	255,165,197.67
Less: Income tax expense of discontinued operations (D)	21,815,489.49	50,052,647.81
Net profit from operating activities (E=C-D)	123,289,073.65	205,112,549.86
Impairment losses on assets/(reversals) (F)	-7,821,478.46	-16,893,188.35
Total gains on disposal (G)	162,610,863.73	—
Income tax expense relating to the disposal (H)	24,391,629.56	—
Net profit on disposal (I=G-H)	138,219,234.17	—
Net profit from discontinued operations (J=E+F+I)	253,686,829.36	188,219,361.51
Including: Profit from discontinued operations attributable to shareholders of the parent company	253,686,829.36	188,219,361.51
Profit from discontinued operations attributable to non-controlling interests	—	—
Net cash flows from operating activities	467,425,707.39	191,012,601.14
Net cash flows from investing activities	69,015,210.19	-20,536,014.60
Net cash flows from financing activities	-64,258,005.84	-133,291,813.33

The profit from continuing operations for the period was RMB423,151,620.86, of which the profit from continuing operations attributable to shareholders of the parent company was RMB414,277,393.06.

2. Other

On 21 March 2025, the Company convened the eleventh meeting of the fourth session of the Board of Directors and the eleventh meeting of the fourth session of the Supervisory Committee, at which the “Proposal on the Issue of H Shares by the Company and the Listing thereof on The Stock Exchange of Hong Kong Limited” and the “Proposal on the Plan for the Issue of H Shares by the Company and the Listing thereof on The Stock Exchange of Hong Kong Limited” were considered and approved. The Company intends to issue shares overseas (H shares) and to apply for listing on the Main Board of The Stock Exchange of Hong Kong Limited. The Company will, taking full account of the interests of existing shareholders and the conditions of the domestic and overseas capital markets, complete the issue and listing at an appropriate time within the validity period of the resolution of the general meeting of shareholders (i.e. 24 months from the date of approval by the general meeting of shareholders of the Company, or such other period as may be approved for extension).

XVI. NOTES TO MAJOR ITEMS OF THE COMPANY’S FINANCIAL STATEMENTS

1. Notes receivable

Category of notes	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Bank acceptance notes	48,396,944.05	–	48,396,944.05	53,779,954.79	–	53,779,954.79
Commercial acceptance notes	108,113,243.02	327,796.45	107,785,446.57	50,402,480.00	–	50,402,480.00
Total	156,510,187.07	327,796.45	156,182,390.62	104,182,434.79	–	104,182,434.79

(1) Notes receivable pledged by the Company at the end of the period

Category	Amount pledged at the end of the period
Bank acceptance notes	4,221,886.35

Note: In accordance with the “Cooperation Agreement on Asset Pool Business” entered into with China CITIC Bank, the Company has pledged notes receivable accepted by banks other than the 6+9 banks in the amount of RMB4,221,886.35.

(2) Notes receivable endorsed or discounted by the Company but not yet due at the end of the period

Category	Amount derecognised at the end of the period	Amount not derecognised at the end of the period
Bank acceptance notes	–	31,749,540.40
Commercial acceptance notes	–	95,000,000.00
Total	–	126,749,540.40

(3) At the end of the period, the Company had no notes transferred to accounts receivable as a result of the drawers' failure to perform**(4) Classified by method of provision for bad debts**

Category	Gross carrying amount		Closing balance Provision for bad debts		Carrying amount
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	–	–	–	–	–
Provision for bad debts assessed by portfolio	156,510,187.07	100.00	327,796.45	0.21	156,182,390.62
Including:					
Commercial acceptance notes	108,113,243.02	69.08	327,796.45	0.30	107,785,446.57
Bank acceptance notes	48,396,944.05	30.92	–	–	48,396,944.05
Total	156,510,187.07	100.00	327,796.45	0.21	156,182,390.62

Continued:

Category	Balance at the end of prior year				Carrying amount
	Gross carrying amount		Provision for bad debts		
	Amount	Percentage (%)	Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	–	–	–	–	–
Provision for bad debts assessed by portfolio	104,182,434.79	100.00	–	–	104,182,434.79
Including:					
Commercial acceptance notes	50,402,480.00	48.38	–	–	50,402,480.00
Bank acceptance notes	53,779,954.79	51.62	–	–	53,779,954.79
Total	104,182,434.79	100.00	–	–	104,182,434.79

2. Accounts receivable**(1) Disclosure by ageing**

Ageing	Closing balance	Balance at the end of prior year
Within 1 year	2,296,633,490.70	1,097,130,743.62
1 to 2 years	195,382,402.67	25,522,072.15
2 to 3 years	23,955,430.07	–
Subtotal	2,515,971,323.44	1,122,652,815.77
Less: Provision for bad debts	18,266,757.11	9,577,736.02
Total	2,497,704,566.33	1,113,075,079.75

(2) Disclosure by method of provision for bad debts

Category	Gross carrying amount		Closing balance		
	Amount	Percentage (%)	Provision for bad debts		Carrying amount
			Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	4,617,157.48	0.18	4,617,157.48	100.00	–
Provision for bad debts assessed by portfolio	2,511,354,165.96	99.82	13,649,599.63	0.54	2,497,704,566.33
Including:					
Portfolio of amounts due from related parties					
within the scope of consolidation	2,117,351,117.55	84.16	–	–	2,117,351,117.55
Portfolio of receivables from other customers	394,003,048.41	15.66	13,649,599.63	3.46	380,353,448.78
Total	2,515,971,323.44	100.00	18,266,757.11	0.73	2,497,704,566.33

Continued:

Category	Gross carrying amount		Balance at the end of prior year		
	Amount	Percentage (%)	Provision for bad debts		Carrying amount
			Amount	Expected credit loss rate (%)	
Provision for bad debts assessed individually	–	–	–	–	–
Provision for bad debts assessed by portfolio	1,122,652,815.77	100.00	9,577,736.02	0.85	1,113,075,079.75
Including:					
Portfolio of amounts due from related parties					
within the scope of consolidation	840,981,888.74	74.91	–	–	840,981,888.74
Portfolio of receivables from other customers	281,670,927.03	25.09	9,577,736.02	3.40	272,093,191.01
Total	1,122,652,815.77	100.00	9,577,736.02	0.85	1,113,075,079.75

Accounts receivable for which provision for bad debts is assessed individually

Name	Gross carrying amount	Provision for bad debts	Closing balance		Basis of provision
			Expected credit loss rate (%)		
Customer 1	4,617,157.48	4,617,157.48	100.00		Expected to be irrecoverable

Continued:

Name	Gross carrying amount	Provision for bad debts	Balance at the end of prior year		Basis of provision
			Expected credit loss rate (%)		
Customer 1	–	–	–	–	

Accounts receivable for which provision for bad debts is assessed by portfolio

Item for which provision is made on a portfolio basis: portfolio of amounts due from related parties within the scope of consolidation

	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	1,900,295,608.69	–	–	815,459,816.59	–	–
1 to 2 years	193,100,078.79	–	–	25,522,072.15	–	–
2 to 3 years	23,955,430.07	–	–	–	–	–
Total	2,117,351,117.55	–	–	840,981,888.74	–	–

Portfolio item: receivables from other customers

	Closing balance			Balance at the end of prior year		
	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)	Gross carrying amount	Provision for bad debts	Expected credit loss rate (%)
Within 1 year	391,832,884.65	13,613,914.28	3.47	281,670,927.03	9,577,736.02	3.40
1 to 2 years	2,170,163.76	35,685.35	1.64	–	–	–
Total	<u>394,003,048.41</u>	<u>13,649,599.63</u>	<u>3.46</u>	<u>281,670,927.03</u>	<u>9,577,736.02</u>	<u>3.40</u>

(3) Provision, recovery or reversal of provision for bad debts for the period

	Amount of provision for bad debts
Opening balance	9,577,736.02
Provision for the period	8,689,021.09
Recovery or reversal for the period	–
Write-off for the period	–
Foreign currency translation	–
Other	–
Closing balance	<u>18,266,757.11</u>

(4) There were no accounts receivable written off during the period

(5) Top five closing balances of accounts receivable by debtor

The top five accounts receivable by debtor at the end of the period amounted to RMB2,056,239,368.31, representing 81.73% of the total closing balance of accounts receivable, and the aggregate closing balance of the related provision for bad debts was RMB0.00.

3. Other receivables

Item	Closing balance	Balance at the end of prior year
Interest receivable	—	—
Dividends receivable	200,000,000.00	—
Other receivables	1,085,684,014.80	1,019,630,221.72
Total	1,285,684,014.80	1,019,630,221.72

(1) Dividends receivable

Item	Closing balance	Balance at the end of prior year
Fibocom Software	100,000,000.00	—
Xi'an Software	100,000,000.00	—
Subtotal	200,000,000.00	—
Less: Provision for bad debts	—	—
Total	200,000,000.00	—

(2) Other receivables*Disclosure by ageing*

Ageing	Closing balance	Balance at the end of prior year
Within 1 year	1,067,449,502.20	1,017,674,387.34
1 to 2 years	16,633,973.62	356,338.86
2 to 3 years	122,486.76	1,750,006.31
Over 3 years	1,572,366.49	—
Subtotal	1,085,778,329.07	1,019,780,732.51
Less: Provision for bad debts	94,314.27	150,510.79
Total	1,085,684,014.80	1,019,630,221.72

APPENDIX X
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024**
Disclosure by nature of amount

Item	Gross carrying amount	Closing amount		Amount at the end of prior year		
		Provision for bad debts	Carrying amount	Gross carrying amount	Provision for bad debts	Carrying amount
Current accounts with entities	1,034,040,913.03	16,319.58	1,034,024,593.45	1,014,555,332.54	51,093.48	1,014,504,239.06
Guarantee deposits and deposits	3,414,408.29	17,072.04	3,397,336.25	3,596,726.37	17,983.63	3,578,742.74
Export tax refunds	47,104,554.57	–	47,104,554.57	–	–	–
Current accounts with employees	979,599.09	48,979.95	930,619.14	1,006,319.60	50,315.98	956,003.62
Petty cash	238,854.09	11,942.70	226,911.39	622,354.00	31,117.70	591,236.30
Total	<u>1,085,778,329.07</u>	<u>94,314.27</u>	<u>1,085,684,014.80</u>	<u>1,019,780,732.51</u>	<u>150,510.79</u>	<u>1,019,630,221.72</u>

Provision for bad debts

Provision for bad debts in Stage 1 at the end of the period

Category	Gross carrying amount	Expected credit loss rate for the next 12 months (%)		Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	–	–	–	–	–
Provision for bad debts assessed by portfolio	1,085,778,329.07	0.01	94,314.27	1,085,684,014.80	
Portfolio of deposits and guarantee deposits receivable	3,414,408.29	0.50	17,072.04	3,397,336.25	
Portfolio of export tax refunds receivable	47,104,554.57	–	–	47,104,554.57	
Portfolio of receivables from related parties and other investments	1,033,714,521.58	–	–	1,033,714,521.58	
Portfolio of current accounts and other characteristics	1,544,844.63	5.00	77,242.23	1,467,602.40	
Total	<u>1,085,778,329.07</u>	<u>0.01</u>	<u>94,314.27</u>	<u>1,085,684,014.80</u>	

At the end of the period, the Company had no interest receivable, dividends receivable or other receivables in Stage 2 or Stage 3.

Provision for bad debts in Stage 1 at the end of prior year

Category	Gross carrying amount	Expected credit loss rate for the next 12 months (%)	Provision for bad debts	Carrying amount
Provision for bad debts assessed individually	–	–	–	–
Provision for bad debts assessed by portfolio	1,019,780,732.51	0.01	150,510.79	1,019,630,221.72
Portfolio of deposits and guarantee deposits receivable	3,596,726.37	0.50	17,983.63	3,578,742.74
Portfolio of export tax refunds receivable	–	–	–	–
Portfolio of receivables from related parties and other investments	1,013,533,462.89	–	–	1,013,533,462.89
Portfolio of current accounts and other characteristics	2,650,543.25	5.00	132,527.16	2,518,016.09
Total	<u>1,019,780,732.51</u>	<u>0.01</u>	<u>150,510.79</u>	<u>1,019,630,221.72</u>

At the end of prior year, the Company had no interest receivable, dividends receivable or other receivables in Stage 2 or Stage 3.

Provision, recovery or reversal of provision for bad debts for the period

Provision for bad debts	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses (not credit-impaired)	Stage 3 Lifetime expected credit losses (credit-impaired)	Total
Opening balance	150,510.79	–	–	150,510.79
Opening balance during the period				
– Transferred to Stage 2	–	–	–	–
– Transferred to Stage 3	–	–	–	–
– Transferred back to Stage 2	–	–	–	–
– Transferred back to Stage 1	–	–	–	–
Provision for the period	-56,196.52	–	–	-56,196.52
Reversal for the period	–	–	–	–
Charged off for the period	–	–	–	–
Write-off for the period	–	–	–	–
Foreign currency translation	–	–	–	–
Closing balance	<u>94,314.27</u>	<u>–</u>	<u>–</u>	<u>94,314.27</u>

There were no other receivables written off during the period.

Top five closing balances of other receivables by debtor

Name of entity	Nature of amount	Closing balance of other receivables	Ageing	Percentage of the total closing balance of other receivables (%)	Closing balance of provision for bad debts
Shenzhen Favalon Technology Co., Ltd.	Current accounts	535,341,602.13	Within 1 year	49.30	–
Shenzhen Fibocom Technology Co., Ltd.	Current accounts	231,990,091.80	Within 1 year	21.37	–
FAIOT Co., Ltd.	Current accounts	153,806,106.09	Within 1 year	14.17	–
Shenzhen Yaboda Technology Co., Ltd.	Current accounts	52,596,210.98	Within 1 year	4.84	–
Shenzhen Nanshan District Tax Bureau	Export tax refunds	47,104,554.57	Within 1 year	4.34	–
Total		1,020,838,565.57		94.02	–

4. Long-term equity investments

Item	Gross carrying amount	Closing balance		Balance at the end of prior year		
		Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Investments in subsidiaries	1,083,678,676.84	16,889,253.84	1,066,789,423.00	990,503,197.40	16,889,253.84	973,613,943.56
Investments in associates	2,916,360.98	–	2,916,360.98	2,767,514.90	–	2,767,514.90
Total	1,086,595,037.82	16,889,253.84	1,069,705,783.98	993,270,712.30	16,889,253.84	976,381,458.46

APPENDIX X
**AUDITED CONSOLIDATED FINANCIAL
INFORMATION OF THE GROUP FOR 2024**
(1) Investments in subsidiaries

Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment made for the period	Closing balance of provision for impairment
Fibocom Investment	191,500,000.00	26,082,000.00	–	217,582,000.00	–	–
U.S. Fibocom	36,880,094.14	169,753.75	–	37,049,847.89	–	–
Zhejiang Nodecom	30,531,717.09	6,607.42	–	30,538,324.51	–	16,889,253.84
Xi'an Software	35,160,353.78	156,973.91	–	35,317,327.69	–	–
EU Fibocom	23,638,224.79	–	–	23,638,224.79	–	–
FIA	0.01	–	–	0.01	–	–
Xi'an Communications	31,929,428.98	–	526,643.16	31,402,785.82	–	–
Fibocom Software	15,567,100.16	–	299,314.93	15,267,785.23	–	–
Shanghai Faiot	20,445,920.00	–	38,304.00	20,407,616.00	–	–
Favalon Technology	1,518,061.13	–	79,810.30	1,438,250.83	–	–
Guangtong Yilian	246,056.74	–	–	246,056.74	–	–
Yaboda	10.00	–	–	10.00	–	–
Fibocom Technology	52,380,532.62	67,701,195.57	–	120,081,728.19	–	–
Taiwan Fibocom	232,833.04	3,021.18	–	235,854.22	–	–
Chuanglian Future	550,472,864.92	–	–	550,472,864.92	–	–
Total	990,503,197.40	94,119,551.83	944,072.39	1,083,678,676.84	–	16,889,253.84

(2) Investments in associates

Investee	Changes for the period										Closing balance of provision for impairment
	Additional/ new Decrease in investments			Investment income or loss recognised under the equity method	Adjustment of other comprehensive income	Other changes in equity	Cash			Closing balance of provision for impairment	
							dividends or profits declared	Provision for impairment	Other		
Shenzhen Bogesi Communication Technology Co., Ltd.	2,767,514.90	-	-	148,846.08	-	-	-	-	-	2,916,360.98	-

5. Revenue and operating costs**(1) Revenue and operating costs**

Item	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Principal operations	4,764,713,276.63	4,368,084,509.72	4,049,920,925.80	3,520,334,208.52
Other operations	1,270,687,396.49	1,249,974,360.47	485,523,232.87	483,660,469.65
Total	<u>6,035,400,673.12</u>	<u>5,618,058,870.19</u>	<u>4,535,444,158.67</u>	<u>4,003,994,678.17</u>

(2) Revenue and operating costs by product type

Major product types	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Principal operations:				
Communication modules	4,744,338,399.90	4,347,341,072.98	4,028,804,970.87	3,500,117,157.58
Terminals and materials	11,690,204.25	10,419,777.07	8,454,478.83	6,651,138.74
Other	8,684,672.48	10,323,659.67	12,661,476.10	13,565,912.20
Subtotal	<u>4,764,713,276.63</u>	<u>4,368,084,509.72</u>	<u>4,049,920,925.80</u>	<u>3,520,334,208.52</u>
Other operations:	1,270,687,396.49	1,249,974,360.47	485,523,232.87	483,660,469.65
Total	<u>6,035,400,673.12</u>	<u>5,618,058,870.19</u>	<u>4,535,444,158.67</u>	<u>4,003,994,678.17</u>

(3) Revenue from principal operations and cost of principal operations by geographical area

Major geographical areas of operation	Current period amount		Prior period amount	
	Revenue	Costs	Revenue	Costs
Domestic	2,314,310,045.14	2,249,388,253.29	1,306,307,527.78	1,176,303,058.73
Overseas	2,450,403,231.49	2,118,696,256.43	2,743,613,398.02	2,344,031,149.79
Subtotal	<u>4,764,713,276.63</u>	<u>4,368,084,509.72</u>	<u>4,049,920,925.80</u>	<u>3,520,334,208.52</u>

(4) Revenue and operating costs by timing of transfer of goods

Item	Current period amount	
	Revenue	Costs
Principal operations	4,764,713,276.63	4,368,084,509.72
Including: Recognised at a point in time	4,756,028,604.15	4,357,760,850.05
Recognised over a period of time	8,684,672.48	10,323,659.67
Other operations	1,270,687,396.49	1,249,974,360.47
Including: Recognised at a point in time	1,270,687,396.49	1,249,974,360.47
Total	<u>6,035,400,673.12</u>	<u>5,618,058,870.19</u>

6. Investment income

Item	Current period amount	Prior period amount
Income from long-term equity investments accounted for using the cost method	200,000,000.00	200,000,000.00
Income from long-term equity investments accounted for using the equity method	148,846.08	-65,597.36
Investment income from wealth management products	<u>4,761,398.47</u>	<u>2,715,828.74</u>
Total	<u>204,910,244.55</u>	<u>202,650,231.38</u>

XVII. SUPPLEMENTARY INFORMATION**1. Schedule of non-recurring profit or loss for the current period**

Item	Current period amount	Remarks
Gains or losses on disposal of non-current assets, including the write-off of the related provision for asset impairment	-676,381.77	
Government grants recognised in profit or loss for the current period, other than government grants that are closely related to the Company's ordinary course of business, comply with national policies, are received in accordance with defined criteria and have a continuing effect on the Company's profit or loss	23,303,124.34	

Item	Current period amount	Remarks
Gains or losses from changes in fair value of financial assets and financial liabilities held by non-financial enterprises and gains or losses on disposal of financial assets and financial liabilities, other than effective hedging activities related to the Company's ordinary course of business	6,177,097.41	
Other non-operating income and expenses other than the above	950,177.94	
Investment income from disposal of businesses	162,610,863.73	
Other gains and losses that meet the definition of non-recurring profit or loss	—	
Total non-recurring profit or loss	192,364,881.65	
Less: Effect of income tax on non-recurring profit or loss	28,525,144.84	
Net non-recurring profit or loss	163,839,736.81	
Less: Net effect of non-recurring profit or loss attributable to non-controlling interests (net of tax)	276,670.17	
Non-recurring profit or loss attributable to ordinary shareholders of the Company	163,563,066.64	

Note: Government grants classified as recurring profit or loss are detailed as follows:

Item	Current period amount	Reason
Tax refunds under the immediate refund upon collection policy	40,569,266.69	Related to the Company's ordinary business activities

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	20.17	0.88	0.87
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit or loss	15.23	0.66	0.66

Fibocom Wireless Inc.
17 April 2025

APPENDIX XI DETAILS OF THE AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF FIBOCOM WIRELESS INC.

COMPARISON TABLE OF AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF FIBOCOM WIRELESS INC.

Details of the proposed amendments to the Articles of Association of Fibocom Wireless Inc. are as follows:

Before the Amendments	After the Amendments
Article 5 Domicile of the Company: Room 1101, Tower A, Building 6, Shenzhen International Innovation Valley, Dashi 1st Road, Xili Community, Xili Subdistrict, Nanshan District, Shenzhen (Postal code: 518055).	Article 5 Domicile of the Company: Room 1101, Tower A, Building 6, Shenzhen International Innovation Valley, Dashi 1st Road, Xili Community, Xili Subdistrict, Nanshan District, Shenzhen (Postal code: 518055) (enterprise with multiple addresses under one business license).
Article 6 The registered capital of the Company is RMB 899,265,844 .	Article 6 The registered capital of the Company is RMB 898,583,044 .
Article 21 The total number of shares of the Company is 899,265,844 shares, all of which are ordinary shares, including 764,185,644 ordinary A Shares (representing 84.98% of the total share capital of the Company) and 135,080,200 ordinary H Shares (representing 15.02% of the total share capital of the Company).	Article 21 The total number of shares of the Company is 898,583,044 shares, all of which are ordinary shares, including 763,502,844 ordinary A Shares (representing 84.97% of the total share capital of the Company) and 135,080,200 ordinary H Shares (representing 15.03% of the total share capital of the Company).

Save for the aforesaid amendments, the other articles and provisions of the Articles of Association remain unchanged. The English version of the Articles of Association is an unofficial translation of its Chinese version. In case of any discrepancies, the Chinese version shall prevail.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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Fibocom Wireless Inc.

深圳市廣和通無線股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock code: 00638)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 2026 fourth extraordinary general meeting (the “EGM”) of Fibocom Wireless Inc. (the “Company”) will be held at 2:30 p.m., Beijing time, on Wednesday, 14 October 2026 at Conference Room, Floor 10, Tower A, Building 6, Shenzhen International Innovation Valley, Dashi 1st Road, Xili Community, Xili Subdistrict, Nanshan District, Shenzhen, Guangdong Province, the PRC to consider, and, if thought fit, pass the following resolutions as special resolutions of the Company:

SPECIAL RESOLUTIONS

1. To consider and approve the resolution in relation to the Company satisfying conditions for a material asset reorganisation;
2. To consider and approve the resolution in relation to the plan of material asset acquisition of the Company;
 - 2.01 To consider and approve the description of the Transaction
 - 2.02 To consider and approve the subject of the Transaction
 - 2.03 To consider and approve the counterparties
 - 2.04 To consider and approve the valuation of the subject of the Transaction
 - 2.05 To consider and approve the payment method of the Transaction and the differentiated pricing arrangement
 - 2.06 To consider and approve the source of funds for the Transaction
 - 2.07 To consider and approve the payment arrangements for the Transaction

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- 2.08 To consider and approve the profit and loss arrangement during the transitional period
- 2.09 To consider and approve the acting in concert arrangement
- 2.10 To consider and approve performance undertaking compensation
- 2.11 To consider and approve the over-performance rewards
- 2.12 To consider and approve the Completion of subject shares and default liability
- 2.13 To consider and approve the Accounts Receivable Collection Undertaking
- 2.14 To consider and approve the validity period of resolutions
- 3. To consider and approve the resolution in relation to the material asset acquisition of the Company not constituting a connected transaction;
- 4. To consider and approve the resolution on the Report of Material Asset Acquisition (Draft) (Revised Edition) of Fibocom Wireless Inc. and its summary;
- 5. To consider and approve the resolution in relation to the execution of the Share Transfer Contracts, the Acting in Concert Agreement, the Performance Undertaking and Profit Compensation Agreement and the Share Pledge Agreements in connection with the maximum debt limit, each subject to conditions precedent;
- 6. To consider and approve the resolution in relation to the execution of the Supplemental Performance Undertaking and Profit Compensation Agreement, the Supplemental Acting in Concert Agreement and the Supplemental Share Pledge Agreements in connection with the maximum debt limit, each subject to conditions precedent;
- 7. To consider and approve the resolution in relation to the reorganisation of the Company not constituting a reorganization and listing under Article 13 of the Administrative Measures for the Material Asset Reorganizations of Listed Companies;
- 8. To consider and approve the resolution in relation to the fluctuations in the share price of the Company before announcement of the reorganisation;
- 9. To consider and approve the resolution in relation to the Company's material asset reorganization-related entities not falling within the circumstances as stipulated in Article 12 of the Regulatory Guidelines for Listed Companies No. 7 — Supervision on Abnormal Trading of Shares Related to Material Asset Reorganizations of Listed Companies;

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10. To consider and approve the resolution in relation to the compliance of the reorganisation with Article 4 of Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganisation;
11. To consider and approve the resolution in relation to the compliance of the Transaction with Article 18 of the Measures for the Ongoing Regulation of Companies Listed on ChiNext and Article 8 of the Review Rules for Major Asset Reorganizations of Listed Companies on the Shenzhen Stock Exchange;
12. To consider and approve the resolution in relation to the dilutive effect on the current return of the Company and remedial measures in relation to material asset acquisition, as well as undertakings of the relevant entities;
13. To consider and approve the resolution in relation to the approval of relevant audit reports, asset valuation report, pro forma review report and the accountant's report on profit forecast and estimation relating to the reorganisation;
14. To consider and approve the resolution in relation to the approval of the audit report and pro forma review report for stub-period related to the Transaction;
15. To consider and approve the resolution on the independence of the valuation institution, the reasonableness of the valuation assumptions, the relevance of the valuation methodologies to the valuation purposes, and the fairness of the valuation pricing;
16. To consider and approve the resolution in relation to the application by the Company to banks for the acquisition loans for the Transaction;
17. To consider and approve the resolution in relation to the full authorization to the Board to deal with matters relating to the reorganisation; and
18. To consider and approve the resolution in relation to the change in registered capital, the amendments to the Articles of Association and the change of business registration.

By order of the Board
Fibocom Wireless Inc.
Zhang Tianyu
Chairman

The PRC, 23 September 2026

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. Unless otherwise defined, the terms used in the Notice shall have the same meanings as those defined in the circular of the Company dated 23 September 2026 containing details of the above resolutions.
2. Pursuant to the Rule 13.39(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), voting on all resolutions at an extraordinary general meeting shall be by way of poll. The poll results of the EGM will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fibocom.com) in accordance with the requirements of the Listing Rules. For the avoidance of doubt, holders of treasury Shares of the Company, if any, shall abstain from voting at the EGM.
3. The record date for determining the entitlement of the shareholders of the Company (the “**Shareholders**”) to attend and vote at the EGM will be on Wednesday, 14 October 2026. For the purpose of determining the entitlement of the Shareholders to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for H Shareholders), no later than 4:30 p.m., Beijing time, on Thursday, 8 October 2026.
4. Any Shareholder who is entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a Shareholder. If the Shareholder appoints more than one proxy, his/her proxies may only vote by poll.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing. If the Shareholder is a legal entity, then the relevant appointing document must be either under seal or under the hand of its director or attorney duly authorised. If the instrument appointing a proxy is signed by a person duly authorised by the Shareholder, the powers of attorney or other instruments of authorisation shall be notarized. For H Shareholders, the aforementioned documents must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event by not later than 24 hours before the time fixed for holding of the EGM (i.e. not later than 2:30 p.m., Beijing time, on Tuesday, 13 October 2026) or any adjournment or postponement thereof. Completion and return of the form(s) of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned or postponed meeting(s) if you so wish.
6. Shareholders shall produce their identification documents when attending the EGM.
7. If a proxy attends the EGM on behalf of a Shareholder, he/she should produce his/her identification document and the power of attorney or other documents signed by the appointor or his/her attorney, which specifies the date of its issuance. If a representative of a corporate Shareholder attends the EGM, such representative shall produce his/her identification document and the notarized copy of the resolution passed by the board of directors or other authority or notarized copy of any authorisation documents issued by such corporate Shareholder.
8. The H share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited and its address is as follows:

Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
9. The registered office of the Company:

Room 1101, Tower A, Building 6, Shenzhen International Innovation Valley, Dashi 1st Road, Xili Community, Xili Subdistrict, Nanshan District, Shenzhen, Guangdong Province, the PRC
Tel: 0755-26520587
Email: zqb@fibocom.com
Contact person: Chen Shijiang (陳仕江)

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10. Miscellaneous

The EGM is expected to be held for no more than half a day. Shareholders who attend the EGM in person or by proxy shall bear their own travelling and accommodation expenses.

11. As of the date of this notice, the Board of the Company comprises Mr. Zhang Tianyu, Mr. Ying Lingpeng, Mr. Xu Ning and Ms. Chen Qihua as executive Directors, Mr. Wang Ning, Ms. Zhao Jing and Mr. Wu Chenggang as independent non-executive Directors.