HAN'S CNC
大族數控

INTERIM REPORT 2026

深圳市大族數控科技股份有限公司
SHENZHEN HAN'S CNC TECHNOLOGY CO., LTD.

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

Stock Code : 3200

CONTENTS

Important Notice

The Board of the Company and its Directors and senior management warrant that the contents of this interim report (the "**Report**") are true, accurate and complete, and do not contain false records, misleading statements or material omissions, and assume individual and joint legal liability accordingly.

The Report was considered and approved at the 25th meeting of the Second Session of the Board of the Company, and all Directors attended the Board meeting.

Any forward-looking statements contained in the Report, such as future plans and development strategies, do not constitute substantive commitments made by the Company to investors. Investors and relevant stakeholders are advised to be fully aware of the risks involved and to understand the difference among plans, forecasts and commitments. Investors are advised to exercise caution due to investment risks.

Potential risks that may be faced by the Company and the corresponding measures adopted are set out in the "Management Discussion and Analysis" of the Report. Investors are advised to review this section carefully.

The Company does not propose to distribute any cash dividends, issue any bonus shares, or capitalize reserves into share capital.

The Report is prepared in both Chinese and English. In case of any discrepancy in the interpretation of the Report, the Chinese version shall prevail. Any discrepancies between the last digits of the total number and those of the sum of individual items in the Report are mainly due to rounding. Unless otherwise stated, the financial data set out in this report are denominated in RMB.

REGISTERED NAME

Shenzhen Han's CNC Technology Co., Ltd.

ENGLISH NAME

Shenzhen Han's CNC Technology Co., Ltd.

ABBREVIATION IN CHINESE

大族數控

ABBREVIATION IN ENGLISH

HANS CNC

BOARD OF DIRECTORS

Executive Director

Mr. YANG Chaohui
(Chairman of the Board and general manager)

Non-executive Directors

Mr. ZHANG Jianqun
Mr. ZHOU Huiqiang
Mr. DU Yonggang
Ms. HUANG Linting
(Employee Representative Director)

Independent Non-executive Directors

Mr. QIU Yunliang
Ms. LI Weiwei
Dr. XIN Guosheng
Ms. XIA Liya

AUDIT COMMITTEE

Mr. QIU Yunliang *(Chairman)*
Mr. ZHOU Huiqiang
Ms. LI Weiwei

REMUNERATION AND APPRAISAL COMMITTEE

Dr. XIN Guosheng *(Chairman)*
Mr. ZHOU Huiqiang
Mr. QIU Yunliang

NOMINATION COMMITTEE

Ms. LI Weiwei *(Chairman)*
Mr. DU Yonggang
Dr. XIN Guosheng

STRATEGY COMMITTEE

Mr. YANG Chaohui *(Chairman)*
Mr. ZHANG Jianqun
Mr. QIU Yunliang

JOINT COMPANY SECRETARIES

Ms. ZHOU Yuanyuan
Ms. WONG Nga Sim

AUTHORISED REPRESENTATIVES

Mr. YANG Chaohui
Ms. ZHOU Yuanyuan

AUDITOR

RSM China CPA LLP
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22 Fuchengmenwai Street
Xicheng District, Beijing
PRC

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Building 3, and 1/F and 4/F of Building 4
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Shenzhen, Guangdong Province
PRC

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H SHARE REGISTRAR

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Hong Kong

LEGAL ADVISOR TO HONG KONG

Clifford Chance
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One Connaught Place
Central
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Hong Kong

STOCK CODE

SZSE: 301200.SZ
HKEX: 3200.HK

COMPANY WEBSITE

www.hanscnc.com

PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial highlights have been prepared in accordance with China Accounting Standards for Business Enterprises. The principal accounting data and financial indicators of the Group for the Reporting Period and the corresponding period of the previous year are set out below.

	The Reporting Period *RMB*	The corresponding period of the previous year *RMB*	Increase/decrease of the Reporting Period compared with the corresponding period of previous year
Operating revenue	**4,984,920,813.21**	2,381,833,154.55	109.29%
Net profit attributable to shareholders of the listed company	**956,862,424.74**	263,271,662.75	263.45%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	**953,281,902.80**	249,969,506.90	281.36%
Net cash flows from operating activities	**-1,074,920,851.88**	-551,185,987.19	-95.02%
Basic earnings per share (RMB/share)	**2.06**	0.63	226.98%
Diluted earnings per share (RMB/share)	**2.02**	0.62	225.81%
Weighted average return on net assets	**9.73%**	4.99%	increased by 4.74 percentage points

	As at the end of the Reporting Period *RMB*	As at the end of the previous year *RMB*	Increase/decrease as at the end of the Reporting Period compared to the end of the previous year
Total assets	**18,200,807,560.60**	10,615,027,606.63	71.46%
Net assets attributable to shareholders of the listed company	**12,047,198,874.77**	6,070,840,392.39	98.44%

Whether the share capital of the Company has changed due to the issue of new shares, additional issuance, rights issue, exercise of equity incentive rights, repurchase, etc. from the end of the Reporting Period to the date of the Report and affected the amount of owners' equity

☑ Yes ☐ No

Dividends paid on preferred shares	0.00
Interest paid on perpetual bonds (RMB)	0.00
Fully diluted earnings per share based on latest share capital (RMB/share)	1.9567

DIFFERENCES IN THE ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

The audit committee of the Board of the Company has reviewed the unaudited interim report of the Group for the six months ended 30 June 2026. There are no material differences between the financial statements prepared in accordance with China Accounting Standards for Business Enterprises and those prepared in accordance with International Financial Reporting Standards, nor do they have any material impact on the financial condition of the Group.

1. Differences between Net Profit and Net Assets in the Financial Reports Disclosed in accordance with International Financial Reporting Standards and in accordance with China Accounting Standards for Business Enterprises

□ Applicable ☑ Not applicable

There was no difference between net profit and net assets in the financial reports disclosed in accordance with International Financial Reporting Standards and in accordance with China Accounting Standards for Business Enterprises during the Reporting Period.

2. Differences between Net Profit and Net Assets in the Financial Reports Disclosed in accordance with Foreign Accounting Standards and in accordance with China Accounting Standards for Business Enterprises

□ Applicable ☑ Not applicable

There was no difference between net profit and net assets in the financial reports disclosed in accordance with foreign accounting standards and in accordance with China Accounting Standards for Business Enterprises during the Reporting Period.

NON-RECURRING GAINS OR LOSSES ITEMS AND AMOUNTS

Items	Amount *RMB*	Explanation
Gains or losses from disposal of non-current assets (including the write-off of provision for impairment on assets)	88,916.84	See Note VII.52 to the "Financial Report"
Government grants accounted in gains or losses for the current period (except for those that are closely related to the normal operations business of the Company, in compliance with national policies, subject to determined standards and have a continuous impact on gains or losses of the Company)	7,319,154.57	See Note VII.48 to the "Financial Report"
Reversal of provision for impairment of receivables tested individually for impairment	987,632.82	See Note VII.3 to the "Financial Report"
Gains or losses from debt restructuring	-933,737.40	See Note VII.49 to the "Financial Report"
Other non-operating income and expenses other than the above items	-3,198,818.97	See Note VII.53 and VII.54 to the "Financial Report"
Less: Amount of effect of income tax	617,335.41	
Amount of effect attributable to minority interests (after tax)	65,290.51	
Total	3,580,521.94	

I. INDUSTRY IN WHICH THE COMPANY OPERATES DURING THE REPORTING PERIOD

(I) Classification of the Industry in which the Company Operates

The Company's principal activities are the R&D, production and sale of specialized PCB equipment. According to the Classification and Code for Industrial Statistical of Listed Companies (JR/T 0020–2024) issued by the China Securities Regulatory Commission, the Company is classified under "C35 Specialized Equipment Manufacturing Industry". According to the Classification of Industrial Strategic New and Emerging Industries (2023) promulgated by the National Bureau of Statistics, the Company is classified under "1.2.1 Manufacturing of New Electronic Components and Equipment" of "1.2 Electronic Core Industries" of "1. New Generation Information Technology Industry".

(II) Industry Development

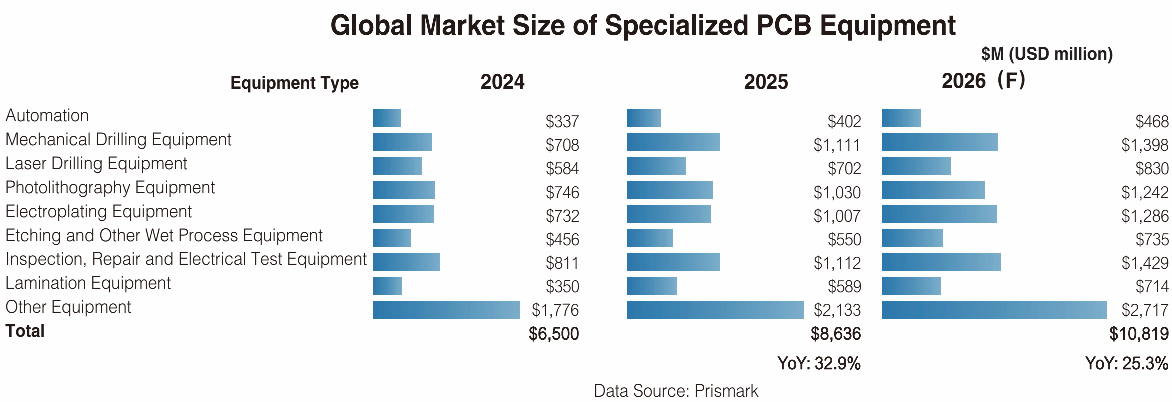
The Company has long been dedicated to the field of specialized equipment for the printed circuit board (PCB) and packaging substrate industries. As the core foundation of electronic end products, PCBs are widely used in cutting-edge fields such as AI computing power center servers, high-speed switches, high-speed optical modules, 5G and next-generation wireless communications, intelligent terminals, intelligent automotive electronics, aerospace, and more. The technological evolution and capacity expansion of PCBs directly drive the sustained growth of the market for specialized processing equipment and quality assurance equipment.

1. Market Size of Specialized PCB Processing Equipment

With the continuous evolution of AI applications, the demand for large-scale model training and inference has been growing rapidly and persistently, driving major global cloud service providers (CSPs) to significantly increase their capital expenditures and accelerate the construction of large-scale computing power clusters and data centers. This has created strong structural demand for computing infrastructure such as AI servers and high-speed network switches, which in turn continues to drive rapid expansion of the PCB and its specialized equipment markets. According to data from the industry authority Prismark, the global PCB industry is expected to grow by 18.8% year on year in 2026, with the market size projected to exceed the US$100 billion. The compound annual growth rate for the period from 2025 to 2030 is estimated to reach 11.0%, with Chinese Mainland maintaining its position as the world's largest market, accounting for a market share as high as 56%. Among the various PCB segments, the 2025–2030 compound annual growth rates for high-multilayer boards (18 layers and above), HDI boards, and packaging substrates are projected to reach 30.3%, 13.1%, and 14.7%, respectively. The aggregate output value of these three categories will account for over 50% of the total PCB market, representing the core drivers of industry growth.

Upgrades in AI computing power pose greater technical challenges to the PCB and packaging substrates manufacturing processes. Coupled with a significant surge in volume demand, downstream PCB manufacturers are continuously expanding production and upgrading their facilities, which has propelled the specialized PCB equipment industry into a golden growth period. Prismark estimates that the global market for specialized PCB manufacturing equipment will grow by 25.3% in 2026, reaching a scale of US$10 billion.

The PCB production process is complex and requires substantial equipment investment. By major category, specialized equipment can be divided into mechanical drilling equipment/ laser drilling equipment, photolithography equipment, electroplating equipment, wet process equipment (etching, developing, etc.), visual inspection/repair and electrical testing equipment, lamination equipment, loading/unloading automation equipment, etc. Among these, the lamination systems, mechanical drilling/laser drilling, photolithography, formation, electrical testing, and AOI & AVI optical inspection equipment covered by the Company account for over 50% of the total PCB equipment investment, with drilling being the process with the largest equipment demand. According to Prismark's forecast, the global market sizes for mechanical drilling machines and laser drilling machines in 2026 will reach USD1.398 billion and USD830 million, respectively, together accounting for 20.6% of total demand; photolithography equipment, lamination equipment, and inspection, repair and electrical testing equipment will reach USD1.242 billion, USD714 million, and USD1.429 billion, respectively.



Since 2006, Chinese Mainland has become the world's largest PCB industrial cluster, driving the comprehensive rise of local specialized equipment manufacturers. At present, domestically produced equipment has achieved full-category localization in manufacturing, with significantly enhanced international influence. However, in advanced fields such as substrate-like PCBs and packaging substrates (e.g., mSAP and SAP process equipment), companies from the United States, Germany, Japan and other countries still hold key technological positions. Domestic brands are currently in a strategic breakthrough period, with their market penetration rate accelerating.

2. Development Trends and Opportunities in the Specialized PCB Processing Equipment Market

As AI data centers continue to experience growing demand for computing power, PCBs are no longer merely a medium for signal transmission but have become a critical factor determining the overall efficiency and reliability of the system. The importance of PCBs has been elevated to a new level, as heightened requirements for signal integrity and power integrity drive an increase in the manufacturing complexity of AI PCBs. This, in turn, makes the technological upgrading of specialized equipment imperative. The dual elevation of both demand volume and technological sophistication is collectively creating new development opportunities for the specialized PCB equipment market.

With AI PCB transmission rates increasing from single-lane 112G to 224Gbps+, the impact of higher signal integrity and power integrity requirements on PCB characteristics is reflected in the need for smaller hole diameters, higher aspect ratios, greater back-drilling precision, improved interlayer dielectric uniformity, more precise circuit line dimensions, and thicker copper layers. Coupled with the adoption of new low-loss materials such as M9 and PTFE, this is driving significant growth in demand for equipment related to Z-direction interconnection processing for high-precision through-holes, back-drilled via, and blind vias. In particular, the reduced machinability of new materials, combined with process changes such as the need for step-drilling for high-aspect-ratio holes, is increasing the demand for mechanical drilling machines, CCD back-drilling machines, and advanced laser drilling equipment, while also further raising their technological complexity. At the same time, interlayer thickness uniformity and line width variation control present greater challenges to lamination systems and high-resolution LDI equipment, respectively. Concurrently, with the emerging trends of copper-cable-to-PCB conversion, PCB-to-substrate conversion, and substrate-to-wafer-level integration gradually becoming apparent, new product processing requirements for technologies such as orthogonal backplanes, CoWoP, EMIB-T, and glass substrates are placing higher demands on equipment, thereby driving continued technological progress in the specialized equipment industry.

On the other hand, the rapid advancement of PCB technology requires deep collaborative and customized R&D with customers, leading to closer coordination among equipment manufacturers, PCB fabricators, and end-customers. As the technological barriers have risen substantially, the advantages of leading equipment manufacturers will become more pronounced. Moreover, with the global expansion of the AI PCB industry concentrated in Chinese Mainland, the positive momentum of the equipment market growth is expected to sustain over a longer cycle.

(III) Industry Development Policies

The specialized PCB equipment industry is a strategic and foundational industry in the national economy. Against the backdrop of the artificial intelligence version of “Industry 4.0”, the Chinese government has issued a series of supportive policies to guide and promote the healthy and sustainable development of the industry.

No.	Date	Department	Policy Name	Relevant Content
1	December 2023	National Development and Reform Commission	Guiding Catalogue of Industrial Structure Adjustment (2024 Version)	Include “28. Information Industry 5. Manufacturing of new electronic components (High-Density Interconnect laminates, single-layer, double-layer and multi-layer flexible boards, rigid-flex printed circuit boards and packaging substrates, high-density and high-fine-line (line width/line spacing ≤0.05mm) flexible circuit boards, etc.); 6. Specialized materials used in electronic component production, including new electronic components (high-frequency microwave printed circuit boards, high-speed communication circuit boards, flexible circuit boards, high-performance copper-clad laminates, etc.)” in the encouraged industry category.
2	February 2023	the Central Committee of the Communist Party of China, State Council	Plan for the Overall Layout of Building a Digital China	Consolidate the foundation for digital China construction. Systematically optimize the layout of computing power infrastructure, promote efficient complementarity and coordination between computing power in the eastern and western regions, and guide the rational and tiered layout of general data centers, supercomputing centers, intelligent computing centers, edge data centers, etc.
3	January 2022	State Council	“14th Five-Year” Plan for the Development of Digital Economy	Focus on improving the supply level of basic software and hardware, core electronic components, key basic materials, and production equipment. Strengthen technology integration and product innovation for diverse application scenarios, and improve the supply chain systems for key industries such as 5G, integrated circuits, new energy vehicles, artificial intelligence, and the industrial internet.
4	November 2021	Ministry of Industry and Information Technology	“14th Five-Year” Plan for the Development of the Information and Communications Industry	Build a new national digital infrastructure, provide network and information services, and fully support strategic, foundational, and pioneering industry for economic and social development. Propose new ideas for high-quality industry development, set 20 quantitative development goals across 6 major categories; determine 26 development priorities across five aspects and 21 key projects.
5	January 2021	Ministry of Industry and Information Technology	Action Plan for the Development of the Basic Electronic Components Industry (2021–2023)	Focus on developing high-frequency and high-speed, low-loss, miniaturized optoelectronic connectors; ultra-high-speed, ultra-low-loss, low-cost optical fiber cables; high-voltage, high-temperature, high-tensile strength electrical equipment cables; high-frequency and high-speed, high-layer and high-density printed circuit boards, integrated circuit packaging substrates, and special printed circuit boards. Seize the global 5G and industrial internet opportunity, focusing on the construction of 5G networks, the industrial internet, and data centers, and vigorously promoting the application of electronic components that affect high-speed transmission in communication equipment, such as radiofrequency resistive and capacitive components, medium and high-frequency electronics, special printed circuit boards, high-speed transmission cables and connectors, and optical communication electronics.

II. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

1. Principal Business, Main Products and Their Applications of the Company

The Company specializes in the research and development, production, and sales of specialized PCB equipment, with its product line covering the key PCB production processes, including lamination, drilling, photolithography, formation and testing. The Company is one of the most broadly diversified enterprises in the global specialized PCB equipment industry in terms of product line breadth. Its solutions are fully adaptable to all market segments, including standard multilayer boards, high-multilayer boards, high-end HDI boards, substrate-like PCBs, packaging substrates, flexible and rigid-flex boards.

2. Business Model of the Company

(1) Profit model: scenario-focused and customer-centric solutions

The Company closely aligns its operations with the demand of the AI computing power industry chain. It gains revenue and profit by selling core-process equipment to downstream customers and providing customized integrated solutions. Meanwhile, the Company is collaborating with customers to extend its reach into the advanced packaging industry chain, offering innovative solutions for ultra-large FCBGA packaging substrates and embedded ECP panel-level packaging, thereby broadening its sources of performance growth.

(2) Production model: sales-driven production with quality first

The Company adopts an order-driven model on a basis of "sales-driven production". Based on market forecasts, indicative and confirmed orders, inventory levels and production capacity, the Company prepares monthly "Machine Plans", and procures materials in accordance with the BOM. The production department strictly follows standardized work instructions for modular assembly and final assembly and commissioning.

(3) Procurement model: strengthening collaboration to ensure delivery

The Company mainly procures production materials using a "production-driven procurement" model supplemented by "safety stock". The main procurement categories include sheet metal and machined parts, mechanical devices, purchased modules, and optical devices. The Company consistently deepens its cooperative partnerships with suppliers by fostering long-term mutual benefit. In strict accordance with its supplier management policies, the Company develops suppliers based on material characteristics, conducts qualification audits through factory inspections and sample testing, and regularly assesses and reviews partners on the approved supplier list to dynamically align supply and demand capabilities and continuously strengthen cooperative relationships.

The Company adopts inquiry-based procurement model, selecting appropriate suppliers from the approved supplier list based on the nature of the raw materials. For standard components, procurement decisions are primarily based on factors such as raw material quality, price, and delivery lead time. For non-standardized components, the Company designs the components in-house and then selects the optimal supplier based on factors including the supplier's technical expertise, processing capabilities, quotation, and other relevant criteria.

The Company procures raw materials based on the procurement lead time for various materials and the "Machine Plan". Core and high-value materials are scheduled for pickup according to the monthly market shipment plan; auxiliary materials are stocked based on safety inventory levels. At the settlement stage, payments are made through bank transfers, acceptance bills, letters of credit, and other methods in accordance with the differentiated credit policies stipulated in the procurement contracts, ensuring timely delivery of materials.

(4) Sales model: global vision with long-term value creation

The Company adopts a global sales model with direct sales as the primary channel, supplemented by distributors (agents/traders). For major mainstream PCB manufacturers both domestically and internationally, the Company mainly conducts direct sales; meanwhile, it leverages certain agents with extensive resources among foreign-invested PCB manufacturers to expand into overseas niche markets, thereby deepening long-term collaborative value.

(5) R&D model: tripartite structure with multi-dimensional drivers

The Company has established an independent R&D system built on a tripartite structure, comprising a "segment scenario research platform + product R&D platform + general professional technology research platform". Centered on AI computing power scenarios, the Company connects the upstream and downstream industry chains, rapidly transferring customer pain points into technical solutions, and achieves continuous product iteration through feedback from customer production lines.

(6) Rationality and changes of the Company's current business model

The Company's current business model has been shaped by the combination of industry characteristics, customer demands, and the evolution of the competitive landscape, and is in line with commercial practices and industry norms. During the Reporting Period, neither the Company's core business model nor the influencing factors underwent any significant changes, and it is expected to remain stable for the future period.

3. The Company's Industry Position

The Company continued to consolidate its industry-leading position in 2026, securing the first place in the Instrument and Specialized Equipment category in the CPCA (China Printed Circuit Association) Top 100 List for the 17th consecutive year, with a revenue scale significantly ahead of its peers. Its products are exported to major overseas PCB manufacturing regions, including Southeast Asia, Japan and South Korea. Over the years, the Company has consistently received numerous cooperative awards from renowned industry players, including "Partner Excellence Award" from Zhen Ding-KY (臻鼎-KY) (4958.TW), "Gold Supplier" from Shennan Circuits (002916.SZ), and "Gold Partner" from Founder Technology (600601.SH), reflecting a transformation of its customer relationships from mere suppliers to partners. The Company actively engages with its customers' downstream clients to capture the most cutting-edge industry demands. Its core customer base now covers over 80% of enterprises on the 2025 Prismark Global Top 100 List (Prismark全球百強企業排行榜) and all enterprises on the 2025 CPCA Major PCB Manufacturers Ranking List of China's Electronic Circuit Industry (CPCA中國電子電路行業PCB製造主要企業榜單).

The Company focuses on the PCB and advanced packaging market, with a strategic emphasis on high-value scenarios such as AI computing power. Its product portfolio is extensive, covering a wide range of key equipment for the core production processes of PCBs. The Company's main product, mechanical drilling machine — particularly the through-hole drilling machine with ultra-high aspect ratio and the high-precision 3D integrated drilling-and-measuring mechanical drilling machine used in AI computing power scenarios — has been widely acclaimed by the industry. Based on market forecasts by Prismark and the Company's delivery data, the global market share for these products was approximately 50% in 2025. Meanwhile, benefiting from the Company's innovative management structure, multi-dimensional synergies have been formed across equipment and materials, application scenarios, processes, products, technologies, supply chain, and customers, enabling the delivery of differentiated comprehensive solutions for various market segments within the industry, and the synergy effects are increasingly evident.

The Company is a national high-tech enterprise, a Guangdong Provincial Engineering Technology Research Center for Specialized PCB Equipment, a Guangdong Provincial Industrial Design Center, and a well-known brand in Shenzhen. It has been approved to establish the "Shenzhen Postdoctoral Innovation Practice Bases". Mr. YANG Chaohui, the Company's Chairman, was honored to be named to the 2026 Forbes China Best CEOs list in recognition of his outstanding vision and foresight.

4. Key Performance Drivers

The Company consistently adheres to its vision of "becoming the most respected and trusted PCB equipment service provider in the world", and firmly implements its "ALL IN AI" strategy, continuously enhancing the technological capabilities of its processing solutions for core PCB processes in AI computing power scenarios. During the Reporting Period, demand for high-end AI PCBs grew significantly, including high-multilayer HDI boards for next-generation rack server computing and switching units, N+N structure high-multilayer boards, and mSAP-like substrates for 800G and 1.6T high-speed optical modules. Driven by both rising demand and technological advancements, downstream PCB manufacturers continued to make substantial capital expenditures. Seizing the market opportunities arising from downstream customers' capacity expansion and upgrades, the Company experienced robust growth in orders across all product lines. During the Reporting Period, the Company achieved operating revenue of RMB4,984.9208 million, representing a significant increase of 109.29% compared with the corresponding period the previous year, and net profit attributable to shareholders of the listed company of RMB956.8624 million, representing an increase of 263.45% compared with the corresponding period the previous year. In the first half of 2026, the Company's revenue from AI-related products grew significantly, and the core driving factors are as follows:

(1) Focusing on AI computing power scenarios to reinforce the moat of core process technologies

① In terms of AI servers, PCBs are continuously evolving towards higher layer counts and more complex structures. Market demand for advanced products, such as high-multilayer boards with 32^{+} layers in N+N or N+M configurations, and HDI boards of 6 layers of microvia 26 layers and above, is rapidly increasing. Correspondingly, the processing complexity of high-end PCBs has risen significantly.

In Z-axis interconnection, PCB manufacturing faces technical challenges including high aspect ratio (>30:1) through-holes, high-precision back drilling (0–4 mil), L1-L5 staggered blind vias, high-frequency high-speed new materials (M9Q), and thick copper processes. The Company continues to consolidate its technological advantages in drilling solutions. Its high-torque spindle mechanical through-hole solutions and upgraded 3D back-drilling solutions have been widely adopted by customers, successfully achieving mass production of through-holes with a thickness-to-depth ratio of 31.5:1 and above, as well as high-precision back drilling (0–4 mil CPK > 1.33). In the field of laser drilling, the Company offers a variety of combined solutions with options for CO_2 laser, UV laser, ultrafast laser, and other laser types. For HDI board processing requiring increasingly complex blind via structures and high-frequency high-speed CCL materials with different formulations, the Company provides professional optimized solutions to meet diverse process requirements.

The Company's lamination systems have optimized key technical indicators such as heating rate, temperature uniformity and steel plate flatness, while adjusting the lamination temperature profiles for high-frequency high-speed materials and hybrid material stack-up structures. This has enabled stable mass production of high-multilayer boards at customer sites, with orders expected to further increase.

As the impedance control tolerance for high-speed PCBs has tightened from ±10% to below ±7%, the requirement for line width variation has become more stringent. Through optimized optical path control and customized impedance control algorithms, the Company's LDI products can effectively control line width variation within 3μm, fully meeting the impedance tolerance control requirements. In addition, the Company's AOI products can effectively detect changes in line width after etching. When anomalies are detected, they are promptly fed back to the LDI production line for correction and optimization, thereby ensuring the stability of line width variation in mass-produced products.

Meanwhile, to meet various requirements including appearance defect inspection and electrical performance testing, the Company's large-format universal testers, high-precision four-wire testers, and high-resolution AVI products maintain strong market recognition for their competitiveness, with market shares further increasing. In particular, the high-precision four-wire testers and high-precision testers comprehensively outperform both domestic and international brands.

② In the field of high-speed optical modules, 800G/1.6T optical module products with single-channel speeds exceeding 100/200Gbps generally incorporate mSAP process substrate-like PCBs to reduce transmission loss and power consumption. These products feature high layer counts (16-layer any-layer HDI) and further miniaturized characteristic dimensions such as line width and hole diameter.

In hole processing, the Company's advanced laser processing solution leverages the characteristics of cold laser processing to overcome the inherent limitations of traditional CO_2 lasers, such as thermal effects, enabling stable processing of dense micro-vias with a diameter of 50μm.

In circuit processing, the Company is actively developing LDI equipment with a resolution below L/S 10/10μm. Through overall temperature control, customized optical paths and optimized motion platform control, the equipment caters to the ultra-fine circuit pattern transfer requirements for finished products of L/S 25/25μm. The Company also continues to optimize multi-wavelength mixing technology, significantly enhancing the resolution capability of solder mask inks to achieve minimum opening processing of 50μm in diameter. These products are currently undergoing certification with downstream customers.

In high-precision formation, as high-speed optical modules require stable and reliable pluggability and high-precision wire bonding for optical components, the dimensional tolerance requirements for related PCB positions are < ±50μm, exceeding the limits of traditional mechanical formation machine. The Company's high-precision CCD-aligned six-spinder independent mechanical formation machine has improved mass-production precision to ±25μm. Meanwhile, the Company also offers laser formation equipment capable of achieving even higher precision, providing solutions for next-generation product requirements.

In addition, the Company's high-precision micro-probe tester features ultra-high alignment precision of ±2.5μm, addressing the testing challenges posed by densely packed wire-bonding pads for high-speed optical modules and DSP chip BGA solder joints. It has achieved high-precision testing for 1.6T optical modules with a BGA Pitch ≦ 150μm.

The Company is seizing industry opportunities in AI scenarios, continuously enhancing product technology capabilities, particularly deepening its moat in the core process of drilling while strengthening the synergy of its product matrix, thereby driving overall revenue growth.

(2) *Proactively deploying advanced technologies to stand at the forefront of the specialized equipment industry*

AI servers are evolving from single-chip computing power improvements, to rack-level performance enhancements, and further towards integrated data center-wide coordination, continuously giving rise to new categories of PCBs with higher technical requirements, and posing more challenges to the technological capabilities of specialized equipment used in PCB processing.

The intricate copper-cable interconnections inside AI server racks drive the conversion of cables to PCBs. 44-layer mid-plane products are gradually entering mass production, while 78-layer and above orthogonal backplanes remain under ongoing certification. These related PCB products present requirements in terms of ultra-high aspect ratio through-holes, high-precision back drilling, copper-paste sintered vias, and ultra-thick (>15mm) board routing. The Company has developed customized solutions targeting different technical characteristics, including higher back-drill stub precision control, sintered-via processing, ultra-thick board routing, and ultra-high-point-count four-wire testing, among others. Substantial progress has been achieved on these products, facilitating customer process certification and sample production.

At the same time, to meet the increasingly stringent signal integrity requirements of SerDes 224Gbps+ single-lane transmission, the significantly shortened signal transmission distances are driving the trends of PCB-to-substrate and substrate-to-wafer-level integration. Technologies such as 3.2T NPO, CoWoP, CPO, CoWoS-L, and EMIB-T are accelerating the transition of mSAP high-multilayer HDI boards, large-format FCBGA, and glass core substrates from concept to engineering certification. The Company has been engaged in technical collaboration with multiple leading industry customers to jointly develop processing solutions for PCBs meeting next-generation technology requirements. These solutions specifically include drilling solutions for aperture sizes below 30μm for high-density small-diameter through-holes and blind vias, thick-core micro-vias, through glass via (TGV), high-precision cavities and trimming; mechanical drilling solutions for 0.1mm through-holes in thick cores; high-precision through-hole/blind-slot routing solutions; and flexible ABF thinning and de-smear solutions. These will help downstream customers overcome relevant process bottlenecks and accelerate the completion of new product process certification. As a result, the Company has received positive customer feedback and formal orders. Relevant products include new laser processing equipment for drilling and high-precision slotting of BT and ABF materials, as well as core-layer dedicated mechanical drilling equipment equipped with high-speed spindles. As the advanced packaging markets for packaging substrates and ECP continue to expand in the future, the Company's revenue growth from these products is expected to accelerate.

(3) Continuous breakthroughs in delivery capability with gradually emerging economies of scale

In the first half of 2026, the Company continued to expand production capacity at its two major production bases in Shenzhen and Xinfeng, achieving significant capacity growth compared to the end of 2025. The Company has established a mature mass production capacity for supply and is able to reliably accommodate the rapid capacity expansion of downstream customers. On the one hand, the Company has secured capacity in key supply chain segments in advance through the establishment of long-term, in-depth collaborative mechanisms with core component suppliers. On the other hand, leveraging the scaled-up sales of multi-category equipment, the Company has significantly enhanced the advantages of centralized procurement of common components, effectively achieving cost reduction and efficiency improvement, and rapidly translating market demand into robust operational profitability.

III. ANALYSIS OF CORE COMPETITIVENESS

1. Continuously Strengthening the Competitiveness of Core Products

In response to the processing requirements of AI PCBs for complex Z-direction interconnect structures, including higher layer counts and blind via stacking, higher aspect ratios (AR), tighter-tolerance back-drilling stubs (STUB), smaller hole diameters, higher densities, and new materials application, the Company has deepened its competitive edge in drilling process solutions. It has continuously refined its product portfolio encompassing through-hole mechanical drilling machines, CCD back-drilling mechanical drilling machines, UV laser drilling machines, CO_2 laser drilling machines, ultrafast laser drilling machines and supporting automation solutions. The Company has also integrated comprehensive management across "Man, Machine, Material, Method, Environment, and Measurement (5M1E)" into digitalized and standardized process workflows, significantly improving the yield and process capability index (CPK) of customer ultra-high-precision processing, and providing first-class process support for mass production of AI PCBs.

In addition, the Company has been continuously enhancing the competitiveness of its products across other core processes centered on AI PCB production scenarios, building an integrated overall solution with effective upstream-downstream cooperation. This includes lamination equipment that ensures interlayer uniformity to improve back-drilling STUB precision control, LDI equipment that provides high-precision interlayer alignment to guarantee back-drilling hole position accuracy, and high-precision electrical testing equipment that safeguards signal integrity and power integrity.

2. **Optimizing Multi-Dimensional Synergy to Maximize Value**

The Company has innovated its business development model, creating an operational system where different functions mutually reinforce one another. This encompasses research into market segment and application scenario demands, R&D of product and solution, and the establishment of general technology and professional talent platforms. By deploying across key processes in PCB manufacturing and offering a diverse range of core products, the Company provides tailored one-stop solutions to different customer groups. This has fostered effective multi-dimensional synergy across technology, supply chain, products, processes, application scenarios, and customers, thereby enhancing the value for customers, supply chain partners, and various functions of the Company.

Technological synergy enables one technology to serve multiple purposes. For instance, the XY-axis motion control platform is applied in both mechanical drilling machines and mechanical routers. The Company has strengthened its technology R&D teams, building a technology and talent platform to coordinate research into common technologies applicable across various market segments. This effectively avoids duplicate R&D efforts and continuously achieves rapid upgrades across different product technologies. Concurrently, technological synergy facilitates the unification of technical standards for processing equipment used in the same application scenario, enabling a product development model based on proven design.

Supply chain synergy facilitates the integrated management of common components, similar assembly processes, and quality requirements across different equipment types. This generates economies of scale in procurement and establishes standardized production and quality control systems, significantly improving material turnover. Furthermore, by strengthening comprehensive partnerships with key enterprises in the supply chain, the Company can further explore and industrialize technologies with added value, thereby continuously reducing product costs and enhancing product performance of the Company to strengthen competitiveness.

Product synergy enables the Company to offer customers a one-stop solution comprising multiple equipment categories and process solutions. This substantially reduces customer-side equipment procurement and maintenance costs and addresses their multi-process requirements. Through in-depth engagement with customer production lines and continuous technical collaboration, the Company deepens its understanding of technologies related to upstream and downstream equipment and materials associated with its existing products. This has accumulated key technologies for the Company's subsequent product line expansion, thereby further enriching its one-stop solution.

Process synergy forms the foundation for creating digital and intelligent comprehensive factory-wide solutions. The Company strategically deploys key equipment across critical processes. Through unified scheduling based on processing formulas and leveraging the comprehensive factory-wide global linkage of Han's data system, product processing information spanning consecutive processes can be rapidly exchanged, enabling powerful error correction between processes. This significantly enhances the comprehensive yield rate of the production line.

Application scenario synergy enables the Company to rapidly provide customers with key equipment for different processes within the same scenario. Through an in-depth grasp of scenario-specific technologies, the Company progressively optimized the performance of products used in that scenario, helping customers to quickly implement new processes for mass production or enter new end markets to secure more orders.

Customer synergy enables maximizing value for customers. Through R&D interactions between the Company's business departments and customers, the Company continuously explores the value of customers. Leveraging the demonstration effect and technology premium of these PCB industry-leading customers, the Company can rapidly achieve product sales to different user ends within the same application scenario, thereby achieving effective customer synergy and reducing customer development costs.

Through mutually reinforcing multi-dimensional synergy, the Company achieves a compounding effect that continuously enhances its product technology capabilities and customer service capabilities, enabling it to better address the evolving demands of advanced PCB manufacturing. It provides customers with cost reduction and efficiency improvement solutions beyond expectations, delivering value gains for customers.

3. Three-in-One R&D System Accelerates New Product Development

The Company has established a three-in-one R&D system comprising three platforms: the process research platform, the product R&D platform, and the general technology platform. These three platforms develop in synergy, each with its own focus while complementing one another organically. The process research platform is deployed extensively at customer sites, deeply identifying customer pain points and bottlenecks, and capturing first-hand process requirements for process-specific solutions. The product R&D platform analyzes customer needs to continuously optimize existing products and develop new ones, systematically translating solutions that address customer pain points and bottlenecks into product process packages, thereby addressing different customer challenges in a targeted manner. The general technology platform provides common technical support, prioritizes the integration of the world's best supply chain technologies, and establishes professional technical and design standards across different technology domains, including mechanics, algorithms, simulation, image vision, electronics and electrical engineering, software, optics, and process mechanism research, to rapidly enhance the technical capabilities of product solutions. The coordinated efforts of these three platforms significantly improve the Company's efficiency in new product R&D and its responsiveness to the market.

The Company is focusing on building a high-level laboratory dedicated to process certification for advanced PCB, advanced packaging and new materials, establishing a mechanism for collaborative development of cutting-edge products with material suppliers and core customers, and prioritizing the control over manufacturability certification of new products.

4. **Talent-First Strategy and AI-Enabled Management Transformation**

The Company continues to optimize its talent structure and further implement the talent-first strategy. As of 30 June 2026, the Company's R&D team had grown to 1,161 employees, of whom core talents with a master's degree or above accounted for 17.48% of the total R&D workforce. This highly educated R&D talent pool provides a solid foundation for technological innovation and core talent assurance, and will fully empower the Company's comprehensive transformation towards a "globally market-driven and technology-led" enterprise. Meanwhile, the Company vigorously advances the development of an AI application platform, having developed and launched multi-modal AI Agents covering business operations, finance, human resources and other areas to drive intelligent upgrading of internal processes and accelerate the accumulation of core data assets and management transformation.

5. **Deepening Industrial Collaboration, Positioning for Future Products and Sharing the Benefits of Industry Growth**

Ranging from processability certification for newly-formulated products of material suppliers to joint research on the performance improvement of upstream lasers, the Company maintains frequent strategic cooperation with upstream supply chain participants and leading processing material enterprises. Timely responding to changes in PCB material formulations and upgrades to product structures across diverse scenarios, the Company develops optimized solutions and proactively explores processing solutions for next-generation high-end PCBs such as 3.2T high-speed optical modules and switches supporting single-channel 448Gbps Serdes. Meanwhile, the Company accelerates the construction of high-standard laboratories. The forward-looking deployment of experimental apparatus and testing equipment will significantly shorten the engineering certification cycle for new materials and new processes, laying a solid foundation for continuously leading industrial technological upgrades and sharing the benefits of industry growth.

IV. FINANCIAL REVIEW

For the analysis of the principal operating results, please see "Principal Business of the Company during the Reporting Period". This financial review information is prepared in accordance with China Accounting Standards for Business Enterprises.

1. Operating Revenue

	The Reporting Period		Corresponding Period of the Previous Year		
	Amount *RMB million*	**% of Operating Revenue**	Amount *RMB million*	% of Operating Revenue	Year-on-Year Change
Total Revenue	**4,984.9208**	**100.00%**	2,381.8332	100.00%	109.29%
By Industry					
PCB	**4,984.9208**	**100.00%**	2,381.8332	100.00%	109.29%
By Product					
Drilling Equipment	**3,619.5196**	**72.61%**	1,691.5278	71.02%	113.98%
Testing Equipment	**420.7664**	**8.44%**	209.0207	8.78%	101.30%
Formation Equipment	**395.0713**	**7.93%**	141.1743	5.93%	179.85%
Photolithography Equipment	**298.7147**	**5.99%**	124.2663	5.22%	140.38%
Attachment Equipment	**69.8294**	**1.40%**	56.1761	2.36%	24.30%
Lamination Equipment	**18.9445**	**0.38%**	—	—	—
Others	**162.0751**	**3.25%**	159.6679	6.70%	1.51%
By Geographic Region					
Domestic Sales	**4,344.4458**	**87.15%**	2,101.4401	88.23%	106.74%
Overseas Sales	**640.4750**	**12.85%**	280.3930	11.77%	128.42%

During the Reporting Period, the Group's total operating revenue amounted to RMB4,984.9208 million, representing a year-on-year increase of 109.29% from RMB2,381.8332 million in the corresponding period of the previous year, reflecting rapid growth across its overall business. Such growth was mainly attributable to the surge in orders for high-end PCB equipment driven by the rapid expansion in demand for AI computing power, coupled with gains in market share resulting from the strengthening of the Company's technological competitive advantages and the realisation of economies of scale, which collectively drove substantial growth in orders across the Company's entire product portfolio.

Drilling Equipment: during the Reporting Period, revenue amounted to RMB3,619.5196 million, representing a year-on-year increase of 113.98% from RMB1,691.5278 million in the corresponding period of the previous year. Its share of operating revenue increased from 71.02% to 72.61%. This product category serves as the Company's core revenue pillar and achieved substantial growth during the Reporting Period. On the demand side, the downstream AI server, high-speed switch, and high-speed optical module industries continued to expand, driving robust market demand for high-end PCBs. This resulted in sufficient order volume and significant sales growth for upstream drilling equipment in the industry chain. At the product structure level, the increasing share of shipments of the Company's high-value-added mechanical drilling machines drove up the overall average selling price of the products, further expanding the revenue scale of drilling equipment.

Testing Equipment: during the Reporting Period, revenue amounted to RMB420.7664 million, representing a year-on-year increase of 101.30% from RMB209.0207 million in the corresponding period of the previous year. Its share of operating revenue decreased from 8.78% to 8.44%. The rapid development of downstream application markets such as AI servers, coupled with the rising value-add of high-end PCB products, generated strong market demand for high-precision testing equipment, driving sales growth in testing equipment. Meanwhile, the competitiveness of the Company's high-value-added, and high-precision testing machine models continued to strengthen, with both the shipment share of related products and the average selling price moving upward in tandem, jointly driving the revenue expansion of testing equipment. Although the revenue scale of testing equipment grew steadily during the period, its revenue share declined slightly, primarily due to differences in how downstream industry sentiment drove demand across different equipment types, as well as the significant expansion of the Company's overall revenue base.

Formation Equipment: during the Reporting Period, revenue amounted to RMB395.0713 million, representing a year-on-year increase of 179.85% from RMB141.1743 million in the corresponding period of the previous year. Its share of operating revenue rose from 5.93% to 7.93%. The primary driver was the substantial growth in demand for CCD mechanical formation machines in the high-speed optical module segment. The increased sales share of such high-value-added machine models significantly expanded the revenue scale of formation equipment.

Photolithography Equipment: during the Reporting Period, revenue amounted to RMB298.7147 million, representing a year-on-year increase of 140.38% from RMB124.2663 million in the corresponding period of the previous year. Its share of operating revenue rose from 5.22% to 5.99%. The Company's products are deeply aligned with the needs of leading PCB manufacturers in the industry for high-precision, large-format high-end photolithography equipment used in expanding production for AI servers, low-orbit satellites and automotive applications. The effective increase in market share drove a rapid rise in sales volume of photolithography equipment.

Attachment Equipment: during the Reporting Period, revenue amounted to RMB69.8294 million, representing a year-on-year increase of 24.30% from RMB56.1761 million in the corresponding period of the previous year. Although the downstream flexible printed circuit market experienced sluggish growth and related corporate investments slowed, the Company continued to engage in comprehensive collaborative development with leading industry customers and continuously explored new application demands, thereby achieving positive revenue growth.

Lamination Equipment: during the Reporting Period, revenue amounted to RMB18.9445 million. The Company's lamination equipment focuses on the R&D of high-technology equipment for AI computing scenarios. Having passed verification by leading customers and achieved small-batch shipments, the products have gradually gained market recognition, thereby generating revenue for relevant products during the period.

Others: during the Reporting Period, revenue amounted to RMB162.0751 million, representing a year-on-year increase of 1.51% from RMB159.6679 million in the corresponding period of the previous year. Its share of operating revenue decreased from 6.70% to 3.25%. Other businesses mainly include value-added services such as spare parts sales, maintenance services and supporting consumables. During the period, the significant surge in complete equipment sales substantially expanded the revenue base of complete machine sales. As most newly added equipment was still within the free warranty period, the growth rate of paid value-added services during the period lagged behind that of the complete machine business. As the installed base of equipment continues to accumulate and gradually exceeds warranty periods, the demand for related paid value-added services is expected to be steadily released, driving steady growth in other business revenue.

2. Gross Profit and Gross Profit Margin

	The Reporting Period		Corresponding Period of the Previous Year		Year-on-Year Change	
Product Classification	**Amount** ***RMB million***	**Gross Profit Margin**	Amount *RMB million*	Gross Profit Margin	Change in Amount	Change in Gross Profit Margin
Drilling Equipment	**1,188.8639**	**32.85%**	441.5350	26.10%	169.26%	Increased by 6.75 percentage points
Testing Equipment	**178.0926**	**42.33%**	85.6324	40.97%	107.97%	Increased by 1.36 percentage points
Formation Equipment	**138.7704**	**35.13%**	34.4115	24.38%	303.27%	Increased by 10.75 percentage points
Photolithography Equipment	**134.9040**	**45.16%**	47.5781	38.29%	183.54%	Increased by 6.87 percentage points
Attachment Equipment	**30.2749**	**43.36%**	24.8476	44.23%	21.84%	Decreased by 0.87 percentage points
Lamination Equipment	**3.2614**	**17.22%**	—	—	—	
Others	**77.7846**	**47.99%**	87.2647	54.65%	−10.86%	Decreased by 6.66 percentage points
Total	**1,751.9518**	**35.15%**	721.2692	30.28%	142.90%	Increased by 4.87 percentage points

During the Reporting Period, the Group achieved gross profit of RMB1,751.9518 million, representing a year-on-year increase of 142.9% from RMB721.2692 million in the corresponding period of the previous year; the overall gross profit margin increased from 30.28% to 35.15%, up by 4.87 percentage points. The profit growth during the Reporting Period was primarily driven by the surge in demand for AI computing power industry chain and the upgrading of production processes by downstream PCB manufacturers, which boosted the demand for high-end PCB processing equipment. Meanwhile, the Company continued to advance R&D technology iteration, optimize its product sales mix, deepen cooperation with leading quality customers, and achieve cost reduction and efficiency improvement through scaled operations, all of which collectively contributed to the simultaneous increase in the Group's gross profit scale and overall profitability.

Drilling Equipment: during the Reporting Period, gross profit was RMB1,188.8639 million, representing a year-on-year increase of 169.26% from RMB441.5350 million in the corresponding period of the previous year, and the gross profit margin increased from 26.10% to 32.85%, up by 6.75 percentage points. During the Reporting Period, the expansion of AI PCB production capacity in the downstream drove a significant increase in sales volume and technological upgrades of drilling equipment. Among these, the sales share of high-value-added mechanical drilling machines kept rising, coupled with cost reduction and efficiency improvement through refined internal operations, which jointly lifted the overall gross profit margin of this category and made it the core business supporting the Company's gross profit growth.

Testing Equipment: during the Reporting Period, gross profit was RMB178.0926 million, representing a year-on-year increase of 107.97% from RMB85.6324 million in the corresponding period of the previous year, and the gross profit margin increased from 40.97% to 42.33%, up by 1.36 percentage points. The significant growth in sales volume of testing equipment during the Reporting Period, together with continuous optimization of the product mix and an increased sales share of high-value-added, high-precision testing models, drove a steady improvement in the overall gross profit margin of this category.

Formation Equipment: during the Reporting Period, gross profit amounted to RMB138.7704 million, representing a year-on-year increase of 303.27% from RMB34.4115 million in the corresponding period of the previous year, and the gross profit margin increased from 24.38% to 35.13%, up by 10.75 percentage points. With significant growth in sales of high-end formation equipment for high-speed optical module applications, coupled with the gradual release of economies of scale on the production side, the overall gross profit margin improved significantly.

Photolithography Equipment: during the Reporting Period, gross profit amounted to RMB134.9040 million, representing a year-on-year increase of 183.54% from RMB47.5781 million in the corresponding period of the previous year, and the gross profit margin increased from 38.29% to 45.16%, up by 6.87 percentage points. The Company's market share among downstream PCB customers in AI server, low-orbit satellite and related applications increased, with higher sales volume of high-precision, large-format high-end photolithography equipment. This equipment category offers higher value-add and profitability, as well as optimized sales structure, driving substantial simultaneous increases in both gross profit scale and gross profit margin for this equipment category.

Attachment Equipment: during the Reporting Period, gross profit amounted to RMB30.2749 million, representing a year-on-year increase of 21.84% from RMB24.8476 million in the corresponding period of the previous year, and the gross profit margin declined from 44.23% to 43.36%, down by 0.87 percentage points. During the Reporting Period, sales volume of attachment equipment increased. In addition to continued orders from leading flexible printed circuit customers, the proportion of products for automotive CCS applications, which carry relatively lower selling prices, increased, causing the overall gross profit margin for this equipment category to decline.

Lamination Equipment: during the Reporting Period, gross profit amounted to RMB3.2614 million, with a gross profit margin of 17.22%. This product is currently in the market certification and promotion stage. Ongoing investments in early-stage R&D, certification, market development and other related activities have kept the unit cost allocation at a high level. In the future, as product certifications are secured and market orders ramp up, the economies of scale will gradually emerge with increasing production capacity and shipment volumes, and the product gross profit margin is expected to improve.

Others: during the Reporting Period, gross profit amounted to RMB77.7846 million, representing a year-on-year decrease of 10.86% from RMB87.2647 million in the corresponding period of the previous year, and the gross profit margin decreased from 54.65% to 47.99%, down by 6.66 percentage points. The Company's other business segments include spare parts sales, paid maintenance and value-added services, and ancillary consumables. During the Reporting Period, the gross profit margin of other businesses declined slightly, primarily due to an increase in the revenue contribution from ancillary consumables with relatively lower gross profit; the gross profit margins of value-added services including paid maintenance and ancillary consumables remained at relatively high levels.

3. Expenses

Item	The Reporting Period *RMB million*	Corresponding Period of the Previous Year *RMB million*	Year-on-Year Change
Selling expenses	**167.9579**	118.0583	42.27%
Administration expenses	**203.5614**	114.7326	77.42%
Finance costs	**16.1256**	19.7184	-18.22%
R&D expenses	**269.5134**	158.9062	69.61%

The Company's selling expenses increased from RMB118.0583 million in the corresponding period of the previous year to RMB167.9579 million during the Reporting Period, representing a year-on-year increase of 42.27%. This was mainly due to the growth in sales orders and the expansion of the sales team, which led to substantial increases in salary expenses, business entertainment expenses, travelling expenses and motor vehicle expenses, among others; the decrease in share-based payment expenses during the period partially offset the increase in selling expenses.

The Company's administrative expenses increased from RMB114.7326 million in the corresponding period of the previous year to RMB203.5614 million during the Reporting Period, representing a year-on-year increase of 77.42%. This was mainly due to (i) significant increases in salary expenses resulting from the recruitment of management talent and team expansion; (ii) substantial increases in depreciation and amortization of long-term assets in line with the expansion of the Company's asset base; the decrease in share-based payment expenses during the period partially offset the increase in administrative expenses.

The Company's finance costs decreased from RMB19.7184 million in the corresponding period of the previous year to RMB16.1256 million during the Reporting Period, representing a year-on-year decrease of 18.22%. This was mainly due to (i) an increase in interest income during the period; (ii) an increase in net exchange losses resulting from exchange rate fluctuations.

The Company's R&D expenses increased from RMB158.9062 million in the corresponding period of the previous year to RMB269.5134 million during the Reporting Period, representing a year-on-year increase of 69.61%. This was mainly due to (i) the Company's increased R&D investment and the recruitment of high-end R&D talents, which led to significant increases in salary expenses; (ii) increased investment in R&D material expenses; the decrease in share-based payment expenses during the Reporting Period partially offset the increase in R&D expenses.

4. Assets and Liabilities

(1) Details of major assets and liabilities

Item	End of the Reporting Period Amount RMB million	End of the Reporting Period % of Total Assets	End of the Previous Year Amount RMB million	End of the Previous Year % of Total Assets	Change in %
Monetary funds	**5,254.7325**	**28.87%**	1,816.5212	17.11%	11.76%
Accounts receivable	**4,783.4765**	**26.28%**	2,572.5540	24.24%	2.04%
Inventories	**2,490.5378**	**13.68%**	1,893.1145	17.83%	-4.15%
Contract assets	**85.3869**	**0.47%**	47.4541	0.45%	0.02%
Non-current assets due within one year	**1,954.9378**	**10.74%**	1,176.4117	11.08%	-0.34%
Long-term receivables	**84.3221**	**0.46%**	418.2196	3.94%	-3.48%
Long-term equity investments	**53.0356**	**0.29%**	54.4944	0.51%	-0.22%
Other equity instrument investments	**566.6114**	**3.11%**	—	—	3.11%
Investment properties	**1.6868**	**0.01%**	1.7254	0.02%	-0.01%
Fixed assets	**819.0542**	**4.50%**	762.5976	7.18%	-2.68%
Construction in progress	**39.7822**	**0.22%**	24.2196	0.23%	-0.01%
Right-of-use assets	**53.4811**	**0.29%**	26.3625	0.25%	0.04%
Deferred tax assets	**287.3969**	**1.58%**	164.9848	1.55%	0.03%
Short-term borrowings	**1,094.1355**	**6.01%**	473.7325	4.46%	1.55%
Bills payable	**1,394.9678**	**7.66%**	1,150.1332	10.83%	-3.17%
Accounts payable	**2,312.0615**	**12.70%**	1,659.9198	15.64%	-2.94%
Contract liabilities	**212.5350**	**1.17%**	198.4206	1.87%	-0.70%
Employee benefits payable	**411.4231**	**2.26%**	361.9766	3.41%	-1.15%
Taxes payable	**244.7364**	**1.34%**	138.8803	1.31%	0.03%
Long-term borrowings	**—**	**—**	179.9500	1.70%	-1.70%
Lease liabilities	**22.2601**	**0.12%**	11.0411	0.10%	0.02%

The balance of the Company's monetary funds increased from RMB1,816.5212 million as at 31 December 2025 to RMB5,254.7325 million as at 30 June 2026, representing an increase of 11.76 percentage points in its proportion, primarily due to the receipt of H Share proceeds.

The balance of the Company's accounts receivable increased from RMB2,572.5540 million as at 31 December 2025 to RMB4,783.4765 million as at 30 June 2026, representing an increase of 2.04 percentage points in its proportion, primarily due to the corresponding increase in accounts receivable driven by the expansion of revenue scale.

The balance of the Company's inventories increased from RMB1,893.1145 million as at 31 December 2025 to RMB2,490.5378 million as at 30 June 2026, primarily due to the increase in raw material inventory to secure order fulfilment in line with revenue expansion; its proportion decreased by 4.15 percentage points as a result of the dilution effect from the expansion of total assets.

The balance of the Company's non-current assets due within one year increased from RMB1,176.4117 million as at 31 December 2025 to RMB1,954.9378 million as at 30 June 2026, primarily due to the reclassification of long-term receivables, certificates of deposit and accrued interest to non-current assets due within one year; its proportion decreased by 0.34 percentage points as a result of the dilution effect from total asset expansion.

The balance of the Company's long-term receivables decreased from RMB418.2196 million as at 31 December 2025 to RMB84.3221 million as at 30 June 2026, representing a decrease of 3.48 percentage points in its proportion, primarily due to the reclassification of certain amounts to non-current assets due within one year.

The balance of the Company's long-term equity investments decreased from RMB54.4944 million as at 31 December 2025 to RMB53.0356 million as at 30 June 2026, representing a decrease of 0.22 percentage points in its proportion, primarily due to the losses incurred by associates during the Reporting Period.

The balance of the Company's other equity instrument investments amounted to RMB566.6114 million, accounting for 3.11%, primarily due to new investments in stocks during the Reporting Period.

The balance of the Company's fixed assets increased from RMB762.5976 million as at 31 December 2025 to RMB819.0542 million as at 30 June 2026, primarily due to the acquisition of additional equipment during the Reporting Period; its proportion decreased by 2.68 percentage points as a result of the dilution effect from total asset expansion.

The balance of the Company's deferred tax assets increased from RMB164.9848 million as at 31 December 2025 to RMB287.3969 million as at 30 June 2026, representing an increase of 0.03 percentage points in its proportion, primarily due to the increase in deductible temporary differences arising from share-based payment, employee benefits payable, asset impairment provisions and other items.

The balance of the Company's short-term borrowings increased from RMB473.7325 million as at 31 December 2025 to RMB1,094.1355 million as at 30 June 2026, representing an increase of 1.55 percentage points in its proportion, primarily due to the expansion of business, increased raw material inventory, and new letters of credit advances and bank working capital loans.

The balance of the Company's bills payable increased from RMB1,150.1332 million as at 31 December 2025 to RMB1,394.9678 million as at 30 June 2026, primarily due to the increase in procurement scale and the greater use of bills in settlement with suppliers; its proportion decreased by 3.17 percentage points as a result of the dilution effect from total asset expansion.

The balance of the Company's accounts payable increased from RMB1,659.9198 million as at 31 December 2025 to RMB2,312.0615 million as at 30 June 2026, primarily due to the expansion of procurement scale in line with revenue growth; its proportion decreased by 2.94 percentage points as a result of the dilution effect from total asset expansion.

The balance of the Company's contract liabilities increased from RMB198.4206 million as at 31 December 2025 to RMB212.5350 million as at 30 June 2026, primarily due to the increase in advance receipts from customers driven by revenue growth; its proportion decreased by 0.70 percentage points as a result of the dilution effect from total asset expansion.

The balance of the Company's employee benefits payable increased from RMB361.9766 million as at 31 December 2025 to RMB411.4231 million as at 30 June 2026, primarily due to the expansion of the workforce and salary increases driven by business growth; its proportion decreased by 1.15 percentage points as a result of the dilution effect from total asset expansion.

The balance of the Company's long-term borrowings was reduced to nil, representing a decrease of 1.70 percentage points in its proportion, primarily due to the repayment of bank long-term loans during the Reporting Period.

(2) *Gearing ratio*

As at 30 June 2026, the Company's gearing ratio was 33.67% (as at 31 December 2025: 42.68%). The decrease in the gearing ratio was primarily due to the significant increase in total assets resulting from the receipt of H Share proceeds and business expansion. The table below sets forth the Group's absolute amounts of total assets and total liabilities, the gearing ratio (defined as total liabilities divided by total assets), and the capital-to-liability ratio (defined as total liabilities divided by net assets) as at 30 June 2026 and 31 December 2025:

Item	**30 June 2026** *RMB million*	31 December 2025 *RMB million*
Total assets	**18,200.8076**	10,615.0276
Total liabilities	**6,127.8312**	4,530.1381
Gearing ratio	**33.67%**	42.68%
Capital-to-liability ratio	**50.76%**	74.45%

(3) *Restrictions on rights of assets as of the end of the Reporting Period*

For details regarding the restrictions on rights of assets as of the end of the Reporting Period, please refer to "Note 23. Assets with Restricted Ownership or Right of Use" under "Notes to Items of the Consolidated Financial Statements" in the "Financial Report" of the Report.

5. Cash Flows

Item	The Reporting Period *RMB million*	Corresponding Period of the Previous Year *RMB million*	Year-on-Year Change
Net cash flows from operating activities	**-1,074.9209**	-551.1860	-95.02%
Net cash flows from investing activities	**-460.2547**	-60.8378	-656.53%
Net cash flows from financing activities	**5,041.1857**	421.3366	1,096.47%
Net increase/decrease in cash and cash equivalents	**3,438.2113**	-191.2587	1,897.68%
Effect of exchange rate changes on cash and cash equivalents	**-67.7989**	-0.5715	-11,763.32%
Cash and cash equivalents at beginning of the Reporting Period	**1,815.9797**	1,539.1311	17.99%
Cash and cash equivalents at end of the Reporting Period	**5,254.1910**	1,347.8724	289.81%

The year-on-year decrease in net cash flows from operating activities was primarily due to the Company's expansion of procurement scale and increased cash payments for inventory preparation in response to the significant growth in orders on hand, as well as increased operating expenses such as staff salary and various taxes and levies driven by revenue growth during the Reporting Period.

The year-on-year decrease in net cash flows from investing activities was primarily due to increased capital expenditures during the Reporting Period, including strategic equity investments and the purchase of fixed assets, intangible assets and other long-term assets.

The year-on-year increase in net cash flows from financing activities was primarily due to the Company's issuance and listing of H Shares during the Reporting Period, as well as the issuance of new Shares upon the exercise of the second tranche of restricted share incentive scheme.

The year-on-year decrease in the effect of exchange rate changes on cash and cash equivalents was primarily due to fluctuations in the HKD exchange rate following the receipt of offering proceeds during the Reporting Period.

6. Liquidity, Financial Resources and Capital Structure

The Group maintains sufficient cash and cash equivalents to ensure financial flexibility. The Company's cash and cash equivalents primarily consist of bank deposits. The table below sets forth the Group's cash and cash equivalents as at 30 June 2026 and 31 December 2025:

Unit: RMB million

	30 June 2026	31 December 2025
Bank deposits	**5,254.1910**	1,815.9797
Total	**5,254.1910**	1,815.9797

The Group's cash and cash equivalents increased from RMB1,815.9797 million as at 31 December 2025 to RMB5,254.1910 million as at 30 June 2026, primarily due to the Company's issuance and listing of H Share during the Reporting Period and the receipt of offering proceeds. As of 30 June 2026, the Company's cash and cash equivalents were mainly held in RMB, USD, HKD, and other currencies.

The Group conducts financing based on market interest rates and capital operation plans; the Company's bank loan cooperative institutions cover a number of commercial banks and other financial institutions in Chinese Mainland, Hong Kong and Macau. The table below sets forth the Company's bank loans and discounted unmatured bills as at 30 June 2026 and 31 December 2025:

Unit: RMB million

	30 June 2026	31 December 2025
Bank loans	**1,093.4455**	503.5074
Discounted unmatured bills	**0.6900**	1.5600
Current sub-total	**1,094.1355**	505.0674
Bank loans	**0.0000**	179.9500
Non-current sub-total	**0.0000**	179.9500
Total	**1,094.1355**	685.0174

The Group's finance department is responsible for the financial risk management of the Group, ensuring that the liquidity structure of the Group's assets, liabilities and other commitments is able to meet its funding requirements at all times. As at 30 June 2026, the Group's total borrowings amounted to RMB1,094.1355 million (as at 31 December 2025: RMB685.0174 million), of which RMB1,094.1355 million was repayable within one year. As at 30 June 2026, the Group's outstanding borrowings were primarily credit loans denominated in RMB and HKD. Most of the loans bear interest at fixed rates, with effective annual interest rates ranging between 1.58% and 4.41%.

The Company maintains sufficient liquidity to meet its working capital management needs, repay maturing debts, and fund capital expenditure requirements.

7. Foreign Exchange Risk

The consolidated financial statements of the Company are presented in Renminbi. Bank deposits are mainly denominated in RMB, US dollars and Hong Kong dollars, among others, and therefore the Company is exposed to foreign exchange fluctuation risk. Such risk primarily arises from monetary exposures of foreign currencies, which are generated from export sales settled in US dollars and import purchases settled in euros. During the Reporting Period, the Company's export sales were primarily settled in US dollars. Although the RMB appreciated against the US dollar during the Reporting Period, fluctuations in the US dollar and euro exchange rate provided a risk hedge, and exchange rate movements did not have a material impact on the Company's operating results or financial position.

The Company will continue to monitor exchange rate movements and will proactively manage foreign exchange risk by taking appropriate measures, including but not limited to foreign exchange hedging, optimizing foreign exchange settlement management, and adjusting internal settlement and financing structures.

8. Significant Investments and Material Acquisitions and Disposals

As at 30 June 2026, the Group did not hold any significant investments. For this purpose, such significant investment refers to an investment in an investee company where the investment amount accounts for 5% or more of the Group's total assets.

During the Reporting Period, the Group did not conduct any material acquisitions or disposals of subsidiaries, associates or joint ventures.

9. External Guarantees

Unit: RMB million

Guarantees provided by the Company to its subsidiaries

The guaranteed party	Date of disclosure of relevant announcement in relation to the limit on the guaranteed amount	Limit on guaranteed amount	Actual effective date	Actual guaranteed amount	Type of guarantee	Collateral (if any)	Counter-Guarantee (if any)	Period of guarantee	Completed or not	Whether the guarantee is given for any related party
Han's CNC Technology (Xinfeng) Co., Ltd.	9 November 2023	156.93	10 November 2023	156.93	General guarantee	No	No	Two years commencing from the day immediately following the expiration date for the performance of the last debt or the fulfillment of the last contractual obligation (whichever is later) under all master agreements for Xinfeng CNC	No	No
Total limit on the amount of guarantees for subsidiaries approved during the Reporting Period (B1)		0.00		Total actual amount of guarantees for subsidiaries during the Reporting Period (B2)						0.00
Total limit on the amount of guarantees for subsidiaries which has been approved at the end of the Reporting Period (B3)		156.93		Total balance of actual amount of guarantees for subsidiaries at the end of the Reporting Period (B4)						156.93

Guarantees provided by the subsidiaries to the subsidiaries

The guaranteed party	Date of disclosure of relevant announcement in relation to the limit on the guaranteed amount	Limit on guaranteed amount	Actual effective date	Actual guaranteed amount	Type of guarantee	Collateral (if any)	Counter-Guarantee (if any)	Period of guarantee	Completed or not	Whether the guarantee is given for any related party

Total guarantees of the Company (sum of the above three major items)

Total limit on the amount of guarantees approved during the Reporting Period (A1+B1+C1)	0.00	Total actual amount of guarantees during the Reporting Period (A2+B2+C2)	0.00
Total limit on the amount of guarantees which has been approved at the end of the Reporting Period (A3+B3+C3)	156.93	Total balance of actual amount of guarantees at the end of the Reporting Period (A4+B4+C4)	156.93
The ratio of total balance of amount of guarantees (i.e., A4+B4+C4) to the Company's net assets			1.30%

10. Significant Commitments

For details of the significant commitments, please refer to "1. Significant Commitments", "Commitments and Contingencies" in the "Financial Report" of the Report.

11. Contingent Liabilities

As at 30 June 2026, save as disclosed in "2. Contingencies", "Commitments and Contingencies" in the "Financial Report" of the Report, the Company had no other material contingent liabilities.

12. Charge on Assets

As at 30 June 2026, the Group did not pledge any assets as collateral for bank borrowings or any other financing activities.

13. Future Plans for Material Investments and Capital Assets

As at 30 June 2026, the Group did not have any plans for material investments or acquisitions of capital assets.

V. PROSPECTS FOR THE COMPANY'S FUTURE DEVELOPMENT

Since its establishment, the Company has consistently focused on the specialized PCB equipment industry, continuously expanding into key process equipment segments characterized by high technical complexity and added value within the PCB manufacturing process. It remains committed to providing customers with one-stop solutions. Concurrently, the Company is rebuilding its value chain by focusing on auxiliary tools, auxiliary materials, and processing objects related to its specialized processing equipment. The AI computing power industry chain represents the primary direction for future PCB industry development. In alignment with the global expansion of its supply chain, the Company will follow the path of ALL IN AI. It aims to fully capitalize on the opportunities for robust growth in specialized equipment, arising from technological upgrades in the PCB industry and the evolving competitive landscape. By building production capacity both domestically and internationally and engaging deeply in global competition, the Company seeks to achieve sustainable business growth.

The Company will continue to pursue its strategic vision of "become the most respected and trusted PCB equipment service provider in the world". It will focus comprehensively on the AI computing power industry chain, with strategic enhancements planned in the following key areas to strengthen its core competitiveness.

1. The Company focuses on the high-multilayer boards, high-multilayer HDI boards, substrate-like boards, and packaging substrate markets within the AI computing power scenario, which features rapid market growth and higher technological barriers. Leveraging the synergistic advantages of diversified products and multiple scenarios, the Company continuously develops market-competitive intelligent manufacturing solutions that are suited for AI computing power scenario and cover the core processes across the entire PCB production workflow. The Company strives not only to achieve continuous breakthroughs at the product performance level, but also to realize the mass production of a new generation of AI PCB products from the dimension of comprehensive intelligent manufacturing solutions for the entire AI PCB process.

2. Leveraging its core process solutions built on advanced technologies as a strategic entry point, the Company will collaborate closely with leading downstream PCB manufacturers, upstream key component suppliers, and critical PCB material vendors. By comprehensively mastering the industry's leading production technologies and evolving process trends, the Company will establish an integrated R&D linkage mechanism spanning the upstream, midstream, and downstream segments of the industrial chain. This will enable the gradual extension of its product line from key PCB processes to full-process coverage, strengthening its one-stop supply of PCB processing solutions. As product technologies further mature, the Company will assist PCB industry clients in expanding into advanced packaging sectors.

3. The Company is committed to transforming the existing value chain by enhancing value capture around its existing specialized equipment. Through the integration of new technologies, materials, and processes in PCB industry with specialized processing equipment, the Company will develop systematic process solutions under the HANS CNC brand, significantly improving PCB processing efficiency and quality. Compared to standalone models offering specialized processing equipment or raw materials, HANS CNC systematic solutions can help PCB manufacturers achieve substantial reductions in overall operating costs and maintain leadership in advanced technologies.

4. The Company will continue to strengthen its service capabilities, leveraging its rapid-response advantage to provide customers with full-lifecycle value-added services — from technical consulting and equipment selection to operation, maintenance, and technology upgrades. This will transform traditional product sales into ongoing value interactions with customers, advancing its evolution toward a one-stop solution provider. Additionally, the Company will actively expand its overseas supply and service systems to align with the global diversification trends in the PCB industry, thereby enhancing its global competitiveness.

5. The Company will fully embrace the AI transformation by building a digital intelligence development roadmap. AI will empower innovation across all business segments, facilitating the deployment of intelligent agents across various business scenarios. By pioneering digital and intelligent transformation in the specialized PCB processing equipment sector, the Company aims to secure a competitive advantage.

VI. RISKS FACED BY THE COMPANY AND MITIGATION MEASURES

1. Risk of Technology Being Outpaced or Substituted

The Company has deployed equipment across multiple key processes in PCB manufacturing. However, all product types face intense competition from various international leaders, such as Schmoll of Germany and Mitsubishi Electric and Via Mechanics of Japan in terms of the drilling process products, KLA of the US and ORC of Japan in terms of pattern transfer products, and Nidec-Read of Japan in terms of inspection process products. Concurrently, domestic manufacturers are increasing their R&D investments, with several listed companies entering the market through acquisitions or by expanding into new product lines. Consequently, the Company faces the risk of its core technologies being outpaced by other domestic competitors.

The Company continues to enhance its hardware R&D capabilities by introducing state-of-the-art laboratory equipment and instruments. Leveraging its Shenzhen Postdoctoral Workstation, it attracts more technical talent and deepens collaboration with upstream and downstream industry players to improve its technological competitiveness and foresight. This enables the Company to meet the demand for equipment for the production capacity expansion of high-value-added PCBs such as IC substrates, while enhancing the profitability of traditional market segments and mitigating the risk of technologies being surpassed or substituted.

2. Risk of Dependence on Overseas Suppliers and Sole-source Suppliers for Certain Raw Materials

While the Company emphasizes diversification of its raw material sources, it remains dependent on overseas brands for certain raw materials. The Company has established long-term and stable relationships with most of its overseas suppliers. However, if international market competition intensifies, particularly as the technological value of the Company's newly developed products increases, and foreign countries impose export restrictions on related components, it could adversely affect the Company's production and operations.

The Company will actively explore leading suppliers from different countries to broaden its resource base, strengthen positive interactions and deepen relationships with core suppliers to secure higher supply priority. Simultaneously, the Company will master core technologies for key components, intensify efforts to cultivate both domestic and international potential raw material suppliers, provide customized technical requirements, and develop products exclusive to the Company through R&D, thereby reinforcing supply chain security.

3. Risk of Market Competition

As China places greater emphasis on the PCB industry and its technological level of the PCB industry improves, Chinese PCB equipment manufacturers have challenged the previously dominant position of European, American and Japanese companies in the industry, potentially drawing attention from these international PCB equipment enterprises and intensifying global competition. Concurrently, given the sustained growth in domestic market demand of PCB industry and China's considerable potential for the substitution of domestic products for import ones, more domestic specialized equipment companies are expected to enter the market, further intensifying competition within China. Consequently, the Company faces the risk of declining profitability due to intensified competition in both domestic and international markets.

The Company will leverage its extensive customer base and engage in cutting-edge technological R&D with leading industry clients. By grasping the latest trends in industry technology and developing products that meet customer needs, the Company will fulfil the requirements for high-volume production of AI PCBs, which demands increasingly sophisticated technology driven by computational power. Furthermore, it will break through existing processing technological bottlenecks in the substrate-like PCB and IC substrate markets, helping customers enhance their industry competitiveness, significantly increasing customer loyalty and maintaining its competitive advantage, thereby improving its profitability.

4. Risk of Product Quality Control

The Company's equipment covers multiple critical PCB processes and includes a wide variety of product types and models, making quality control challenging. As the Company's business continues to expand, its product portfolio becomes more diverse, and downstream customers demand higher product quality, the Company's quality control function faces increasing challenges. Should the Company fail to maintain a comprehensive, robust and effective quality control system, or if its quality control measures are not effectively implemented, leading to quality issues such as substandard products or defects that result in returns or customer complaints, it could adversely affect the Company's existing customer relationships and future business expansion.

The Company will continue to adhere to the ISO-9001 quality system standards, enhance training on standardized production and quality management, and foster a comprehensive, whole-process, and company-wide quality management philosophy to reduce the risk of inadequate product quality control. Concurrently, the Company will break down the technical specifications and quality requirements of equipment for core applications, develop dedicated quality control checklists and management processes, and prioritize the assignment of high-caliber engineers and quality teams to ensure the stability and consistency of equipment for high-value-added products.

5. Risk of Changes in Industrial Policies

The development of the specialized PCB equipment industry is influenced not only by industrial policies but also by policies governing its upstream and downstream industries. In recent years, China has provided substantial policy support to the industries related to the specialized PCB equipment. However, if the intensity of such national policy support weakens in the future, it may have a certain adverse impact on the Company.

The Company will closely monitor changes in industry policies and promptly adjust its production and operation strategies to meet the requirements of the latest national industrial policies. At present, China has elevated the development of the AI industry chain to a higher level, which will create a more favorable environment for long-term market demand.

6. Risk of PCB Industry Relocation

With the accelerated implementation of the "China + N" supply chain strategy of global electronic terminal manufacturers, the PCB industry and its downstream customers are increasingly making new investments in Southeast Asian, further expanding related production capacity. Although the Company maintains stable cooperation with our existing customers and its successful experience in China has been replicated on a large scale, if end customers mandate that PCB enterprises procure specialized processing equipment from specific brands or countries of origin, or if workers in the Southeast Asian PCB industry are not accustomed to using domestic equipment, the Company may be unable to capitalize on the new equipment opportunities presented by overseas PCB expansion, potentially leading to a decline in our market share for related equipment.

The Company will engage in positive interactions with domestic enterprises relocating their production capacity, proactively explore cooperation plans in advance, add local language operation interfaces such as English and Thai to meet end customer requirements, and develop equipment that adapts to the habits of local operators. In addition, the Company will establish overseas entities to not only promptly meet customers' equipment purchase or technical support needs, but also follow market changes in real time to advance the construction of overseas R&D and manufacturing centers, building overseas supply capabilities to address the procurement strategies of international customers.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance practices. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the CG Code contained in Appendix C1 to the Hong Kong Listing Rules as the basis for the corporate governance practices of the Company.

As the Company's H Shares were listed on the Hong Kong Stock Exchange on 6 February 2026, the CG Code set out in Appendix C1 to the Hong Kong Listing Rules has been applicable to the Company since the Listing Date.

Save as disclosed below, the Company has complied with all applicable code provisions under the CG Code from the Listing Date to the end of the Reporting Period.

Pursuant to code provision C.2.1 of Part 2 of the CG Code, companies listed on the Hong Kong Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and general manager, and Mr. YANG Chaohui currently performs the above two roles. The Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired, and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider separating the roles of chairman and general manager of the Company when and if appropriate taking into account the circumstances of the Group as a whole.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all the Directors, all the Directors confirmed that they had complied with the standard of dealings as set out in the Model Code from the Listing Date and up to the end of the Reporting Period.

CHANGES TO DIRECTORS' INFORMATION

Since the publication of the Company's annual report for the year ended 31 December 2025, changes to Directors' information required to be disclosed under Rule 13.51B(1) of the Hong Kong Listing Rules are as follows:

On 16 July 2026, Mr. ZHANG Jianqun's position at Han's Laser was changed from executive deputy director of the management and decision committee to standing member of the management and decision committee.

On 16 July 2026, Mr. ZHOU Huiqiang's position at Han's Laser was changed from executive deputy director of the management and decision committee to standing member of the management and decision committee.

On 16 July 2026, Mr. DU Yonggang's position at Han's Laser was changed from member of the management and decision committee to member of the investment and M&A committee.

Mr. ZHOU Huiqiang was appointed as the Chairman of Guangdong Han's Hansheng Environmental Technology Co., Ltd. (廣東大族漢盛環境科技有限公司) on 13 April 2026, as the Chairman of Suzhou Han's Handing New Energy Co., Ltd. (蘇州大族漢鼎新能源有限公司) on 13 May 2026, as a director of Shenzhen Attom Technology Co., Ltd. (深圳安騰創新科技有限公司) on 8 June 2026, as a director of Hangzhou Yongtong Intelligent Manufacturing Technology Co., Ltd. (杭州永通智造科技有限公司) on 1 July 2026, as a director of Hangzhou Han's Guanwei Technology Co., Ltd. (杭州大族觀微科技有限公司) on 6 July 2026, and as a director of Jiangsu Han's Optical Fiber Technology Co., Ltd. (江蘇大族光纖科技有限公司) on 4 August 2026.

Save as disclosed above, there is no other information required to be disclosed under Rule 13.51B(1) of the Hong Kong Listing Rules.

DIVIDENDS

At the annual general meeting held on 8 May 2026, the shareholders approved the payment of a final dividend for the year ended 31 December 2025 at a rate of RMB6 per 10 shares (tax inclusive) where the dividend on A Shares will be paid in Renminbi and the dividend on H Shares will be paid in Hong Kong Dollars. The actual dividend amount will be converted into Hong Kong Dollars based on the average central parity rate of Renminbi against Hong Kong Dollar announced by the People's Bank of China for the five consecutive business days preceding 8 May 2026 (being the date of the annual general meeting), representing HK$6.8559 per 10 H Shares (tax inclusive) at the exchange rate of HK$1.00 to RMB0.875154. The dividend was distributed on 12 June 2026 to the H shareholders whose names appeared on the Company's H Share register of members as at 18 May 2026.

The Board has resolved not to recommend the payment of any interim dividend in respect of the Reporting Period.

REPURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 6 February 2026, the Company issued 50,451,800 H Shares under global offering and listed such H Shares on the Main Board of the Stock Exchange for trading, at an offer price of HK$95.80 per H Share. Subsequently, the Company agreed to the full exercise of the over-allotment option by the sponsor-overall coordinator on 5 March 2026, pursuant to which 7,567,700 H Shares were issued at an offer price of HK$95.80 per H Share. The relevant shares were listed and traded on the Main Board of the Stock Exchange on 10 March 2026. The Company issued a total of 58,019,500 H Shares and raised total proceeds of HK$5,558.3 million from the global offering. The total share capital of the Company increased from 425,509,152 Shares to 483,528,652 Shares accordingly.

The Company held the 22nd meeting of the Second Session of Board on 10 April 2026, at which the Resolution on the Fulfillment of Vesting Conditions for the Second Vesting Period of the 2023 Restricted Share Incentive Scheme was reviewed and approved. It was resolved that the vesting conditions for the second vesting period of the Company's 2023 Restricted Share Incentive Scheme had been satisfied. The number of restricted shares to be vested in this round is 5,479,089 Shares, with the grant price set at RMB18.98 per share. The newly increased shares of 5,479,089 shares were registered with the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited on 7 May 2026, and were listed and became tradable on 8 May 2026. The Company's total share capital increased from 483,528,652 Shares to 489,007,741 Shares.

Save as disclosed above, neither the Company nor any of its subsidiaries repurchased, redeemed or sold any of the Company's listed securities (including the sale of treasury shares) from the Listing Date and up to 30 June 2026. As of 30 June 2026, the Company did not hold any shares of the Company as treasury shares.

AUDIT COMMITTEE

The audit committee consists of three members, namely Mr. QIU Yunliang, Mr. ZHOU Huiqiang and Ms. LI Weiwei, with Mr. QIU Yunliang as the chairman of the audit committee and is the Director appropriately qualified as required under Rules 3.10(2) and 3.21 of the Hong Kong Listing Rules.

The terms of reference of the audit committee are of no less exacting terms than those set out in the CG Code. The principal duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and provide advice and recommendations to the Board.

The audit committee has reviewed, together with the management of the Company, the accounting policies and practices adopted by the Group and discussed matters relating to audit, risk management, internal controls and financial reporting, including a review of the unaudited interim financial information of the Group for the six months ended 30 June 2026.

EMPLOYEES

The total number of employees of the Group increased by 18.82% from 3,570 as of 31 December 2025 to 4,242 as of 30 June 2026. During the Reporting Period, the total staff costs amounted to approximately RMB600.38 million.

Employees' annual remuneration is determined with reference to a combination of factors including each employee's knowledge, skills, job grade, performance, market remuneration levels and the operating results of the Company. Monthly salaries of employees are paid monthly in accordance with the Company's remuneration management policies, and performance-related bonuses are paid at the year-end based on the Company's annual operating performance and individual performance appraisal results.

The Company systematically carried out training initiatives with a modular and refined approach, centering on the core objective of building a talent development and training database. Through modularised training design, the Company precisely addressed the needs of all employees for capability enhancement, achieving comprehensive advancement of employee competencies. Meanwhile, the Company implemented a points-based management system to effectively incentivise employee participation in training, fostering a positive atmosphere of proactive learning and collective growth.

The Company strictly complies with relevant laws and regulations such as the Labor Law of the People's Republic of China and the Labor Contract Law of the People's Republic of China, establishing a standardized management system to comprehensively protect the legitimate rights and interests of employees, creating a respectful, equal and harmonious working environment for them. The Company has constructed diversified career development paths covering the entire spectrum including R&D, marketing, functions, and production, and has established a tiered and categorized training system throughout the employee growth cycle. Through online and offline platforms, targeted empowerment is provided to employees at all levels and positions, achieving mutual promotion and integration of talent growth and corporate development. The Company has established a comprehensive occupational health and safety management system, effectively controlling various occupational health and safety risks through systematic systems and procedures, with special attention paid to the safety rights and interests of particular employee groups, providing comprehensive safety guarantees for all employees. The Company continuously improves its employee care and welfare guarantee system, providing support for employees with special needs and employees in need, organizing a variety of enriching cultural and sports activities, and striving to create a harmonious, friendly, and vibrant working environment for employees, thereby enhancing their sense of well-being.

SHARE SCHEME

During the Reporting Period, the share scheme in existence of the Company was the 2023 restricted share incentive scheme of A Shares (the "**Restricted Share Incentive Scheme**"). As the Restricted Share Incentive Scheme does not involve any share awards granted by the Company after its listing, the provisions of the Restricted Share Incentive Scheme are not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules.

1. Purpose

The Restricted Share Incentive Scheme is designed to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of key employees of the Group, and effectively align the interests of shareholders, the Company and key employees, so that all parties jointly focus on the long-term development of the Company.

2. Participants

The participants of the Restricted Share Incentive Scheme include Directors, senior management and key technical (business) employees of the Group, excluding independent Directors, supervisors and shareholders or actual controllers who collectively hold more than 5% of the Company's shares and their spouses, parents, children, and foreign employees.

3. Maximum Grant

The maximum number of share awards that may be granted under the Restricted Share Incentive Scheme is 16,800,000 A Shares. As of the date of the Report, the number of A Shares unvested and available for issuance under the Restricted Share Incentive Scheme is 5,650,222, representing 1.16% of the total issued shares of the Company (excluding treasury shares, if any) as at the date of this Report.

The shares of the Company granted to any participant under the Restricted Share Incentive Scheme shall not exceed 1% of the total share capital of the Company.

4. Date of Grant and Term of the Scheme

The date on which the share awards are granted shall be determined by the Board after approval of the Restricted Share Incentive Scheme by the general meeting. The grant of share awards shall be approved by the Board, registered and announced within 60 days after the date of approval of the Restricted Share Incentive Scheme by the general meeting. The Restricted Share Incentive Scheme shall be effective from the date of completion of the grant of share awards under the scheme up to the date when all of the share awards granted under the scheme have been vested or cancelled, provided that the term of the scheme shall not exceed 52 months.

5. Lock-up for Directors and the Senior Management

If the grantee is a Director or senior management of the Company, during the term of employment, the Shares to be transferred in each year shall not exceed 25% of the total Shares he or she holds. No share held by such Director or senior management can be transferred within six months after termination of his or her employment. If the grantee is a Director or senior management of the Company, income gained through sale of Shares within six months of the purchase or purchase of Shares within six months of the sale shall belong to the Company and will be forfeited by the Board. If there is any change in the applicable laws and regulations on the foregoing lock-up requirements, the grantee shall comply with the amended laws and regulations.

6. Vesting of Share Awards

The share awards will be vested in tranches of 33%, 33% and 34% in each of the three vesting periods that occur between the first trading date after the 16 months from the date of grant and the lasting trading date up to the 52-month anniversary of the date of grant. Each vesting period is 12 months.

During the vesting period, the share awards granted to the grantee shall not be transferred, used as guarantee or for repayment of debt. In addition, the share awards will only be vested when both company-level performance assessment and individual-level performance assessment as set out under the scheme are achieved.

7. Exercise Price of Share Awards

The grantees shall pay the exercise price upon fulfilment of all the conditions of the share awards to purchase the A Shares from the Company. The exercise price of each share award shall be RMB19.38 per Share. The exercise price of the share awards shall not be lower than the par value of the shares, and shall not be lower than the higher of the following prices: (1) 50% of the average trading price of the Company's A Shares on the trading day immediately preceding the announcement date of the draft plan (total trading amount of A Shares on the preceding trading day/total trading volume of A Shares on the preceding trading day), being RMB38.76 per share, resulting in RMB19.38 per share; (2) 50% of the average trading price of the Company's A Shares over the 60 trading days immediately preceding the announcement date of the draft plan (total trading amount of A Shares over the preceding 60 trading days/total trading volume of A Shares over the preceding 60 trading days), being RMB37.14 per share, resulting in RMB18.57 per share.

If, during the period from the announcement date of the draft incentive scheme to the completion of the vesting registration of the restricted shares granted to the grantees, the Company undertakes any event such as capitalization of capital reserve, stock dividend, sub-division, rights issue, share consolidation or dividend distribution, the grant price of the restricted shares shall be adjusted accordingly.

In view of the Company's cash dividend plan for the year ended 31 December 2024, as resolved by the Board and the Supervisory Committee of the Company, the exercise price of the share awards has been adjusted from RMB19.38 per A Share to RMB18.98 per A Share.

8. Movements in the Number of Restricted Shares during the Reporting Period

Name	Position	Grant Date	Exercise Price of Restricted Shares (RMB/share)	Number of Restricted A Shares Unvested as at 1 January 2026 (Shares)	Number of Restricted A Shares Vested during the Reporting Period (Shares)	Number of Restricted A Shares Lapsed during the Reporting Period (Shares)	Number of Restricted A Shares Cancelled during the Reporting Period (Shares)	Number of Restricted A Shares Unvested as at 30 June 2026 (Shares)	Weighted Average Closing Price of the Shares immediately before the Vesting Date (RMB/share)
YANG Chaohui	Chairman and General Manager	8 December 2023	18.98	2,814,000	1,386,000	0	0	1,428,000	184.14
Non-director employees	—	8 December 2023	18.98	8,381,298	4,093,089	65,987	0	4,222,222	184.14
Total	—	—	—	11,195,298	5,479,089	65,987	0	5,650,222	—

Notes:

(1) *The above share awards will vest in three tranches at 33%, 33% and 34% respectively, with each vesting period being 12 months, starting from the first trading day after 16 months from the grant date to the last trading day on the 52-month anniversary of the grant date. During the Reporting Period, 5,479,089 A Shares were vested and became available for trading on 8 May 2026; in addition, 65,987 A Shares, previously granted to 4 grantees who resigned and 1 grantee whose individual performance appraisal for the second vesting period did not meet the 100% vesting standard, have lapsed.*

(2) *During the Reporting Period, the Company did not grant any restricted shares under the Restricted Share Incentive Scheme.*

CONTINUING DISCLOSURE OBLIGATIONS UNDER THE HONG KONG LISTING RULES

The Company has no other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Hong Kong Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2026, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had 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 were taken or deemed to have under relevant provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code contained in Appendix C3 of the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Interests in the Company

Name	Position	Nature of Interest	Number and Description of Shares[(1)]	Approximate percentage of shareholding in the relevant class of Shares[(2)]	Approximate percentage of shareholding in the total issued share capital[(2)]
YANG Chaohui	Chairman of the Board, executive Director and General Manager	Beneficial owner[(3)]	5,358,217 A Shares (L)	1.24%	1.10%
		Beneficial owner[(3)]	1,428,000 A Shares (L)	0.33%	0.29%
ZHANG Jianqun	Non-executive Director	Beneficial owner	284,225 A Shares (L)	0.07%	0.06%
ZHOU Huiqiang	Non-executive Director	Beneficial owner	284,225 A Shares (L)	0.07%	0.06%
DU Yonggang	Non-executive Director	Beneficial owner	174,597 A Shares (L)	0.04%	0.04%

Notes:

(1) *The letter "L" denotes a long position.*

(2) *As of 30 June 2026, the Company had a total of 489,007,741 issued shares, comprising 430,988,241 A Shares and 58,019,500 H Shares.*

(3) *As of 30 June 2026, Mr. YANG Chaohui directly held 5,358,217 A Shares in the Company. As of 30 June 2026, Mr. YANG Chaohui has been granted 4,200,000 restricted Shares under the Restricted Share Incentive Scheme, (i) 1,386,000 of which were vested and issued to Mr. YANG Chaohui in May 2025, (ii) 1,386,000 of which were vested and issued to Mr. YANG Chaohui in May 2026, and (iii) 1,428,000 of which shall be vested since the first trading day of 40 months after the grant date and until the last trading day on the 52-month anniversary of the grant date.*

Interests in the Associated Corporations

Name of Director	Name of Associated Corporation	Nature of Interest	Number and Description of shares[(1)]	Approximate Percentage of Interest
YANG Chaohui	Shenzhen Han's Microelectronics Technology Co., Ltd.	Beneficial owner	3,750,000 Shares (L)	7.50%
ZHANG Jianqun	Han's Laser	Beneficial owner	248,718 A Shares (L)	0.02%
ZHANG Jianqun	Shenzhen Han's Assembly and Testing Technology Co., Ltd.	Beneficial owner	1,259,319 Shares (L)	0.35%
ZHANG Jianqun	Shanghai Fortrend Technology Co., Ltd.	Beneficial owner	425,454 Shares (L)	0.50%
ZHOU Huiqiang	Han's Laser	Beneficial owner	196,822 A Shares (L)	0.02%
ZHOU Huiqiang	Shenzhen Han's Assembly and Testing Technology Co., Ltd.	Beneficial owner	1,739,328 Shares (L)	0.48%
ZHOU Huiqiang	Shanghai Fortrend Technology Co., Ltd.	Beneficial owner	442,182 Shares (L)	0.52%
DU Yonggang	Han's Laser	Beneficial owner	167,702 A Shares (L)	0.02%

Notes:

(1) *The letter "L" denotes a long position.*

(2) *Shenzhen Han's Microelectronics Technology Co., Ltd., Shenzhen Han's Assembly and Testing Technology Co., Ltd. and Shanghai Fortrend Technology Co., Ltd. are unlisted companies and have not publicly issued any shares. The number of shares directly held in the above table represents the registered capital (or share capital) equivalent to RMB.*

(3) *The above information is provided based on publicly available materials and to the best knowledge of the Company.*

Save as disclosed above and to the best knowledge of the Directors, as of 30 June 2026, none of the Directors or the chief executive of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required 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/or short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of 30 June 2026, to the best knowledge of the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under the SFO:

Interests in the Company

Name of substantial shareholder	Nature of Interest	Class of Share	Number and Description of Shares(1)	Approximate percentage of shareholding in the relevant class of Shares(2)	Approximate percentage of shareholding in the total issued share capital(2)
Mr. GAO Yunfeng	Interests in controlled corporation(3)	A Share	359,100,000 Shares (L)	83.32%	73.43%
Hong Kong Han's Holdings Group Limited	Interests in controlled corporation(3)	A Share	359,100,000 Shares (L)	83.32%	73.43%
Dazu Holdings	Interests in controlled corporation(3)	A Share	355,868,100 Shares (L)	82.57%	72.77%
	Beneficial owner	A Share	3,231,900 Shares (L)	0.75%	0.66%
Han's Laser	Beneficial owner	A Share	355,868,100 Shares (L)	82.57%	72.77%
GIC Private Limited	Investment manager	H Share	8,082,100 Shares (L)	13.93%	1.65%
Schroders PLC	Investment manager	H Share	8,563,900 Shares (L)	14.76%	1.75%

Notes:

(1) The letter "L" denotes a long position.

(2) As of 30 June 2026, the Company had a total of 489,007,741 issued shares, comprising 430,988,241 A Shares and 58,019,500 H Shares.

(3) Han's Laser is a company established in the PRC, the A shares of which have been listed on the SZSE (stock code: 002008.SZ) and a consolidated subsidiary of Dazu Holdings. As of 30 June 2026, (i) Han's Laser was held by Dazu Holdings, Mr. GAO Yunfeng and other shareholders of A shares as to 14.75%, 9.36% and 75.89%, respectively; and (ii) Dazu Holdings was directly held as to 99.875% by Mr. GAO Yunfeng, and as to 0.125% by Hong Kong Han's Holdings Group Limited, which was in turn wholly and beneficially owned by Mr. GAO Yunfeng. As such, as of 30 June 2026, each of Mr. GAO Yunfeng, Hong Kong Han's Holdings Group Limited and Dazu Holdings was deemed to be interested in 359,100,000 A Shares of the Company under the SFO.

Save as disclosed above and to the best knowledge of the Directors, as of 30 June 2026, no other persons/entities (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under the SFO.

USE OF PROCEEDS

(I) Use of A Share Proceeds

Pursuant to the approval of the China Securities Regulatory Commission in its "Approval Letter regarding the Initial Public Offering and Registration of Shenzhen Han's CNC Technology Co., Ltd. "(Zheng Jian Xu Ke [2021] No.4134), the Company made a public offering of 42.0000 million A Shares in February 2022 at an offering price of RMB76.56 per share, resulting in aggregate proceeds of RMB3,215.5200 million. After deducting issuance expenses of RMB133.7417 million, the actual net proceeds amounted to RMB3,081.7783 million. The net proceeds carried forward to 1 January 2026 amounted to RMB439.9046 million.

As of 30 June 2026, the details of the use of such proceeds are as follows:

Item	Approximate % of net proceeds	Proposed amount of proceeds to be utilized *(RMB million)*	Amount utilized during the Reporting Period *(RMB million)*	Amount utilized as of 30 June 2026 *(RMB million)*	Balance as of 30 June 2026 *(RMB million)*	Expected timeline for full utilization of unused proceeds
Committed investment projects						
Specialized PCB Equipment Production Expansion and Renovation Project	89.30%	1,523.93	295.58	1,448.20	75.73	N/A
Specialized PCB Equipment Technology R&D Center Construction Project	10.70%	182.60	25.62	139.64	42.96	N/A
Subtotal of committed investment projects	100.00%	1,706.53	321.21	1,587.84	118.69	N/A
Application of excess proceeds						
Permanent replenishment of working capital	100.00%	1,375.25	0.00	1,375.25	0.00	N/A
Subtotal of excess proceeds application	100.00%	1,375.25	0.00	1,375.25	0.00	N/A
Total	—	3,081.78	321.21	2,963.08	118.69	—

Notes:

(1) The 24th meeting of the Second Session of the Board of the Company considered and approved the "resolution on conclusion of A Share proceeds-funded projects, permanent supplement of working capital with surplus proceeds and closure of special accounts for proceeds". In view that the "Specialized PCB Equipment Production Expansion and Renovation Project" and the "Specialized PCB Equipment Technology R&D Centre Construction Project", both being investment projects funded by the Company's A-share initial public offering, had reached the intended usable status, the Board resolved to conclude these investment projects and permanently replenish working capital with the remaining proceeds.

(2) On 31 July 2026, the Company convened the second extraordinary general meeting of 2026, at which the resolution on conclusion of A Share proceeds-funded projects, permanent supplement of working capital with surplus proceeds and closure of special accounts for proceeds was considered and approved. For details, please refer to the Company's circular dated 13 July 2026 and announcement dated 31 July 2026.

(3) As of the date of the Report, an aggregate of RMB156.3356 million of the remaining proceeds (including interest and cash management income) has been permanently utilized for the replenishment of working capital. Following the transfer of the remaining proceeds, the Company has cancelled relevant special accounts for the proceeds.

(II) Use of H Share Proceeds

The Company's H Shares were listed on the Hong Kong Stock Exchange on 6 February 2026. The Company received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering (including the full exercise of the over-allotment option) of approximately HK$5,392.0 million. The Company has remitted all of the aforesaid overseas proceeds back to its onshore capital account settlement account and, in accordance with the relevant domestic foreign exchange regulations, has fully settled the foreign exchange.

As of 30 June 2026, the Company had utilized an aggregate of RMB557.82 million of the proceeds, and the remaining unused proceeds will be strictly applied in accordance with the uses set out in the prospectus. The details of the utilization of such proceeds as of 30 June 2026 are set out below:

Item	Approximate % of total net proceeds	Proposed use of proceeds *(HK$ million)*	Net Proceeds from Global Offering *(RMB million)*	Amount Utilized during the Reporting Period *(RMB million)*	Amount Utilized as of 30 June 2026 *(RMB million)*	Balance as of 30 June 2026 *(RMB million)*	Expected timeline of full utilization of the unused proceeds
Enhancing R&D and operational capabilities	50%	2,696.00	2,398.21	25.50	25.50	2,372.71	By end of 2030
Enhancing production capacity for specialized PCB equipment	40%	2,156.80	1,918.57	441.98	441.98	1,476.59	By end of 2027
Working capital and general corporate purposes to support daily operations and future business development	10%	539.20	479.64	90.34	90.34	389.30	By end of 2030
Total	100%	5,392.00	4,796.42	557.82	557.82	4,238.60	

Note:

The expected timeline for the utilisation of proceeds represents the Group's best estimates based on the anticipated market conditions, which may be subject to change in response to current and future market developments.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the Report, the Company is not aware of any material events after the Reporting Period for the period from 30 June 2026 up to the date of this Report.

Adoption of China Accounting Standards for Business Enterprises

On 13 July 2026, the Board considered and approved the *resolution on the adoption of China Accounting Standards for Business Enterprises for the preparation of financial reports and termination of appointment of overseas financial report auditor*. In view of the substantial convergence between the financial reports prepared under the China Accounting Standards for Business Enterprises and those prepared under the International Financial Reporting Standards, and in order to further enhance the efficiency of information disclosure, streamline the financial report preparation process and save disclosure costs, the Company has, commencing from the interim financial report for 2026, adopted the China Accounting Standards for Business Enterprises for the preparation of financial reports and the disclosure of relevant financial information, and terminated the engagement of Ernst & Young as the overseas financial reporting auditor of the Company. RSM China CPA LLP has been appointed as the sole auditor of the Company to audit the Company's financial reports under the China Accounting Standards for Business Enterprises, assuming concurrently the roles of both domestic and overseas financial reporting auditor. The Company held the second extraordinary general meeting of 2026 on 31 July 2026 to consider and approve the *resolution on the adoption of China Accounting Standards for Business Enterprises for the preparation of financial reports and termination of appointment of overseas financial report auditor*. For details, please refer to the Company's announcement and circular dated 13 July 2026 and the announcement dated 31 July 2026.

The Company's adoption of the China Accounting Standards for Business Enterprises for the preparation of its financial reports and the disclosure of related financial information will not have any material impact on the Company's results or financial position.

I. AUDIT REPORT

Whether the interim report is audited

☐Yes ☑No

The Company's interim financial report is unaudited.

Consolidated Balance Sheet

30 June 2026

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	**5,254,732,544.22**	1,816,521,229.04
Settlement reserve		
Lending funds		
Financial assets held for trading		
Derivative financial assets		
Bills receivable	**620,237,853.11**	486,351,711.62
Accounts receivable	**4,783,476,546.75**	2,572,553,960.73
Receivables financing	**106,218,206.44**	49,759,620.13
Prepayments	**347,636,505.99**	112,822,916.35
Premiums receivable		
Reinsurance accounts receivable		
Reinsurance contract reserve receivable		
Other receivables	**27,198,200.42**	14,153,535.03
Including: Interests receivable		
Dividend receivable		
Financial assets acquired for resale		
Inventories	**2,490,537,795.19**	1,893,114,494.39
Including: Data resource		
Contractual assets	**85,386,922.41**	47,454,084.64
Held-for-sale assets		
Non-current assets due within one year	**1,954,937,806.21**	1,176,411,745.48
Other current assets	**93,421,512.03**	71,993,495.33
Total current assets	**15,763,783,892.77**	8,241,136,792.74

Item	Closing balance	Opening balance
Non-current assets:		
Loans and advances to customers		
Debt investment		
Other debt investments		
Long-term receivables	**84,322,061.81**	418,219,634.92
Long-term equity investments	**53,035,622.58**	54,494,369.03
Other equity instrument investments	**566,611,394.93**	
Other non-current financial assets		
Investment properties	**1,686,784.13**	1,725,412.79
Fixed assets	**819,054,211.38**	762,597,585.38
Construction in progress	**39,782,243.87**	24,219,611.10
Productive biological assets		
Oil and gas assets		
Right-of-use assets	**53,481,111.63**	26,362,503.82
Intangible assets	**440,400,748.65**	446,444,872.65
Including: Data resource		
Development expenses		
Including: Data resource		
Goodwill	**12,924,354.06**	12,924,354.06
Long-term deferred expenses	**7,500,801.56**	13,278,947.98
Deferred tax assets	**287,396,872.34**	164,984,809.76
Other non-current assets	**70,827,460.89**	448,638,712.40
Total non-current assets	**2,437,023,667.83**	2,373,890,813.89
Total assets	**18,200,807,560.60**	10,615,027,606.63

Consolidated Balance Sheet

30 June 2026

Item	Closing balance	Opening balance
Current liabilities:		
Short-term borrowings	**1,094,135,527.11**	473,732,492.88
Borrowings from the central bank		
Borrowing funds		
Trading financial liabilities		
Derivative financial liabilities		
Bills payable	**1,394,967,778.63**	1,150,133,218.28
Accounts payable	**2,312,061,498.47**	1,659,919,796.90
Receipts in advance		
Contract liabilities	**212,534,977.45**	198,420,637.20
Financial assets sold for repurchase		
Deposit taking and deposit in inter-bank		
Receiving from vicariously traded securities		
Receiving from vicariously sold securities		
Employee benefits payable	**411,423,076.19**	361,976,643.24
Taxes payable	**244,736,358.17**	138,880,293.12
Other payables	**19,533,933.69**	32,895,162.94
Including: Interest payables		
Dividend payables		
Handling charges and commission payable		
Reinsurance account payables		
Liabilities held for sale		
Non-current liabilities due within one year	**69,899,005.28**	68,049,513.96
Other current liabilities	**258,342,671.82**	215,269,863.50
Total current liabilities	**6,017,634,826.81**	4,299,277,622.02
Non-current liabilities:		
Insurance contract reserve		
Long-term borrowings	**0.00**	179,950,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	**22,260,146.56**	11,041,129.76
Long-term payables		
Long-term employee benefits payable		
Accrued liabilities	**44,199,362.37**	34,267,741.23
Deferred income	**2,476,006.04**	1,053,818.67
Deferred tax liabilities	**41,260,906.34**	4,547,790.08
Other non-current liabilities		
Total non-current liabilities	**110,196,421.31**	230,860,479.74
Total liabilities	**6,127,831,248.12**	4,530,138,101.76

Item	Closing balance	Opening balance
Owners' equity:		
Share capital	**489,007,741.00**	425,509,152.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	**9,575,367,668.32**	4,511,457,417.34
Less: Treasury shares		
Other comprehensive income	**186,001,707.65**	693,046.87
Special reserve		
Surplus reserve	**212,754,576.00**	212,754,576.00
General risk reserve		
Undistributed profit	**1,584,067,181.80**	920,426,200.18
Total equity attributable to the owners of the parent	**12,047,198,874.77**	6,070,840,392.39
Minority interests	**25,777,437.71**	14,049,112.48
Total owners' equity	**12,072,976,312.48**	6,084,889,504.87
Total liabilities and owners' equity	**18,200,807,560.60**	10,615,027,606.63

Legal representative:
YANG Chaohui

Officer-in-charge of
accounting affairs:
ZHOU Xiaodong

Head of the accounting firm:
WANG Feng

Balance Sheet of the Parent Company

30 June 2026

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	**4,952,452,743.35**	1,598,336,323.18
Financial assets held for trading		
Derivative financial assets		
Bills receivable	**366,918,551.45**	280,206,246.12
Accounts receivable	**4,391,250,043.55**	2,533,863,951.34
Receivables financing	**73,091,782.40**	32,918,933.78
Prepayments	**291,410,104.75**	73,552,565.18
Other receivables	**974,838,985.75**	922,437,892.51
Including: Interests receivable		
Dividend receivable	**225,800,000.00**	225,800,000.00
Inventories	**1,376,910,613.48**	1,130,811,835.01
Including: Data resource		
Contractual assets	**60,337,571.77**	34,795,650.82
Held-for-sale assets		
Non-current assets due within one year	**1,515,325,449.22**	867,379,154.88
Other current assets	**46,732,869.19**	28,061,481.85
Total current assets	**14,049,268,714.91**	7,502,364,034.67

Item	Closing balance	Opening balance
Non-current assets:		
Debt investment		
Other debt investments		
Long-term receivables	**58,376,143.82**	392,521,735.63
Long-term equity investments	**935,110,959.13**	926,973,588.97
Other equity instrument investments		
Other non-current financial assets		
Investment properties		
Fixed assets	**125,467,707.01**	93,815,490.60
Construction in progress		
Productive biological assets		
Oil and gas assets		
Right-of-use assets	**42,784,493.24**	11,376,224.58
Intangible assets	**2,765,058.51**	3,803,842.11
Including: Data resource		
Development expenses		
Including: Data resource		
Goodwill		
Long-term deferred expenses	**4,730,760.58**	11,137,889.36
Deferred tax assets	**264,597,684.56**	150,453,780.34
Other non-current assets	**34,205,098.49**	423,888,568.71
Total non-current assets	**1,468,037,905.34**	2,013,971,120.30
Total assets	**15,517,306,620.25**	9,516,335,154.97

Balance Sheet of the Parent Company

30 June 2026

Item	Closing balance	Opening balance
Current liabilities:		
Short-term borrowings	**675,244,742.47**	473,732,492.88
Trading financial liabilities		
Derivative financial liabilities		
Bills payable	**1,243,057,942.14**	1,037,038,400.11
Accounts payable	**1,219,263,815.52**	1,182,582,685.52
Receipts in advance		
Contract liabilities	**106,585,629.38**	100,349,634.06
Employee benefits payable	**347,344,879.82**	283,125,037.81
Taxes payable	**190,075,386.91**	108,145,845.17
Other payables	**11,258,973.22**	27,450,292.73
Including: Interest payables		
Dividend payables		
Liabilities held for sale		
Non-current liabilities due within one year	**62,115,095.10**	59,556,546.93
Other current liabilities	**105,592,298.18**	98,796,477.21
Total current liabilities	**3,960,538,762.74**	3,370,777,412.42

Item	Closing balance	Opening balance
Non-current liabilities:		
Long-term borrowings		179,950,000.00
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Lease liabilities	**16,553,369.88**	3,014,391.89
Long-term payables		
Long-term employee benefits payable		
Accrued liabilities	**42,892,206.25**	33,309,763.61
Deferred income	**1,299,965.95**	548,498.60
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	**60,745,542.08**	216,822,654.10
Total liabilities	**4,021,284,304.82**	3,587,600,066.52

Balance Sheet of the Parent Company

30 June 2026

Item	Closing balance	Opening balance
Owners' equity:		
Share capital	**489,007,741.00**	425,509,152.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	**9,578,607,271.35**	4,514,697,020.37
Less: Treasury shares		
Other comprehensive income		
Special reserve		
Surplus reserve	**212,754,576.00**	212,754,576.00
Undistributed profit	**1,215,652,727.08**	775,774,340.08
Total owners' equity	**11,496,022,315.43**	5,928,735,088.45
Total liabilities and owners' equity	**15,517,306,620.25**	9,516,335,154.97

Consolidated Income Statements

30 June 2026

Unit: RMB

Item	First half of 2026	First half of 2025
I. Total operating revenue	**4,984,920,813.21**	2,381,833,154.55
Including: Operating revenue	**4,984,920,813.21**	2,381,833,154.55
Interest income		
Premium earned		
Handling charges and commission income		
II. Total operating cost	**3,906,967,304.38**	2,079,091,507.92
Including: Operating costs	**3,232,968,982.01**	1,660,563,975.86
Interest expenses		
Handling charges and commission expenses		
Surrender payment		
Net expenditure for compensation payments		
Net provision for insurance liabilities		
Expenditures for insurance policy dividend		
Reinsurance expenses		
Taxes and surcharges	**16,840,096.43**	7,112,034.50
Selling expenses	**167,957,850.67**	118,058,305.64
Administrative expenses	**203,561,404.71**	114,732,618.15
Research and development expenses	**269,513,352.02**	158,906,218.62
Finance expenses	**16,125,618.54**	19,718,355.15
Including: Interest expense	**8,931,592.54**	9,154,175.31
Interest income	**67,791,277.15**	13,678,032.14
Add: Other income	**116,880,873.19**	60,144,472.78
Investment income (loss is represented by "-")	**-2,392,483.85**	2,200,302.64
Including: Gains from investment in associates and joint ventures	**-1,458,746.45**	3,065,167.72
Gains from derecognition of financial asset at amortized cost		
Foreign exchange gains (loss is represented by "-")		
Gains from net exposure hedging (loss is represented by "-")		
Gains from changes in fair value (loss is represented by "-")		
Impairment loss of credit (loss is represented by "-")	**-54,140,656.57**	-49,813,797.78
Impairment loss of assets (loss is represented by "-")	**-26,067,693.70**	-22,219,844.73
Gains from disposal of assets (loss is represented by "-")	**88,916.84**	-244,192.45
III. Operating profit (loss is represented by "-")	**1,112,322,464.74**	292,808,587.09
Add: Non-operating income	**964,138.80**	549,997.58
Less: Non-operating expenses	**4,162,957.77**	123,119.75
IV. Total profit (total loss is represented by "-")	**1,109,123,645.77**	293,235,464.92
Less: Income tax expenses	**140,531,946.71**	31,843,640.91

Consolidated Income Statements

30 June 2026

Item	First half of 2026	First half of 2025
V. Net profit (net loss is represented by "-")	**968,591,699.06**	261,391,824.01
(I) Classified by continuity of operations		
1. Net profit from continuing operations (net loss is represented by "-")	**968,591,699.06**	261,391,824.01
2. Net profit from discontinued operations (net loss is represented by "-")		
(II) Classified by ownership of equity		
1. Net profit attributable to the shareholders of the parent (net loss is represented by "-")	**956,862,424.74**	263,271,662.75
2. Gains or losses attributable to minority shareholders (net loss is represented by "-")	**11,729,274.32**	-1,879,838.74
VI. Net amount of other comprehensive income after tax	**185,306,762.60**	-272,422.94
Net amount of other comprehensive income after tax attributable to the owners of the parent	**185,307,711.69**	-272,422.94
(I) Other comprehensive income that cannot be reclassified to gains or losses	**186,057,093.61**	
1. Changes in remeasurement of defined benefit plans		
2. Other comprehensive income that cannot be reclassified to gains or losses under equity method		
3. Changes in fair value of other equity instrument investments	**186,057,093.61**	
4. Changes in fair value of credit risk of the Company		
5. Others		
(II) Other comprehensive income that will be reclassified to gains or losses	**-749,381.92**	-272,422.94
1. Other comprehensive income that can be transferred to gains or losses under equity method		-39,676.69
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment provisions for other debt investment		
5. Cash flow hedging reserve		
6. Exchange differences on translation of foreign financial statements	**-749,381.92**	-232,746.25
7. Others		
Net amount of other comprehensive income after tax attributable to minority shareholders	**-949.09**	
VII. Total comprehensive income	**1,153,898,461.66**	261,119,401.07
Total comprehensive income attributable to the owners of the parent	**1,142,170,136.43**	262,999,239.81
Total comprehensive income attributable to minority shareholders	**11,728,325.23**	-1,879,838.74
VIII. Earnings per share:		
(I) Basic earnings per share	**2.06**	0.63
(II) Diluted earnings per share	**2.02**	0.62

In relation to the business combination under common control occurring during the period, the acquiree achieved a net profit of RMB0.00 prior to the combination. For the comparative prior period, the acquiree reported a net profit of RMB0.00.

Legal representative: YANG Chaohui	Officer-in-charge of accounting affairs: ZHOU Xiaodong	Head of the accounting firm: WANG Feng

Income Statement of the Parent Company

30 June 2026

Unit: RMB

Item	First half of 2026	First half of 2025
I. Operating revenue	**3,465,196,565.64**	2,054,498,935.83
Less: Operating costs	**2,213,270,626.57**	1,513,732,893.63
Taxes and surcharges	**11,134,482.63**	4,135,456.45
Selling expenses	**104,348,981.82**	70,239,247.40
Administrative expenses	**147,131,393.89**	88,377,941.26
Research and development expenses	**210,025,670.48**	114,896,997.92
Finance expenses	**1,577,650.39**	19,590,389.25
Including: Interest expense	**4,668,007.35**	8,249,373.07
Interest income	**66,095,656.27**	12,874,789.99
Add: Other income	**95,037,848.90**	43,053,263.89
Investment income (loss is represented by "-")	**-562,446.00**	26,918.92
Including: Gains from investment in associates and joint ventures		
Gains from derecognition of financial asset at amortized cost		
Gains from net exposure hedging (loss is represented by "-")		
Gains from changes in fair value (loss is represented by "-")		
Impairment loss of credit (loss is represented by "-")	**-14,300,636.14**	-35,017,520.00
Impairment loss of assets (loss is represented by "-")	**-15,301,424.37**	-63,725,544.20
Gains from disposal of assets (loss is represented by "-")		
II. Operating profit (loss is represented by "-")	**842,581,102.25**	187,863,128.53
Add: Non-operating income	**82,404.46**	393,031.25
Less: Non-operating expenses	**4,061,899.42**	100,427.08
III. Total profit (total loss is represented by "-")	**838,601,607.29**	188,155,732.70
Less: Income tax expenses	**105,501,777.17**	24,132,584.33
IV. Net profit (net loss is represented by "-")	**733,099,830.12**	164,023,148.37
(I) Net profit from continuing operations (net loss is represented by "-")	**733,099,830.12**	164,023,148.37
(II) Net profit from discontinued operations (net loss is represented by "-")		

Income Statement of the Parent Company

30 June 2026

Item	First half of 2026	First half of 2025
V. Net amount of other comprehensive income after tax		
(I) Other comprehensive income that cannot be reclassified to gains or losses		
1. Changes in remeasurement of defined benefit plans		
2. Other comprehensive income that cannot be reclassified to gains or losses under equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of credit risk of the Company		
5. Others		
(II) Other comprehensive income that will be reclassified to gains or losses		
1. Other comprehensive income that can be transferred to gains or losses under equity method		
2. Changes in fair value of other debt investments		
3. Amount of financial assets reclassified into other comprehensive income		
4. Credit impairment provisions for other debt investment		
5. Cash flow hedging reserve		
6. Exchange differences on translation of foreign financial statements		
7. Others		
VI. Total comprehensive income	**733,099,830.12**	164,023,148.37
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

Consolidated Cash Flow Statement

30 June 2026

Unit: RMB

Item	First half of 2026	First half of 2025
I. Cash flows generated from operating activities:		
Cash received from sales of goods or provision of labor services	**2,638,350,823.88**	1,294,798,164.00
Net increase in customer and inter-bank deposits		
Net increase in borrowings from central bank		
Net increase in borrowing funds from other financial institutions		
Cash received from premiums of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits from insurance policy holders and investment		
Cash received from interest, handling charges and commission		
Net increase in capital borrowed		
Net increase in capital of repurchase business		
Net cash received from vicariously traded securities		
Tax refunds received	**95,238,085.74**	23,962,991.77
Cash received relating to other operating activities	**240,799,919.29**	31,666,839.70
Sub-total of cash inflows from operating activities	**2,974,388,828.91**	1,350,427,995.47
Cash paid for purchase of goods and engagement of labor services	**3,028,370,600.08**	1,368,843,904.55
Net increase in loans and advances to customers		
Net increase in central bank and inter-bank deposits		
Cash paid for claims from original insurance contracts		
Net increase in lending capital		
Cash paid for interest, handling charges and commission		
Cash paid for insurance policy dividend		
Cash paid to and for employees	**530,448,323.86**	345,215,665.81
Payments of all types of taxes	**259,981,751.56**	60,074,099.77
Cash paid relating to other operating activities	**230,509,005.29**	127,480,312.53
Sub-total of cash outflows from operating activities	**4,049,309,680.79**	1,901,613,982.66
Net cash flows from operating activities	**-1,074,920,851.88**	-551,185,987.19

Item	First half of 2026	First half of 2025
II. Cash flows from investing activities:		
Cash received from recovery of investments		
Cash received from return on investments		2,550,000.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,000.00
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities		
Sub-total of cash inflows from investing activities		2,553,000.02
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	**101,060,082.34**	63,390,823.24
Cash paid for investments	**359,194,590.21**	
Net increase of pledged loans		
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		
Sub-total of cash outflows from investing activities	**460,254,672.55**	63,390,823.24
Net cash flows from investing activities	**-460,254,672.55**	-60,837,823.22
III. Cash flows from financing activities:		
Cash received from accepting investments	**4,927,915,694.21**	115,096,390.20
Including: Cash received from accepting minority shareholders' investment by subsidiaries		
Cash received from borrowings	**1,386,247,329.97**	1,109,288,388.73
Cash received relating to other financing activities		78,134.00
Sub-total of cash inflows from financing activities	**6,314,163,024.18**	1,224,462,912.93
Cash paid for repayment of debts	**940,981,368.93**	600,850,000.00
Cash payments for distribution of dividends, profits or interest repayment	**296,500,167.65**	173,402,055.38
Including: Dividends or profits paid to minority shareholders by subsidiaries		
Cash paid relating to other financing activities	**35,495,774.39**	28,874,257.25
Sub-total of cash outflows from financing activities	**1,272,977,310.97**	803,126,312.63
Net cash flows from financing activities	**5,041,185,713.21**	421,336,600.30

Item		First half of 2026	First half of 2025
IV.	Effect of changes of exchange rate on cash and cash equivalents	**-67,798,873.60**	-571,518.30
V.	Net increase in cash and cash equivalents	**3,438,211,315.18**	-191,258,728.41
	Add: Balance of cash and cash equivalent at the beginning of the period	**1,815,979,700.34**	1,539,131,101.95
VI.	Balance of cash and cash equivalent at the end of the period	**5,254,191,015.52**	1,347,872,373.54

Cash Flow Statement of the Parent Company

30 June 2026

Unit: RMB

Item	First half of 2026	First half of 2025
I. Cash flows generated from operating activities:		
Cash received from sales of goods or provision of labor services	**1,726,402,415.21**	1,344,459,009.93
Tax refunds received	**78,250,358.19**	14,102,350.02
Cash received relating to other operating activities	**227,066,858.19**	108,172,913.19
Sub-total of cash inflows from operating activities	**2,031,719,631.59**	1,466,734,273.14
Cash paid for purchase of goods and engagement of labor services	**2,455,465,825.25**	1,253,526,914.79
Cash paid to and for employees	**354,540,756.75**	233,875,344.90
Payments of all types of taxes	**193,656,885.69**	31,196,807.68
Cash paid relating to other operating activities	**193,315,662.29**	155,405,158.68
Sub-total of cash outflows from operating activities	**3,196,979,129.98**	1,674,004,226.05
Net cash flows from operating activities	**-1,165,259,498.39**	-207,269,952.91
II. Cash flows from investing activities:		
Cash received from recovery of investments		
Cash received from return on investments		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**557,745.13**	
Net cash received from disposal of subsidiaries and other business units		
Cash received relating to other investing activities		
Sub-total of cash inflows from investing activities	**557,745.13**	
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	**40,273,937.97**	8,361,368.39
Cash paid for investments	**3,451,250.00**	32,500,000.00
Net cash paid for acquisition of subsidiaries and other business units		
Cash paid relating to other investing activities		
Sub-total of cash outflows from investing activities	**43,725,187.97**	40,861,368.39
Net cash flows from investing activities	**-43,167,442.84**	-40,861,368.39

Item	First half of 2026	First half of 2025
III. Cash flows from financing activities:		
Cash received from accepting investments	**4,927,915,694.21**	104,563,708.02
Cash received from borrowings	**959,437,326.22**	769,288,388.73
Cash received relating to other financing activities		
Sub-total of cash inflows from financing activities	**5,887,353,020.43**	873,852,096.75
Cash paid for repayment of debts	**938,150,929.72**	550,850,000.00
Cash payments for distribution of dividends, profits or interest repayment	**293,859,630.83**	173,402,055.38
Cash paid relating to other financing activities	**26,689,236.88**	21,635,489.45
Sub-total of cash outflows from financing activities	**1,258,699,797.43**	745,887,544.83
Net cash flows from financing activities	**4,628,653,223.00**	127,964,551.92
IV. Effect of changes of exchange rate on cash and cash equivalents	**-66,109,861.60**	-189,949.74
V. Net increase in cash and cash equivalents	**3,354,116,420.17**	-120,356,719.12
Add: Balance of cash and cash equivalent at the beginning of the period	**1,597,794,794.48**	1,289,699,660.50
VI. Balance of cash and cash equivalent at the end of the period	**4,951,911,214.65**	1,169,342,941.38

Amount during the period

Unit: RMB

	First half of 2026														
	Owners' equity attributable to the parent company														
		Other equity instruments													
Item	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal	Minority interests	Total owners' equity
I. Closing balance of the previous year	425,509,152.00				4,511,457,417.34		693,046.87		212,754,576.00		920,426,200.18		6,070,840,392.39	14,049,112.48	6,084,889,504.87
Add: Changes in accounting policies															
Corrections of early errors															
Others															
II. Opening balance of the current year	425,509,152.00				4,511,457,417.34		693,046.87		212,754,576.00		920,426,200.18		6,070,840,392.39	14,049,112.48	6,084,889,504.87
III. Increase or decrease during the period (decrease is represented by "-")	63,498,589.00				5,063,910,250.98		185,308,660.78				663,640,981.62		5,976,358,482.38	11,728,325.23	5,988,086,807.61
(I) Total comprehensive income							185,308,660.78				956,862,424.74		1,142,171,085.52	11,728,325.23	1,153,899,410.75
(II) Capital invested and decreased by owners	63,498,589.00				5,063,910,250.98								5,127,408,839.98		5,127,408,839.98
1. Ordinary shares invested by owners	63,498,589.00				5,053,491,450.86								5,116,990,039.86		5,116,990,039.86
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payment included in owners' equity					10,418,800.12								10,418,800.12		10,418,800.12
4. Others															
(III) Profit distribution											-293,221,443.12		-293,221,443.12		-293,221,443.12
1. Appropriation to surplus reserve															
2. Appropriation to general risk reserve															
3. Distribution to owners (or shareholders)											-293,221,443.12		-293,221,443.12		-293,221,443.12
4. Others															
(IV) Internal carry-over in owners' equity															
1. Capital reserve transferred to capital (or share capital)															
2. Surplus reserve transferred to capital (or share capital)															
3. Surplus reserve to recover losses															
4. Retained earnings carried forward from changes in defined benefit plan															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Appropriation in the period															
2. Use in the period															
(VI) Others															
IV. Closing balance during the period	489,007,741.00				9,575,367,668.32		186,001,707.65		212,754,576.00		1,584,067,181.80		12,047,198,874.77	25,777,437.71	12,072,976,312.48

Amount of the previous year

Unit: RMB

Item	First half of 2025														
	Owners' equity attributable to the parent company														
		Other equity instruments													
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal	Minority interests	Total owners' equity
I. Closing balance of the previous year	420,000,000.00				4,228,859,495.46		1,148,380.18		203,752,662.64		273,160,194.80		5,126,920,733.08	9,454,034.76	5,136,374,767.84
Add: Changes in accounting policies															
Corrections of early errors															
Others															
II. Opening balance of the current year	420,000,000.00				4,228,859,495.46		1,148,380.18		203,752,662.64		273,160,194.80		5,126,920,733.08	9,454,034.76	5,136,374,767.84
III. Increase or decrease during the period (decrease is represented by "-")	5,509,152.00				155,808,612.92		-272,422.94				95,271,662.75		256,317,004.73	8,653,113.80	264,970,118.53
(I) Total comprehensive income							-272,422.94				263,271,662.75		262,999,239.81	-1,879,568.38	271,652,353.61
(II) Capital invested and decreased by owners	5,509,152.00				155,808,612.92								161,317,764.92	10,532,682.18	161,317,764.92
1. Ordinary shares invested by owners	5,509,152.00				99,054,556.02								104,563,708.02	10,532,682.18	104,563,708.02
2. Capital invested by holders of other equity instruments															
3. Amount of share-based payment included in owners' equity					56,754,056.90								56,754,056.90		56,754,056.90
4. Others															
(III) Profit distribution											-168,000,000.00		-168,000,000.00		-168,000,000.00
1. Appropriation to surplus reserve															
2. Appropriation to general risk reserve															
3. Distribution to owners (or shareholders)											-168,000,000.00		-168,000,000.00		-168,000,000.00
4. Others															
(IV) Internal carry-over in owners' equity															
1. Capital reserve transferred to capital (or share capital)															
2. Surplus reserve transferred to capital (or share capital)															
3. Surplus reserve to recover losses															
4. Retained earnings carried forward from changes in defined benefit plan															
5. Retained earnings carried forward from other comprehensive income															
6. Others															
(V) Special reserve															
1. Appropriation in the period															
2. Use in the period															
(VI) Others															
IV. Closing balance during the period	425,509,152.00				4,384,668,108.38		875,957.24		203,752,662.64		368,431,857.55		5,383,237,737.81	18,107,148.56	5,401,344,886.37

Statement of Changes in Owners' Equity of the Parent Company

30 June 2026

Amount during the period

Unit: RMB

Item	First half of 2026											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
		Preference shares	Perpetual bonds	Others								
I. Closing balance of the previous year	425,509,152.00				4,514,697,020.37				212,754,576.00	775,774,340.08		5,928,735,088.45
Add: Changes in accounting policies												
Corrections of early errors												
Others												
II. Opening balance of the current year	425,509,152.00				4,514,697,020.37				212,754,576.00	775,774,340.08		5,928,735,088.45
III. Increase or decrease during the period (decrease is represented by "-")	63,498,589.00				5,063,910,250.98					439,878,387.00		5,567,287,226.98
(I) Total comprehensive income										733,099,830.12		733,099,830.12
(II) Capital invested and decreased by owners	63,498,589.00				5,063,910,250.98							5,127,408,839.98
1. Ordinary shares invested by owners	63,498,589.00				5,053,491,450.86							5,116,990,039.86
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payment included in owners' equity					10,418,800.12							10,418,800.12
4. Others												
(III) Profit distribution										-293,221,443.12		-293,221,443.12
1. Appropriation to surplus reserve												
2. Distribution to owners (or shareholders)										-293,221,443.12		-293,221,443.12
3. Others												
(IV) Internal carry-over in owners' equity												
1. Capital reserve transferred to capital (or share capital)												
2. Surplus reserve transferred to capital (or share capital)												
3. Surplus reserve to recover losses												
4. Retained earnings carried forward from changes in defined benefit plan												
5. Retained earnings carried forward from other comprehensive income												
6. Others												
(V) Special reserve												
1. Appropriation in the period												
2. Use in the period												
(VI) Others												
IV. Closing balance during the period	489,007,741.00				9,578,607,271.35				212,754,576.00	1,215,652,727.08		11,496,022,315.43

Amount during the previous period

Unit: RMB

Item	First half of 2025											
		Other equity instruments										
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Others	Total owners' equity
I. Closing balance of the previous year	420,000,000.00				4,232,099,098.49				203,752,662.64	318,773,963.67		5,174,625,724.80
Add: Changes in accounting policies												
Corrections of early errors												
Others												
II. Opening balance of the current year	420,000,000.00				4,232,099,098.49				203,752,662.64	318,773,963.67		5,174,625,724.80
III. Increase or decrease during the period (decrease is represented by "-")	5,509,152.00				155,808,612.92					-3,976,851.63		157,340,913.29
(I) Total comprehensive income										164,023,148.37		164,023,148.37
(II) Capital invested and decreased by owners	5,509,152.00				155,808,612.92							161,317,764.92
1. Ordinary shares invested by owners	5,509,152.00				99,054,556.02							104,563,708.02
2. Capital invested by holders of other equity instruments												
3. Amount of share-based payment included in owners' equity					56,754,056.90							56,754,056.90
4. Others												
(III) Profit distribution										-168,000,000.00		-168,000,000.00
1. Appropriation to surplus reserve												
2. Distribution to owners (or shareholders)										-168,000,000.00		-168,000,000.00
3. Others												
(IV) Internal carry-over in owners' equity												
1. Capital reserve transferred to capital (or share capital)												
2. Surplus reserve transferred to capital (or share capital)												
3. Surplus reserve to recover losses												
4. Retained earnings carried forward from changes in defined benefit plan												
5. Retained earnings carried forward from other comprehensive income												
6. Others												
(V) Special reserve												
1. Appropriation in the period												
2. Use in the period												
(VI) Others												
IV. Closing balance during the period	425,509,152.00				4,387,907,711.41				203,752,662.64	314,797,112.04		5,331,966,638.09

BASIC INFORMATION OF THE COMPANY

Shenzhen Han's CNC Technology Co., Ltd. (hereinafter referred to as the "Company") was established through a holistic transformation from Shenzhen Han's CNC Technology Co., Ltd. (hereinafter referred to as "CNC Limited"). On 11 November 2020, the Company completed the industrial and commercial registration changes with the Shenzhen Market Supervision and Administration Bureau and obtained a business licence with the Unified Social Credit Code of 914403007362935988. The Company's shares were officially listed and traded on the Shenzhen Stock Exchange on 28 February 2022 under the stock code 301200. The Company's shares were listed and traded on the Main Board of the Hong Kong Stock Exchange on 6 February 2026 under the stock code 03200. As of 30 June 2026, the Company's total share capital comprised 489,007,741 shares.

The operating address of the Company's head office is Han's Laser Intelligence Manufacturing Center, 12 Chongqing Road, Heping Community, Fuhai Street, Bao'an District, Shenzhen. The name of the Legal Representative is YANG Chaohui.

The Company's principal operating activities are the research and development, production, and sale of specialized PCB CNC equipment and related products.

Date of authorization for the issue of the financial statements: These financial statements were authorized for issue by the Board of Directors of the Company on 20 August 2026.

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of Preparation

The Company prepares the financial statements on the basis of going concern, and recognizes and measures the transactions and events in accordance with the Accounting Standards for Business Enterprises and its application guidelines and interpretation of the standards, on the basis of which the financial statements are prepared. In addition, the Company also discloses relevant financial information in accordance with the applicable disclosure provisions of the Rule No. 15 on the Compilation of Information Disclosure by Companies that Offer Securities to the Public — General Provisions on Financial Reporting (2023 Revision) issued by the China Securities Regulatory Commission and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Going Concern

The Company has assessed the ability of going concern for the 12 months since the end of the Reporting Period, finding no factors affecting the ability of going concern of the Company. So it is reasonable that the Company prepares the financial statements based on the going concern.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates indication:

The following significant accounting policies and accounting estimates of the Company are formulated in accordance with the Accounting Standards for Business Enterprises. Unmentioned businesses shall be implemented according to relevant accounting policies in the Accounting Standards for Business Enterprises.

1. Statement on Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the Company's financial position, operating results, changes in owner's equity, cash flow and other relevant information.

2. Accounting Period

The Company's fiscal year runs from 1 January to 31 December of the Gregorian calendar.

3. Business Cycle

The Company's business cycle is one year.

4. Functional Currency

The base currency of accounting of the Company is RMB. The overseas subsidiaries (or branches) use the currency of the primary economic environment in which they operate as their base currency of accounting.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

5. Basis for Determining Materiality Criteria and Selection Basis

☑ Applicable ☐ Not applicable

Item	Materiality Criteria
Receivables with significant individually assessed impairment allowance	Amount greater than RMB1.00 million
Significant receivables recovered or written back during the period	Amount greater than RMB1.00 million
Significant prepayments with aging over 1 year	Individual prepayments with aging over 1 year accounting for more than 10% of the total prepayments and with an amount greater than RMB1.00 million
Significant construction in progress	Amount accounting for more than 2% of the total assets in the consolidated financial statements
Significant payables with aging over 1 year	Individual payables with aging over 1 year accounting for more than 10% of the total payables and with an amount greater than RMB5.00 million
Significant contract liabilities with aging over 1 year	Individual contract liabilities with aging over 1 year accounting for more than 10% of the total contract liabilities and with an amount greater than RMB5.00 million
Significant other payables with aging over 1 year	Individual other payables with aging over 1 year accounting for more than 10% of the total other payables and with an amount greater than RMB5.00 million
Significant cash flows related to investing activities	Individual investing activities accounting for more than 10% of the total cash inflows or outflows related to investing activities received or paid and with an amount greater than RMB50.00 million
Significant non-wholly-owned subsidiaries	Revenue of the non-wholly-owned subsidiary accounting for ≥10% of the Group's total revenue
Significant joint ventures or associates	Carrying amount of the long-term equity investment in the joint venture or associate accounting for ≥5% of the Group's total assets

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

6. Accounting method of enterprise merger under common control and not under common control

(1) Business combinations under common control

For business combinations under common control, the assets and liabilities acquired by the Company in the business combination are measured at the book value of the acquiree as recorded in the consolidated financial statements of the ultimate controlling party on the combination date. Where the acquiree and the Company adopt different accounting policies and accounting periods prior to the business combination, the accounting policies and accounting periods are unified based on the principle of materiality, that is, the book values of the assets and liabilities of the acquiree are adjusted in accordance with the Company's accounting policies and accounting periods. If there is a difference between the book value of the net assets acquired by the Company in the business combination and the book value of the consideration paid, the equity premium in the capital reserve (capital premium or share premium) is adjusted first; if the balance of the equity premium in the capital reserve (capital premium or share premium) is insufficient to offset, the surplus reserve and undistributed profit are offset in turn.

The accounting treatment for business combinations under common control achieved in stages is set out in Note V, 7(6).

(2) Business combinations not under common control

For business combinations not under common control, the identifiable assets and liabilities of the acquiree acquired by the Company in the business combination are measured at their fair value on the acquisition date. Where the acquiree and the Company adopt different accounting policies and accounting periods prior to the business combination, the accounting policies and accounting periods are unified based on the principle of materiality, that is, the book values of the assets and liabilities of the acquiree are adjusted in accordance with the Company's accounting policies and accounting periods. If the combination cost of the Company on the acquisition date exceeds the fair value of the identifiable assets and liabilities of the acquiree acquired in the business combination, the excess is recognized as goodwill; if the combination cost is less than the fair value of the identifiable assets and liabilities of the acquiree acquired in the business combination, the combination cost and the fair value of the identifiable assets and liabilities of the acquiree acquired in the business combination are reviewed first; if after such review the combination cost still falls short of the fair value of the identifiable assets and liabilities of the acquiree acquired, the difference is recognized as profit or loss for the combination period.

The accounting treatment for business combinations not under common control achieved in stages is set out in Note V, 7(6).

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

6. Accounting method of enterprise merger under common control and not under common control (Continued)

(3) Treatment of transaction costs related to business combinations

Intermediary expenses such as audit, legal services, appraisal and consultation, as well as other related administrative expenses incurred for the purpose of business combinations, are recognized 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 recorded in the initial recognition amount of the equity securities or debt securities.

7. Control Judgment Criteria and Methods for Preparing Consolidated Financial Statements

(1) Control judgment criteria and determination of the consolidation scope

Control refers to the power possessed by the Company over the investee, the rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of those returns. The definition of control contains three fundamental elements: first, the investor has power over the investee; second, the investor has rights to variable returns from its involvement with the investee; third, the investor has the ability to use its power over the investee to affect the amount of those returns. When the Company's investment in an investee satisfies all three of the above elements, it indicates that the Company is able to control the investee.

The consolidation scope of the consolidated financial statements is determined on the basis of control, including not only subsidiaries determined based on voting rights (or similar voting rights) themselves or in combination with other arrangements, but also structured entities determined based on one or more contractual arrangements.

Subsidiaries refer to entities controlled by the Company (including enterprises, separable parts of investees, and structured entities controlled by the enterprise, etc.). Structured entities refer to entities that are designed such that voting rights or similar rights are not the dominant factor in determining who controls the entity (note: sometimes also referred to as special purpose entities).

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

7. Control Judgment Criteria and Methods for Preparing Consolidated Financial Statements (Continued)

(2) Special provisions regarding a parent company that is an investment entity

If the parent company is an investment entity, it shall consolidate only those subsidiaries that provide services related to the investment entity's investment activities, and shall not consolidate other subsidiaries. The equity investments in subsidiaries not included in the consolidation scope shall be recognized as financial assets at fair value through profit or loss.

A parent company is considered an investment entity when it simultaneously meets all of the following conditions:

1 The company obtains funds from one or more investors for the purpose of providing investment management services to those investors.

2 The company's sole business purpose is to provide returns to investors through capital appreciation, investment income, or both.

3 The company measures and evaluates the performance of substantially all of its investments on a fair value basis.

When a parent company changes from a non-investment entity to an investment entity, in addition to preparing consolidated financial statements by including in the consolidation scope only those subsidiaries that provide services related to its investment activities, the enterprise shall cease consolidating other subsidiaries from the date of the change, and shall apply the principles applicable to partial disposal of a subsidiary's equity interests without loss of control.

When a parent company changes from an investment entity to a non-investment entity, it shall include those subsidiaries that were previously excluded from the consolidated financial statements in the consolidation scope since the date of the change. The fair value of such previously excluded subsidiaries on the date of the change shall be deemed as the consideration paid in the acquisition, and shall be accounted for in accordance with the accounting treatment for business combinations not under common control.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

7. Control Judgment Criteria and Methods for Preparing Consolidated Financial Statements (Continued)

(3) Methods for preparing consolidated financial statements

The Company prepares consolidated financial statements based on the financial statements of itself and its subsidiaries, supplemented by other relevant information.

In preparing the consolidated financial statements, the Company treats the entire enterprise group as a single accounting entity, and reflects the overall financial position, operating results, and cash flows of the enterprise group in accordance with the recognition, measurement, and presentation requirements of the relevant accounting standards for enterprises, applying uniform accounting policies and accounting periods.

1 Combine the assets, liabilities, owners' equity, income, expenses, and cash flows of the parent company and its subsidiaries.

2 Eliminate the parent company's long-term equity investments in its subsidiaries against the parent company's share of the owners' equity in the subsidiaries.

3 Eliminate the effects of intra-group transactions between the parent company and its subsidiaries, and among subsidiaries. If an intra-group transaction indicates that an impairment loss has occurred on the related assets, such loss shall be recognized in full.

4 Adjust for special transaction items from the perspective of the enterprise group as a whole.

(4) Treatment of increasing or decreasing subsidiaries during the Reporting Period

1 Increasing subsidiaries or businesses

A. Subsidiaries or businesses acquired through business combinations under common control

(a) When preparing the consolidated balance sheet, adjust the opening balance of the consolidated balance sheet, and adjust the relevant items in the comparative financial statements, as if the combined reporting entity had always existed since the date when the ultimate controlling party first obtained control.

(b) When preparing the consolidated income statement, include the revenues, expenses, and profits of the subsidiary and the business from the beginning of the period of the combination to the end of the Reporting Period in the consolidated income statement, and adjust the relevant items in the comparative financial statements, as if the combined reporting entity had always existed since the date when the ultimate controlling party first obtained control.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

7. Control Judgment Criteria and Methods for Preparing Consolidated Financial Statements (Continued)

(4) Treatment of increasing or decreasing subsidiaries during the Reporting Period (Continued)

1 Increasing subsidiaries or businesses (Continued)

A. Subsidiaries or businesses acquired through business combinations under common control (Continued)

(c) When preparing the consolidated cash flow statement, include the cash flows of the subsidiary and the business from the beginning of the period of the combination to the end of the Reporting Period in the consolidated cash flow statement, and adjust the relevant items in the comparative financial statements, as if the combined reporting entity had always existed since the date when the ultimate controlling party first obtained control.

B. Subsidiaries or businesses acquired through business combinations not under common control

(a) When preparing the consolidated balance sheet, do not adjust the opening balance of the consolidated balance sheet.

(b) When preparing the consolidated income statement, include the revenues, expenses, and profits of the subsidiary and the business from the acquisition date to the end of the Reporting Period in the consolidated income statement.

(c) When preparing the consolidated cash flow statement, include the cash flows of the subsidiary from the acquisition date to the end of the Reporting Period in the consolidated cash flow statement.

2 Disposal of subsidiaries or businesses

A. When preparing the consolidated balance sheet, do not adjust the opening balance of the consolidated balance sheet.

B. When preparing the consolidated income statement, include the revenues, expenses, and profits of the subsidiary and the business from the beginning of the period to the disposal date in the consolidated income statement.

C. When preparing the consolidated cash flow statement, include the cash flows of the subsidiary and the business from the beginning of the period to the disposal date in the consolidated cash flow statement.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

7. Control Judgment Criteria and Methods for Preparing Consolidated Financial Statements (Continued)

(5) Special considerations in consolidation eliminations

1 Where a subsidiary holds long-term equity investments in the Company, such investments shall be treated as treasury shares of the Company, presented as a deduction from owners' equity under the item "less: treasury shares" in the consolidated balance sheet under owners' equity.

Long-term equity investments held mutually among subsidiaries shall be eliminated by offsetting the long-term equity investments against the corresponding share of the equity in the subsidiaries' owners' equity, in the same manner as the elimination of the Company's equity investments in its subsidiaries.

2 The items "special reserves" and "general risk reserves" are neither paid-in capital (or share capital) nor capital reserves, nor are they the same as retained earnings or undistributed profits. After the long-term equity investments are offset against the owners' equity of the subsidiaries, such items shall be restored to the extent of the share attributable to the parent company's owners.

3 Where temporary differences arise between the carrying amounts of assets and liabilities in the consolidated balance sheet and their tax bases in the taxable entities due to offsetting unrealized internal sales gains and losses, deferred tax assets or deferred tax liabilities are recognized in the consolidated balance sheet, and the income tax expenses in the consolidated income statement are adjusted at the same time, except for deferred income tax related to transactions or events directly recognized in owners' equity and business combinations.

4 Unrealized internal transaction gains or losses arising from the sale of assets by the Company to its subsidiaries shall be fully eliminated against "net profit attributable to owners of the parent company". Unrealized internal transaction gains or losses arising from the sale of assets by subsidiaries to the Company shall be allocated and offset between "net profit attributable to owners of the parent company" and "minority shareholders' profits and losses" in proportion to the Company's ownership interest in such subsidiaries. Unrealized internal transaction gains or losses arising from the sale of assets among subsidiaries shall be allocated and offset between "net profit attributable to owners of the parent company" and "minority shareholders' profits and losses" in proportion to the Company's ownership interest in the selling subsidiary.

5 Where the current period losses borne by minority shareholders of a subsidiary exceed the minority shareholders' share of the subsidiary's opening owners' equity, the balance shall still be offset against minority shareholders' interests.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

7. Control Judgment Criteria and Methods for Preparing Consolidated Financial Statements (Continued)

(6) Accounting treatment of special transactions

1 *Purchase of minority shareholders' equity interests*

Where the Company acquires equity interests in a subsidiary from the subsidiary's minority shareholders, in the separate financial statements, the cost of the long-term equity investment newly acquired from purchasing minority interests shall be measured at the fair value of the consideration paid. In the consolidated financial statements, the difference between the long-term equity investment newly acquired from purchasing minority interests and the share of the subsidiary's net assets calculated based on the newly increased ownership percentage, as determined on a continuous basis from the acquisition date or the combination date, shall be adjusted against capital reserve (capital premium or share premium), and if the capital reserve is insufficient to absorb the difference, it shall be charged against retained earnings in the order of surplus reserve and undistributed profits.

2 *Obtaining control over a subsidiary through multiple transactions in steps*

A. Combination of businesses under common control by step through multiple transactions

On the combination date, in the separate financial statements, the Company determines the initial cost of the long-term equity investment based on the share of the subsidiary's net assets as reflected in the carrying amount in the consolidated financial statements of the ultimate controlling party after the combination; the difference between the initial investment cost and the sum of the carrying amount of the long-term equity investment held before the combination plus the carrying amount of the new consideration paid for the further shares acquired on the combination date shall be adjusted against capital reserve (capital premium or share premium), and if the capital reserve is insufficient to absorb the difference, it shall be charged against retained earnings in the order of surplus reserve and undistributed profits.

In the consolidated financial statements, the assets and liabilities of the acquiree acquired by the combining party in the combination shall be measured at their carrying amounts in the consolidated financial statements of the ultimate controlling party on the combination date, except for adjustments due to differences in accounting policies and accounting periods; the difference between the sum of the carrying amount of the investment held before the combination plus the carrying amount of the new consideration paid on the combination date and the carrying amount of the net assets acquired in the combination shall be adjusted against capital reserve (capital premium/share premium), and if the capital reserve is insufficient to absorb the difference, it shall be adjusted against retained earnings.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

7. Control Judgment Criteria and Methods for Preparing Consolidated Financial Statements (Continued)

(6) Accounting treatment of special transactions (Continued)

2 Obtaining control over a subsidiary through multiple transactions in steps (Continued)

A. Combination of businesses under common control by step through multiple transactions (Continued)

In respect of the equity investments held by the combining party before obtaining control over the acquiree, any gains or losses, other comprehensive income, and other changes in owners' equity recognized from the later of the date of the original acquisition of the equity and the date when both the combining party and the acquiree came under the final control of the same party to the combination date shall be respectively charged against the opening retained earnings or current profit or loss of the comparative financial statements.

B. Combination of businesses not under common control by step through multiple transactions

On the acquisition date, in the separate financial statements, the sum of the carrying amount of the original long-term equity investment held plus the cost of the new investment on the acquisition date shall be taken as the initial cost of the long-term equity investment on the acquisition date.

In the consolidated financial statements, the equity interest in the acquiree held before the acquisition date shall be remeasured at its fair value on the acquisition date. If the equity interest in the acquiree held before the acquisition date is designated as a financial asset at fair value through other comprehensive income, the difference between its fair value and its carrying amount shall be recognized in retained earnings, and the cumulative fair value changes previously recognized in other comprehensive income shall be reclassified to retained earnings; if the equity interest in the acquiree held before the acquisition date is a financial asset at fair value through profit or loss or a long-term equity investment accounted for using the equity method, the difference between its fair value and its carrying amount shall be recognized as investment income for the current period. Other comprehensive income related to the equity interest in the acquiree held before the acquisition date that arose from the equity method accounting, as well as other changes in owners' equity other than net profit or loss, other comprehensive income, and profit distributions under the equity method, shall be accounted for on the acquisition date on the same basis as if the investee had directly disposed of the related assets or liabilities, and the related other changes in owners' equity shall be reclassified to investment income for the current period of the acquisition date.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

7. Control Judgment Criteria and Methods for Preparing Consolidated Financial Statements (Continued)

(6) Accounting treatment of special transactions (Continued)

3 Disposal of long-term equity investments in subsidiaries by the Company without losing control

Where the parent company partially disposes of its long-term equity investment in a subsidiary without losing control, in the consolidated financial statements, the difference between the disposal proceeds and the share of the subsidiary's net assets determined on a continuous basis from the acquisition date or the combination date corresponding to the disposed long-term equity investment shall be adjusted against capital reserve (capital premium or share premium), and if the capital reserve is insufficient to absorb the difference, it shall be adjusted against retained earnings.

4 Disposal of long-term equity investments in subsidiaries by the Company with loss of control

A. Disposal in a single transaction

Where the Company loses control over an investee due to the disposal of part of its equity investments or other reasons, when preparing the consolidated financial statements, the remaining equity interest shall be remeasured at its fair value on the date when control is lost. The difference between the sum of the consideration received from the disposal and the fair value of the remaining equity interest, and the sum of the share of the original subsidiary's net assets determined on a continuous basis from the acquisition date or the combination date calculated based on the original ownership percentage plus goodwill, shall be recognized as investment income in the period in which control is lost.

Other comprehensive income related to the equity investment in the original subsidiary shall, upon loss of control, be accounted for on the same basis as if the original subsidiary had directly disposed of the related assets or liabilities. Other changes in owners' equity related to the original subsidiary that arose under the equity method shall be transferred to profit or loss for the period upon loss of control.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

7. Control Judgment Criteria and Methods for Preparing Consolidated Financial Statements (Continued)

(6) Accounting treatment of special transactions (Continued)

4 *Disposal of long-term equity investments in subsidiaries by the Company with loss of control* (Continued)

B. Disposal by step through multiple transactions

In the consolidated financial statements, it shall first be assessed whether the step-by-step transactions constitute a "package transaction".

If the step-by-step transactions do not constitute a "package transaction", then in the separate financial statements, for each transaction prior to the loss of control over the subsidiary, the carrying amount of the long-term equity investment corresponding to each disposal shall be written off, and the difference between the proceeds received and the carrying amount of the disposed long-term equity investment shall be recognized as investment income for the current period; in the consolidated financial statements, such transactions shall be accounted for in accordance with the provisions regarding "disposal of long-term equity investments in subsidiaries by the parent company without losing control".

If the step-by-step transactions constitute a "package transaction", all transactions shall be accounted for as a single transaction of disposing of a subsidiary and losing control. In the separate financial statements, the difference between the consideration received from each disposal prior to the loss of control and the carrying amount of the long-term equity investment corresponding to the disposed equity shall be initially recognized as other comprehensive income, and shall be reclassified in its entirety to profit or loss for the period when control is lost. In the consolidated financial statements, for each transaction prior to the loss of control, the difference between the consideration received from the disposal and the share of the subsidiary's net assets corresponding to the disposed investment shall be recognized as other comprehensive income, and shall be reclassified in its entirety to profit or loss for the period when control is lost.

Where the terms, conditions, and economic effects of the transactions meet one or more of the following circumstances, the multiple transactions are generally accounted for as a "package transaction":

(a) The transactions are entered into simultaneously or in consideration of each other's effects.

(b) The transactions as a whole achieve a complete commercial result.

(c) The occurrence of one transaction is conditional on the occurrence of at least one other transaction.

(d) One transaction, considered individually, is not economically beneficial, but is economically beneficial when considered together with other transactions.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

7. Control Judgment Criteria and Methods for Preparing Consolidated Financial Statements (Continued)

(6) *Accounting treatment of special transactions* (Continued)

5 *Dilution of the parent company's ownership percentage due to capital increase by minority shareholders of the subsidiary*

Other shareholders (minority shareholders) of a subsidiary make additional capital contributions to the subsidiary, thereby diluting the parent company's ownership percentage in the subsidiary. In the consolidated financial statements, the difference between the parent company's share of the subsidiary's carrying amount of net assets before the capital increase calculated based on the ownership percentage before the capital increase and the share of the subsidiary's carrying amount of net assets after the capital increase calculated based on the ownership percentage after the capital increase shall be adjusted against capital reserve (capital premium or share premium), and if the capital reserve (capital premium or share premium) is insufficient to absorb the difference, it shall be adjusted against retained earnings.

8. Classification of Joint Arrangements and Accounting Treatment for Joint Operations

A joint arrangement is an arrangement of which two or more parties have joint control. The Company's joint arrangements 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 recognizes the following items relating to its interest in the joint operation, and accounts for them in accordance with the relevant accounting standards for enterprises:

1 Recognize assets that it solely holds, and recognize jointly held assets based on its share;

2 Recognize liabilities that it solely incurs, and recognize jointly incurred liabilities based on its share;

3 Recognize revenue from the sale of its share of the output of the joint operation;

4 Recognize revenue from the sale of output by the joint operation based on its share;

5 Recognize expenses that it solely incurs, and recognize expenses incurred by the joint operation based on its share.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

8. Classification of Joint Arrangements and Accounting Treatment for Joint Operations (Continued)

(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 investment in a joint venture in accordance with the provisions of the equity method for long-term equity investments.

9. Criteria for Determining Cash and Cash Equivalents

Cash refers to the enterprise's cash on hand and deposits that are readily available for payment. Cash equivalents refer to short-term investments held by the enterprise that are highly liquid, readily convertible into known amounts of cash, and subject to an insignificant risk of changes in value (generally those with maturities of three months or less from the date of purchase).

10. Foreign Currency Transactions and Translation of Foreign Currency Statements

(1) Determination of the exchange rate for translating foreign currency transactions

When initially recognizing foreign currency transactions, the Company translates them into the functional currency using the spot exchange rate on the date of the transaction, or an exchange rate that is determined using a systematic and reasonable method and approximates the spot exchange rate on the date of the transaction (hereinafter referred to as the approximate spot exchange rate).

(2) Method for translating foreign currency monetary items at the balance sheet date

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. Exchange differences arising from changes in the spot exchange rate between the balance sheet date and the date of initial recognition or the previous balance sheet date are recognized in profit or loss. Foreign currency non-monetary items measured at historical cost are still translated using the spot exchange rate on the date of the transaction; for inventories measured at the lower of cost and net realizable value, where the inventories are purchased in a foreign currency and their net realizable value at the balance sheet date is expressed in a foreign currency, the net realizable value is first translated into the functional currency amount using the spot exchange rate at the balance sheet date, and then compared with the inventory cost expressed in the functional currency to determine the ending value of such inventories; for foreign currency non-monetary items measured at fair value, the spot exchange rate on the date when the fair value is determined is used for translation. For financial assets at fair value through profit or loss, the difference between the translated functional currency amount and the original functional currency amount is recognized in profit or loss. For non-trading equity instrument investments designated as measured at fair value through other comprehensive income, the difference between the translated functional currency amount and the original functional currency amount is recognized in other comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

10. Foreign Currency Transactions and Translation of Foreign Currency Statements

(Continued)

(3) Method for translating foreign currency statements

Before translating the financial statements of a foreign operation, the accounting period and accounting policies of the foreign operation shall be adjusted to be consistent with those of the Company. Based on the adjusted accounting policies and accounting period, financial statements expressed in the corresponding currency (a currency other than the functional currency) shall be prepared, and then the financial statements of the foreign operation shall be translated using the following methods:

1 Assets and liabilities items in the balance sheet are translated using the spot exchange rate at the balance sheet date. Owners' equity items, except for "undistributed profits", are translated using the spot exchange rates at the dates when they arose.

2 Revenue and expense items in the income statement are translated using the spot exchange rate on the date of the transaction or the approximate spot exchange rate.

3 Foreign currency cash flows and cash flows of overseas subsidiaries are translated using the spot exchange rate on the date of the cash flow or the approximate spot exchange rate. The effects of exchange rate changes on cash shall be presented as a reconciling item separately in the statement of cash flows.

4 Exchange differences arising from the translation of foreign currency statements shall, in the preparation of consolidated financial statements, be presented under the "other comprehensive income" item under owners' equity in the consolidated balance sheet.

Upon disposal of a foreign operation and loss of control, the exchange differences arising from translation of foreign currency statements related to that foreign operation, which are presented under owners' equity items in the balance sheet, shall be transferred in full or in proportion to the disposal percentage of the foreign operation to profit or loss for the disposal period.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instruments

Financial instruments refer to contracts that give 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

When the Company becomes a party to a financial instrument contract, it recognizes the related financial asset or financial liability.

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

1 The contractual right to receive cash flows from the financial asset expires;

2 The financial asset has been transferred and the transfer meets the derecognition conditions for financial asset transfers as described below.

A financial liability (or part thereof) is derecognized when the present obligation has been discharged. Where the Company (as borrower) enters into an agreement with the lender to replace the original financial liability with a new financial liability, and the contractual terms of the new financial liability are substantially different from those of the original financial liability, the original financial liability is derecognized and the new financial liability is simultaneously recognized. Where the Company makes a substantial modification to the contractual terms of an original financial liability (or part thereof), it shall derecognize the original financial liability and recognize a new financial liability in accordance with the modified terms.

Purchases and sales of financial assets in a regular way are recognized and derecognized on the trade date. A regular way purchase or sale of financial assets is a purchase or sale of a financial asset under a contract whose terms require delivery of the financial asset within the time frame established generally by regulation or market convention. The trade date is the date on which the Company commits to purchase or sell a financial asset.

(2) Classification and measurement of financial assets

At initial recognition, the Company classifies financial assets based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets into: financial assets measured at amortized cost, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income. Unless the Company changes the business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first Reporting Period following the change in the business model, financial assets shall not be reclassified after initial recognition.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

11. Financial Instruments (Continued)

(2) Classification and measurement of financial assets (Continued)

Financial assets are measured at fair value at initial recognition. For financial assets at fair value through profit or loss, related transaction costs are directly recognized in profit or loss. For other categories of financial assets, related transaction costs are included in the initial recognition amount. Notes receivable and accounts receivable arising from the sale of goods or provision of services that do not contain or are not subject to a significant financing component are initially measured at the transaction price as defined under the revenue standard.

Subsequent measurement of financial assets depends on their classification:

1 Financial assets measured at amortized cost

A financial asset is classified as measured at amortized cost if it meets both of the following conditions: the Company's business model for managing the financial asset is to hold it to collect contractual cash flows; and 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. For such financial assets, the effective interest method is used, and they are subsequently measured at amortized cost. Gains or losses arising from derecognition, amortization using the effective interest method, or impairment are recognized in profit or loss.

2 Financial assets at fair value through other comprehensive income

A financial asset is classified as financial asset at fair value through other comprehensive income if it meets both of the following conditions: the Company's business model for managing the financial asset is to both hold it to collect contractual cash flows and to sell the financial asset; and 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. For such financial assets, fair value is used for subsequent measurement. Except for impairment losses or gains and foreign exchange gains and losses, which are recognized in profit or loss, changes in fair value of such financial assets are recognized in other comprehensive income until the financial asset is derecognized, at which time the cumulative gain or loss is reclassified to profit or loss. However, related interest income on such financial assets calculated using the effective interest method is recognized in profit or loss.

The Company may irrevocably designate certain investments in non-trading equity instruments as financial assets at fair value through other comprehensive income, recognizing only related dividend income in profit or loss and changes in fair value in other comprehensive income, with the cumulative gain or loss transferred to retained earnings upon derecognition of the financial asset.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instruments (Continued)

(2) Classification and measurement of financial assets (Continued)

3 Financial assets at fair value through profit or loss

Financial assets other than those measured at amortized cost and those measured at fair value through other comprehensive income as described above are classified as financial assets at fair value through profit or loss. For such financial assets, fair value is used for subsequent measurement and all changes in fair value are recognized in profit or loss.

(3) Classification and measurement of financial liabilities

The Company classifies financial liabilities into: financial liabilities at fair value through profit or loss, loan commitments at below-market interest rates and financial guarantee contract liabilities, and financial liabilities measured at amortized cost.

Subsequent measurement of financial liabilities depends on their classification:

1 Financial liabilities at fair value through profit or loss

Such financial liabilities include trading financial liabilities (including derivative instruments that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. Subsequent to initial recognition, such financial liabilities are measured at fair value. Changes in fair value (including interest expenses) are recognized in profit or loss, except for those relating to hedge accounting. However, for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to changes in the issuer's own credit risk are recognized in other comprehensive income. When such financial liabilities are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings.

2 Loan commitments and financial guarantee contract liabilities

Loan commitments are commitments provided by the Company to customers to extend loans under agreed contractual terms during the commitment period. Loan commitments are measured for impairment losses in accordance with the expected credit loss model.

Financial guarantee contracts are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contract liabilities are subsequently measured at the higher of the amount of the impairment provision determined in accordance with the impairment principles for financial assets; and the amount initially recognized less cumulative amortization recognized in accordance with revenue recognition principles.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

11. Financial Instruments (Continued)

(3) Classification and measurement of financial liabilities (Continued)

3 *Financial liabilities at amortized cost*

After initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method.

Except under special circumstances, financial liabilities and equity instruments are distinguished in accordance with the following principles:

1 If the Company cannot avoid, unconditionally, fulfilling a contractual obligation to deliver cash or another financial asset, such contractual obligation meets the definition of a financial liability. Certain financial instruments, despite not explicitly containing terms and conditions requiring the delivery of cash or another financial asset, may indirectly create a contractual obligation through other terms and conditions.

2 If a financial instrument is to be settled using, or may be settled using, the Company's own equity instruments, it is necessary to consider whether such own equity instruments used for settlement serve as a substitute for cash or another financial asset, or whether they confer on the holder 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 issuer; in the latter case, it is an equity instrument of the issuer. In certain circumstances, a financial instrument contract may require the Company to settle the instrument using, or may permit settlement using, its own equity instruments. If the amount of the contractual right or obligation is equal to the number of own equity instruments to be acquired or delivered multiplied by their fair value at the time of settlement, such contract is classified as a financial liability, regardless of whether the amount of the contractual right or obligation is fixed, or varies in whole or in part based on changes in variables other than the market price of the Company's own equity instruments (such as interest rates, the price of a commodity, or the price of a financial instrument).

(4) Derivative financial instruments and embedded derivatives

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Derivative financial instruments with a positive fair value are recognized as assets, while those with a negative fair value are recognized as liabilities.

Gains or losses arising from changes in the fair value of derivatives are recognized directly in profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and subsequently reclassified to profit or loss when the hedged item affects profit or loss.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

11. Financial Instruments (Continued)

(4) Derivative financial instruments and embedded derivatives (Continued)

For hybrid instruments containing embedded derivatives, where the host contract is a financial asset, the hybrid instrument as a whole is subject to the classification requirements for financial assets. Where the host contract is not a financial asset, and the hybrid instrument is not accounted for at fair value through profit or loss, the embedded derivative is separated from the host contract and accounted for as a separate derivative financial instrument if 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. If the fair value of the embedded derivative cannot be reliably measured at the date of acquisition or at a subsequent reporting date, the entire hybrid instrument is designated as at fair value through profit or loss.

(5) Impairment of financial instruments

The Company recognizes impairment provisions for financial assets at amortized cost, debt investments measured at fair value through other comprehensive income, contract assets, lease receivables, loan commitments and financial guarantee contracts on the basis of expected credit losses ("**ECLs**").

1 *Measurement of expected credit losses*

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the present value of the difference between all contractual cash flows due to the Company in accordance with the contract and all cash flows that the Company expects to receive, discounted at the original effective interest rate. For purchased or originated credit-impaired financial assets, the discount rate is the credit-adjusted effective interest rate.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

At each reporting date, the Company measures ECLs for financial instruments in different stages separately. For financial instruments for which there has been no significant increase in credit risk since initial recognition (Stage 1), the Company recognizes a impairment provision equal to 12-month ECLs. For financial instruments for which there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (Stage 2), the Company recognizes a impairment provision equal to lifetime ECLs. For financial instruments that are credit-impaired since initial recognition (Stage 3), the Company recognises a impairment provision equal to lifetime ECLs.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

11. Financial Instruments (Continued)

(5) Impairment of financial instruments (Continued)

1 *Measurement of expected credit losses* (Continued)

For financial instruments that have a low credit risk at the reporting date, the Company assumes that there has been no significant increase in credit risk since initial recognition and recognizes a impairment provision equal to 12-month ECLs.

For financial instruments in Stages 1 and 2, as well as those with low credit risk, the Company calculates interest income based on the book balance (without deduction of impairment allowance) and the effective interest rate. For financial instruments in Stage 3, interest income is calculated based on the amortized cost, being the book balance less the impairment allowance, and the effective interest rate.

For bills receivable, trade receivables, receivables financing, contract assets and long-term receivables, the Company measures impairment provisions at an amount equal to lifetime ECLs, irrespective of whether there is a significant financing component.

A. Receivables/Contract assets

For bills receivable, trade receivables, other receivables, receivables financing, contract assets and long-term receivables for which objective evidence of impairment exists, and for other items that are individually assessed, the Company performs individual impairment testing, recognizes ECLs and provides for individual impairment allowances. For bills receivable, trade receivables, other receivables, receivables financing, contract assets and long-term receivables for which no objective evidence of impairment exists, or where information on ECLs cannot be obtained at a reasonable cost for individual financial assets, the Company classifies these instruments into several portfolios based on their credit risk characteristics and calculates ECLs on a portfolio basis. The basis for determining the portfolios is as follows:

The basis for determining the portfolios for bills receivable is as follows:

Bills receivable portfolio 1	Commercial acceptance bills and bank acceptance bills issued by finance companies from customers that are listed companies or Fortune Global 500 companies
Bills receivable portfolio 2	Commercial acceptance bills and bank acceptance bills issued by finance companies from other corporate customers
Bills receivable portfolio 3	Other bank acceptance bills

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instruments (Continued)

(5) *Impairment of financial instruments* (Continued)

1 *Measurement of expected credit losses* (Continued)

A. Receivables/Contract assets (Continued)

For bills receivable classified into portfolios, the Company calculates ECLs by reference to historical credit loss experience, adjusted for current conditions and forecasts of future economic conditions, using the exposure at default and lifetime ECL rates.

Portfolio	Expected credit loss rate for bills receivable (%)
Bills receivable portfolio 1	Refer to trade receivables
Bills receivable portfolio 2	Refer to trade receivables
Bills receivable portfolio 3	

The basis for determining the portfolios for trade receivables is as follows:

Trade receivables portfolio 1	Customers that are listed companies or Fortune Global 500 companies
Trade receivables portfolio 2	Other corporate customers
Trade receivables portfolio 3	Related parties within the scope of consolidation

For trade receivables classified into portfolios 1 and 2, the Company calculates ECLs by reference to historical credit loss experience, adjusted for current conditions and forecasts of future economic conditions, using a comparison table of trade receivable aging and lifetime ECL rates.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instruments (Continued)

(5) Impairment of financial instruments (Continued)

1 *Measurement of expected credit losses* (Continued)

A. Receivables/Contract assets (Continued)

No impairment allowance is recognized for trade receivables from related parties within the scope of consolidation. The comparison table of lifetime ECL rates for the portfolio of listed companies and Fortune Global 500 customers and the portfolio of other corporate customers is set out below:

Aging	**Expected credit loss rate for listed company and Fortune Global 500 customers**	**Expected credit loss rate for other customers**
Within 1 year (inclusive, same below)	1.50%	3.00%
1–2 years	5.00%	10.00%
2–3 years	15.00%	30.00%
3–4 years	35.00%	50.00%
4–5 years	65.00%	80.00%
Over 5 years	100.00%	100.00%

The basis for determining the portfolios for other receivables is as follows:

Other receivables portfolio 1	Aging portfolio
Other receivables portfolio 2	Related parties within the scope of consolidation

For other receivables classified into portfolios, the Company calculates ECLs by reference to historical credit loss experience, adjusted for current conditions and forecasts of future economic conditions, using the exposure at default and ECL rates within the next 12 months or over the lifetime.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

11. Financial Instruments (Continued)

(5) *Impairment of financial instruments* (Continued)

1 *Measurement of expected credit losses* (Continued)

A. Receivables/Contract assets (Continued)

No impairment allowance is recognized for other receivables from related parties within the scope of consolidation. The comparison table of aging and lifetime ECL rates for the aging portfolio is set out below:

Aging	**Expected credit loss rate for other receivables**
Within 1 year (inclusive, same below)	3%
1–2 years	10%
2–3 years	30%
3–4 years	50%
4–5 years	80%
Over 5 years	100%

The basis for determining the portfolios for receivables financing is as follows:

Receivables financing portfolio: Bank acceptance bills issued by banks with high credit ratings.

For receivables financing classified into portfolios, the Company calculates ECLs by reference to historical credit loss experience, adjusted for current conditions and forecasts of future economic conditions, using the exposure at default and lifetime ECL rates.

The basis for determining the portfolios for contract assets is as follows:

Contract assets portfolio 1:	Customers that are listed companies or Fortune Global 500 companies
Contract assets portfolio 2:	Other corporate customers

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instruments (Continued)

(5) *Impairment of financial instruments* (Continued)

1 *Measurement of expected credit losses* (Continued)

A. Receivables/Contract assets (Continued)

The comparison table of lifetime ECL rates for the portfolio of listed companies and Fortune Global 500 customers and the portfolio of other corporate customers is set out below:

Aging	**Expected credit loss rate for listed company and Fortune Global 500 customers**	**Expected credit loss rate for other customers**
Within 1 year (inclusive, same below)	1.50%	3.00%
1–2 years	5.00%	10.00%
2–3 years	15.00%	30.00%
3–4 years	35.00%	50.00%
4–5 years	65.00%	80.00%
Over 5 years	100.00%	100.00%

For contract assets classified into portfolios, the Company calculates ECLs by reference to historical credit loss experience, adjusted for current conditions and forecasts of future economic conditions, using the exposure at default and lifetime ECL rates.

The basis for determining the portfolios for long-term receivables is as follows:

Long-term receivables portfolio 1:	Customers that are listed companies or Fortune Global 500 companies
Long-term receivables portfolio 2:	Other corporate customers

For long-term receivables classified into portfolios, the Company calculates ECLs by reference to historical credit loss experience, adjusted for current conditions and forecasts of future economic conditions, using the exposure at default and lifetime ECL rates.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instruments (Continued)

(5) *Impairment of financial instruments* (Continued)

1 *Measurement of expected credit losses* (Continued)

A. Receivables/Contract assets (Continued)

The comparison table of lifetime ECL rates for the portfolio of listed companies and Fortune Global 500 customers and the portfolio of other corporate customers is set out below:

Aging	**Expected credit loss rate for listed company and Fortune Global 500 customers**	**Expected credit loss rate for other customers**
Within 1 year (inclusive, same below)	1.50%	3.00%
1–2 years	5.00%	10.00%
2–3 years	15.00%	30.00%
3–4 years	35.00%	50.00%
4–5 years	65.00%	80.00%
Over 5 years	100.00%	100.00%

B. Debt investments and other debt investments

For debt investments and other debt investments, the Company calculates ECLs based on the nature of the investment, by reference to various types of counterparties and risk exposures, using the exposure at default and ECL rates within the next 12 months or over the lifetime.

2 *Low credit risk*

A financial instrument is regarded as having low credit risk if it has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may not necessarily reduce the borrower's capacity to meet its contractual cash flow obligations.

3 *Significant increase in credit risk*

The Company assesses the relative change in the probability of default occurring over the expected life of a financial instrument by comparing the probability of default over the expected life as determined at the reporting date with that determined at initial recognition, in order to determine whether the credit risk of the financial instrument has increased significantly since initial recognition.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instruments (Continued)

(5) *Impairment of financial instruments* (Continued)

3 *Significant increase in credit risk* (Continued)

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

A. whether there has been a significant change in internal price indicators resulting from changes in credit risk;

B. whether there have been adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt servicing obligations;

C. whether there have been actual or expected significant changes in the debtor's operating results; whether there have been significant adverse changes in the regulatory, economic or technological environment in which the debtor operates;

D. whether there have been significant changes in the value of collateral securing the debt or in the quality of guarantees or credit enhancements provided by third parties. Such changes are expected to reduce the debtor's economic incentive to repay on the contractual terms or affect the probability of default;

E. whether there have been significant changes in the economic incentive expected to reduce the debtor's repayment in accordance with the contractual terms;

F. expected changes to loan agreements, including exemptions from or amendments to contractual obligations, interest-free periods, interest rate increases, requirements for additional collateral or guarantees, or other changes to the contractual framework of the financial instrument that may result from expected covenant breaches;

G. whether there have been significant changes in the debtor's expected performance and repayment behaviour;

H. whether contractual payments are overdue for 30 days (inclusive).

Depending on the nature of the financial instrument, the Company assesses whether credit risk has increased significantly on an individual financial instrument basis or on a portfolio basis. When assessing on a portfolio basis, the Company may classify financial instruments based on shared credit risk characteristics, such as overdue information and credit risk ratings.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

11. Financial Instruments (Continued)

(5) Impairment of financial instruments (Continued)

3 *Significant increase in credit risk* (Continued)

Typically, if an account is overdue for more than 30 days, the Company determines that the credit risk of the financial instrument has increased significantly, unless the Company has obtained reasonable and supportable information without undue cost or effort demonstrating that, despite the contractual payment being overdue for 30 days, credit risk has not increased significantly since initial recognition.

4 *Credit-impaired financial assets*

The Company assesses whether financial assets measured at amortized cost and debt investments measured at fair value through other comprehensive income are credit-impaired at the reporting date. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

Significant financial difficulty of the issuer or borrower; a breach of contract, such as a default or delinquency in interest or principal payments; the lender, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider; the borrower becoming likely to enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset because of financial difficulties of the issuer or borrower; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

5 *Presentation of allowance for expected credit losses*

To reflect changes in the credit risk of financial instruments since initial recognition, the Company remeasures ECLs at each reporting date. The resulting increases or reversals in impairment provisions are recognized in profit or loss as impairment losses or gains. For financial assets measured at amortized cost, impairment provisions reduce the carrying amount of the financial asset presented in the statement of financial position. For debt investments measured at fair value through other comprehensive income, impairment provisions are recognized in other comprehensive income and do not reduce the carrying amount of the financial asset.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instruments (Continued)

(5) *Impairment of financial instruments* (Continued)

6 *Write-off*

If the Company no longer reasonably expects to recover the contractual cash flows of a financial asset in whole or in part, the book balance of the financial asset is directly written off. Such a write-off constitutes a derecognition of the relevant financial asset. This typically occurs when the Company determines that the debtor has no assets or sources of income that could generate sufficient cash flows to repay the amount to be written off.

Subsequent recoveries of amounts previously written off are recognized as reversals of impairment losses in profit or loss in the period of recovery.

(6) *Transfers of financial assets*

A transfer of financial assets refers to either of the following two circumstances:

A. The transfer of the contractual right to receive the cash flows of a financial asset to another party;

B. The transfer of a financial asset in its entirety or in part to another party, while retaining the contractual right to receive the cash flows of the financial asset and assuming a contractual obligation to pay the received cash flows to one or more recipients.

1 *Derecognition of transferred financial assets*

A financial asset is derecognized when substantially all the risks and rewards of ownership of the financial asset have been transferred to the transferee, or when neither substantially all the risks and rewards of ownership have been transferred nor retained, but control over the financial asset has been relinquished.

In determining whether control over the transferred financial asset has been relinquished, the Company assesses the transferee's practical ability to sell the financial asset. If the transferee can unilaterally sell the transferred financial asset in its entirety to an unrelated third party without imposing additional conditions that restrict such sale, the Company is considered to have relinquished control over the financial asset.

In assessing whether a transfer of a financial asset satisfies the conditions for derecognition, the Company focuses on the substance of the transfer.

When a transfer of a financial asset in its entirety satisfies the conditions for derecognition, the difference between the following two amounts is recognized in profit or loss:

A. The carrying amount of the transferred financial asset;

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

11. Financial Instruments (Continued)

(6) Transfers of financial assets (Continued)

1 Derecognition of transferred financial assets (Continued)

B. The sum of the consideration received on transfer and any cumulative amount of changes in fair value previously recognized in other comprehensive income that corresponds to the derecognized portion (in the case of transferred financial assets classified as financial assets measured at fair value through other comprehensive income under paragraph 18 of CAS 22 – Financial Instruments: Recognition and Measurement).

When a partial transfer of a financial asset satisfies the conditions for derecognition, the total carrying amount of the transferred financial asset is allocated between the derecognized portion and the portion that continues to be recognized (in which case the retained servicing asset is treated as part of the continuing recognition of the financial asset) based on their respective relative fair values at the date of transfer. The difference between the following two amounts is then recognized in profit or loss:

A. The carrying amount of the derecognized portion at the date of derecognition;

B. The sum of the consideration allocated to the derecognized portion and any cumulative amount of changes in fair value previously recognized in other comprehensive income that corresponds to the derecognized portion (in the case of transferred financial assets classified as financial assets measured at fair value through other comprehensive income under paragraph 18 of CAS 22).

2 Continuing involvement in transferred financial assets

Where neither substantially all the risks and rewards of ownership of a financial asset have been transferred nor retained, and control over the financial asset has not been relinquished, the Company recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and correspondingly recognizes a related liability.

The extent of continuing involvement in a transferred financial asset is the extent to which the Company is exposed to changes in the value of the transferred financial asset.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

11. Financial Instruments (Continued)

(6) Transfers of financial assets (Continued)

3 *Continuing recognition of transferred financial assets*

Where substantially all the risks and rewards of ownership of the transferred financial asset are retained, the Company continues to recognize the transferred financial asset in its entirety and recognizes the consideration received as a financial liability.

The financial asset and the related financial liability recognized shall not be offset against each other. In subsequent accounting periods, the Company shall continue to recognize income (or gains) generated by the financial asset and expenses (or losses) incurred on the financial liability.

(7) Offset of financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the statement of financial position and shall not be offset against each other. However, they may be presented on a net basis when both of the following conditions are satisfied simultaneously:

The Company has a legally enforceable right to offset the recognized amounts, and that right is currently enforceable;

The Company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously;

In a transfer of financial assets that does not satisfy the conditions for derecognition, the transferor shall not offset the transferred financial asset against the related liability.

(8) Methods for determining the fair value of financial instruments

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

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.

The Company measures the fair value of a relevant asset or liability using the price in its principal market. In the absence of a principal market, the Company measures fair value using the price in the most advantageous market for the relevant asset or liability. The Company uses assumptions that market participants would use when pricing the asset or liability, assuming that they act in their economic best interests.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

12. Fair Value Measurement (Continued)

A principal market is the market with the greatest volume and highest level of trading activity for the relevant asset or liability. The most advantageous market is the market that maximizes the amount received to sell the relevant asset or minimizes the amount paid to transfer the relevant liability, after taking into account transaction costs and transport costs.

For financial assets or financial liabilities with an active market, the Company uses quoted prices in the active market to determine their fair value. For financial instruments without an active market, the Company uses valuation techniques to determine their fair value.

When measuring the fair value of a non-financial asset, the Company considers the ability of a market participant 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 it in its highest and best use.

(1) Valuation techniques

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to support the valuation. The valuation techniques used mainly include the market approach, income approach and cost approach. The Company uses methods consistent with one or more of these valuation techniques to measure fair value. When multiple valuation techniques are used, the Company considers the reasonableness of each valuation result and selects the amount that best represents fair value in the circumstances.

In applying valuation techniques, the Company prioritizes the use of relevant observable inputs. Unobservable inputs are used only when relevant observable inputs are unavailable or impracticable to obtain. Observable inputs are inputs that can be derived from market data and reflect the assumptions that market participants would use when pricing the relevant asset or liability. Unobservable inputs are inputs that cannot be derived from market data and are developed based on the best available information about the assumptions that market participants would use when pricing the relevant asset or liability.

(2) Fair value hierarchy

The Company classifies the inputs used in fair value measurement into three levels, and prioritizes the use of Level 1 inputs, followed by Level 2 inputs, and finally Level 3 inputs. Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the relevant asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the relevant asset or liability.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

13. Contract Assets and Contract Liabilities

The Company presents contract assets or contract liabilities in the statement of financial position based on the relationship between the performance of performance obligations and customer payments. Consideration to which the Company is entitled in exchange for goods or services that have been transferred to a customer (where the right to consideration is conditional on factors other than the passage of time) is presented as contract assets. Obligations to transfer goods or services to customers for which the Company has received consideration from, or has an unconditional right to receive consideration from, customers are presented as contract liabilities.

Please refer to Note V. 11 for details of the determination method and accounting treatment of expected credit losses of contract assets of the Company.

Contract assets and contract liabilities are presented separately in the balance sheet. Contract assets and contract liabilities under the same contract are presented on a net basis. Where the net balance is a debit balance, it is presented as “contract assets” or “other non-current assets” depending on its liquidity; where the net balance is a credit balance, it is presented as “contract liabilities” or “other non-current liabilities” depending on its liquidity. Contract assets and contract liabilities under different contracts cannot be offset against each other.

14. Inventories

(1) Classification of inventories

Inventories refer to the finished goods or merchandize, semi-finished goods under production process, and materials and items consumed during production or provision of labor services which are held for sale by the Company over the course of ordinary activities. These include raw materials, work in progress, semi-finished goods, goods in stock, goods in transit and materials consigned for processing.

(2) Valuation method of inventories dispatched

Raw materials and semi-finished goods of the Company are valued by the weighted average method when they are delivered, and the goods in stock are valued by the specific identification method when they are delivered.

(3) Inventory system

The Company adopts the perpetual inventory system, with at least one inventory count conducted each year. Inventory surplus and shortage amounts are recorded in profit or loss for the current year.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

14. Inventories (Continued)

(4) Criteria for recognizing and providing for provision for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost is higher than the net realizable value, provision for impairment of inventories is made and recognized in profit or loss for the period.

The net realizable value of the inventory is calculated based on reliable evidence acquired, considering factors including the purposes of holding the inventory and the influences of events after the balance sheet date.

1 In the regular production and operation process, the calculation of the net realizable value of inventory for direct sales, including finished goods, merchandizes and materials for sales purposes, is based on the estimated selling price of inventory subtracting the estimated selling expenses and related taxes. The calculation of the net realizable value of inventory held for the purposes of executing sales contract or service contract is based on the contract price. If the inventory exceeds the amount ordered by the sales contract, the net realizable value of the excess part is estimated based on the general selling price. The net realizable value of materials for sales purposes is calculated based on the market price.

2 In the regular production and operation process, the net realizable value of the inventory of materials requiring processing is calculated based on the estimated selling price of the finished goods subtracting the estimated costs to be incurred until the completion of processing, the estimated selling expenses and related taxes. If the net realizable value of the finished goods is higher than the cost, the material is calculated at cost. A fall in the price means that the net realizable value of the finished goods is lower than the cost and that the material shall be calculated based on the net realizable value. Provision for inventory write-down can be made based on the difference in the values.

3 The Company generally makes provision for inventory write-down on an individual basis. For items of inventories in large quantity and with lower price, provision for inventory write-down can be made by categories of inventory.

4 At the balance sheet date, if the previous influencing factors of inventory write-down have been eliminated, the amount of write-down shall be recovered and be reversed from the provision for inventory write-down previously made. The reversed amount is recognized in profit or loss for the current period.

(5) Amortization methods for turnover materials

1 Amortization method for low value consumables: immediate write-off method upon receipt.

2 Amortization method for packaging materials: immediate write-off method upon receipt.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

15. Contract Costs

Contract costs are divided into contract performance costs and contract acquisition costs.

The costs incurred by the Company for the performance of a contract are recognized as an asset as contract performance costs when the following conditions are met:

1 The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing overhead (or similar expenses), costs explicitly chargeable to the customer, and other costs incurred solely as a result of the contract.

2 The cost increases the resources of the Company to fulfill its performance obligations in the future.

3 The cost is expected to be recovered.

If the incremental costs incurred by the Company in obtaining a contract are expected to be recovered, they are recognized as an asset as contract acquisition costs.

Assets related to the cost of the contract are amortized on the same basis as the revenue recognition of the goods or services related to the asset; however, if the amortization period of the contract acquisition costs is less than one year, the Company recognizes them in profit or loss when incurred.

For assets related to contract costs, if their carrying amount exceeds the difference between the following two items, the Company will recognize an impairment provision for the excess amount as an asset impairment loss, and further assess whether a provision related to onerous contracts needs to be accrued:

1 The remaining consideration expected to be obtained from the transfer of goods or services related to the asset;

2 The costs expected to be incurred for the transfer of the relevant goods or services.

If the impairment provision for the above assets is subsequently reversed, the carrying amount after reversal shall not exceed the carrying amount that would have been determined had no impairment provision been recognized at the date of reversal.

Contract fulfillment costs recognized as assets shall be presented under “Inventories” upon initial recognition when their amortization period does not exceed one year or one normal operating cycle; where the amortization period exceeds one year or one normal operating cycle, such costs shall be presented under “Other non-current assets” upon initial recognition.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

15. Contract Costs (Continued)

Contract acquisition costs recognized as assets shall be presented under "Other current assets" upon initial recognition when their amortization period does not exceed one year or one normal operating cycle; where the amortization period exceeds one year or one normal operating cycle, such costs shall be presented under "Other non-current assets" upon initial recognition.

16. Long-term Equity Investments

The Company's long-term equity investments include the equity investments for exerting control or significant influences on investees and the equity investments in joint ventures. Investees on which the Company can exert significant influence are considered as associates of the Company.

(1) Basis for determining the joint control and significant influence on the investees

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. In determining whether there is a joint control, the first judgement is to determine whether the relevant arrangement is controlled collectively by all the parties involved or the group of the parties involved, if the parties involved or the group of the parties involved must act in concert to determine the relevant arrangement, it is considered that the parties involved or the group of the parties involved control the arrangement; and then determine whether the decision on the arranged activity can be made only with the unanimous consent of the participants sharing the control, if there are two or more participant groups that can collectively control certain arrangement, it does not constitute joint control. When determining if there is any joint control, the relevant protection rights will not be taken into consideration.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control with other parties over the formulation of those policies. When determining if there is any significant influence on the investee, the influence of the voting shares of the investee held by the investor directly and indirectly and the potential voting rights held by the investor and other parties which are exercisable in the current period and converted to the equity of the investee, including the warrants, stock options and convertible bonds that are issued by the investee and can be converted in the current period, shall be taken into consideration.

When the Company holds directly or indirectly through the subsidiary 20% (inclusive) to 50% of the voting shares of the investee, it is generally considered to have significant influence on the investee, unless there is concrete evidence to prove that it cannot participate in or substantially influence the production and operation decision-making of the investee.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

16. Long-term Equity Investments (Continued)

(2) Determination of initial investment cost

1 *For long-term equity investment through a business combination, the investment cost should be determined as follows:*

A. The initial investment cost of a long-term equity investment acquired through a business combination involving entities under common control shall be the Company's share of the carrying amount of shareholders' equity of the party being combined in the consolidated financial statements of the ultimate controlling party at the combination date, if the consideration for such combination is paid in cash, by transfer of non-cash assets or assumption of liabilities. The difference between the initial investment cost of the long-term equity investment and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained earnings.

B. For a long-term equity investment acquired through a business combination involving entities under common control, if the consideration for such combination is settled by issuance of equity securities by the combining party, the initial investment cost of the long-term equity investment is the combining party's share of the carrying amount of combined party's equity at the combination date in the consolidated financial statements of ultimate holding party. If the capital is taken to be the total par value of the shares issued, the difference between the initial investment cost of the long-term equity investment and the total par value of the shares issued shall be adjusted to capital reserve. If the balance of the capital reserve is insufficient, any excess is adjusted to retained profits;

C. For a long-term equity investment acquired through a business combination not involving entities under common control, the fair value of assets paid, liabilities incurred or assumed and equity securities issued on the date of acquisition on the purpose of obtaining control of the acquiree is deemed as the cost of combination and will be recognized as the initial investment cost of the long-term equity investment. The audit, legal service and appraisal consultation fees and other intermediary fees as well as other relevant management fees of the combining party for business combination shall be included in the profit or loss for the period in which they are incurred.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

16. Long-term Equity Investments (Continued)

(2) Determination of initial investment cost (Continued)

2 *For long-term equity investments acquired other than through a business combination, the investment cost is determined as follows:*

A. For long-term equity investment acquired by cash payment, the investment cost is the amount actually paid for the purchase. The initial investment cost includes fees, taxes and other necessary expenses, which are directly related to the long-term equity investment;

B. For long-term equity investment acquired through issuing equity securities, the initial investment cost is the fair value of the equity securities issued;

C. For long-term equity investment acquired by non-monetary asset exchange, the initial investment cost is the sum of the fair values and related taxes on condition that the exchange has commercial natures and that the fair values of exchanged assets can be reliably measured. The difference between the fair values and the carrying amount of exchanged assets shall be included in profit and loss for the current period. If either of the two conditions cannot be satisfied, the initial investment cost is the sum of the carrying amount of exchanged assets and related taxes;

D. For a long-term equity investment acquired by debt restructuring, the carrying amount is determined based on the fair value of the relinquished claim plus directly attributable taxes and other costs related to the asset, and the difference between the fair value of the relinquished claim and its carrying amount shall be included in profit and loss for the current period.

(3) Methods for follow-up measurement and profit and loss recognition

Long-term equity investments in investees over which the Company has control are accounted for using the cost method; long-term equity investments in associates and joint ventures are accounted for using the equity method.

1 *The cost method*

For long-term equity investments accounted for using the cost method, the long-term equity investment cost shall be adjusted in case of additional investment or disinvestment. The cash dividends or profits that the investee declares to distribute shall be recognized as the current investment income.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

16. Long-term Equity Investments (Continued)

(3) Methods for follow-up measurement and profit and loss recognition (Continued)

2 The equity method

The general accounting treatment for the long-term equity investments accounted for using the equity method is as follows:

Where the investment cost of a long-term equity investment exceeds the Company's share of fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the Company's share of fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

The gain on investment and other comprehensive income shall be recognized at the Company's share of the net profit or loss and other comprehensive income realized by the investee, respectively, and carrying amount of the long-term equity investment shall be adjusted accordingly. Carrying amount of the long-term equity investment shall be reduced by the Company's share of the profit or cash dividend declared by the investee. In respect of the changes in owners' equity of the investee other than in net profit or loss, other comprehensive income and profit distribution, the carrying amount of the long-term equity investment shall be adjusted and included in the owners' equity. The Company recognizes its share of the investee's net profit or loss based on fair value of the investee's identifiable net assets at the time of acquisition, after making appropriate adjustments thereto. In the case of any inconsistency between the accounting policies and accounting periods adopted by the investee and by the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the gain on investment and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Company and its associates and joint ventures, the share of unrealized gain or loss arising from inter-group transactions shall be offset by the portion attributable to the Company, and the gain or loss on investment shall be recognized accordingly. Any unrealized loss arising from inter-group transactions between the Company and an investee should be recognized in full to the extent that the loss is impairment loss of the assets.

If an entity has significant influence or can implement joint control over an investee without resulting in control due to additional investment, the initial investment cost shall be determined as the sum of the fair value of the original equity investment and the additional investment cost under the equity method. For the original equity investment classified as equity instruments designated at fair value through other comprehensive income, the difference between its fair value and carrying amount, and the cumulative gains or losses previously recognized in other comprehensive income, shall be transferred from other comprehensive income to retained earnings in the period when the equity method is adopted.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

16. Long-term Equity Investments (Continued)

(3) Methods for follow-up measurement and profit and loss recognition (Continued)

2 *The equity method* (Continued)

If an entity loses joint control or has no significant influence over investees due to the partial disposal of its equity investment, the remaining equity investment after disposal shall be measured at fair value, and the difference between its fair value and carrying amount at the date of losing joint control or significant influence shall be recognized in profit or loss for the current period. Other comprehensive income of the original equity investment recognized under the equity method shall be accounted for on the same basis as that used for the direct disposal of relevant assets or liabilities by the investee upon discontinuation of the equity method.

(4) Method for impairment test and impairment provision

For investments in subsidiaries, associates and joint ventures, the method of making provisions for impairment is set out in note V. 22.

17. Investment Properties

The measurement model for investment properties
The measurement under the cost model
Depreciation or amortization methods

(1) Classification of investment properties

Investment properties, defined as properties held for earning rental income or capital appreciation, or both, primarily include:

1 Land use rights that have already been leased out.

2 Land use rights held for transfer after appreciation.

3 Buildings that have already been leased out.

(2) Measurement mode of investment properties

The Company adopts the cost model for subsequent measurement of investment properties, and the method of provision for asset impairment is set out in Note V. 22.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

17. Investment Properties (Continued)

(2) *Measurement mode of investment properties* (Continued)

Depreciation or amortization of investment properties is provided at cost less accumulated impairment and net residual value using the straight-line method. The depreciation period and annual depreciation rate for each category of investment properties are determined based on their estimated useful lives and estimated residual value rates, respectively, as follows:

Category	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Property, buildings	40	4	2.4

Note: The depreciation period of property and buildings shall not exceed the remaining term of the underlying land use rights.

18. Fixed Assets

(1) *Recognition conditions*

Fixed assets are recognized at actual costs upon acquisition if all of the following conditions are satisfied:

1 When the economic benefits associated with the fixed asset are probable to flow into the Company.

2 The cost of the fixed asset can be measured reliably.

Subsequent expenditure incurred for a fixed asset that meets the recognition criteria shall be included in the cost of the fixed asset; otherwise, such expenditure shall be recognized in the profit or loss for the period in which it is incurred.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

18. Fixed Assets (Continued)

(2) *Method of depreciation*

Category	Depreciation method	Depreciation period	Residual value rate	Annual depreciation rate
Property and buildings	Straight-line method	40	4%	2.4%
Machinery and equipment	Straight-line method	5–10	4%	19.20%–9.60%
Transportation equipment	Straight-line method	5	4%	19.2%
Electronic equipment	Straight-line method	5	4%	19.2%
Other equipment	Straight-line method	5	4%	19.2%
House decoration cost	Straight-line method	10	—	10%

For fixed assets for which impairment provisions have been recognized, the accumulated impairment provisions are deducted when calculating depreciation.

At the end of each year, the Company reviews the useful life, estimated net residual value and depreciation method of fixed assets. If the estimated useful life differs from previous estimates, the useful life of the fixed asset shall be adjusted.

19. Construction in Progress

(1) *Constructions in progress are accounted for by individual projects.*

(2) *Criteria and timing for construction in progress being transferred to the fixed asset.*

Construction in progress is measured at all the expenditures incurred to bring the fixed assets ready for their intended use. It comprises construction cost, original cost of machines and equipment, other expenditures necessary for the purpose of preparing the construction in progress for its intended use, borrowing costs arising from specific borrowings before the construction assets get for their intended use and borrowing costs for general purpose. Construction in progress is transferred to the fixed assets when the assets are ready for their intended use upon the completion of engineering installation or construction. If the fixed assets constructed are ready for their intended use but the final account of completed project has not been issued, they should be transferred to fixed assets at estimated costs according to the construction budget, construction price or actual cost, and depreciation should be provided according to the Company's depreciation policy for fixed assets from the date when the assets are ready for their intended use. When the final account of completed project is issued, the estimated costs will be adjusted according to the actual costs, while the depreciation provided will not be adjusted.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

19. Construction in Progress (Continued)

(2) *Criteria and timing for construction in progress being transferred to the fixed asset.* (Continued)

Criteria and timing for the transfer of construction in progress to fixed assets by category:

Category	Criteria and timing for transfer to fixed assets
Factory construction/renovation works	Transferred to fixed assets or long-term deferred expenses when the construction is completed and ready for their intended use
Equipment requiring installation and acceptance	Transferred to fixed assets when the equipment is installed and put into production use

20. Borrowing Costs

(1) *Principles of recognition for capitalization of the borrowing costs and capitalization period*

The borrowing costs incurred by the Company directly attributable to the acquisition and construction or production of assets eligible for capitalization are capitalized as part of the relevant cost of assets when all of the following conditions are satisfied:

1 the capital expenditure has been incurred;

2 the borrowing costs have been incurred;

3 activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use have commenced.

Other interests, discounts or premiums related to borrowings and exchange differences arising from foreign currency borrowings are included in profit or loss for the current period.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted for a continuous period of more than 3 months.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Any borrowing costs subsequently incurred are recognized as an expense in the period in which they are incurred.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

20. Borrowing Costs (Continued)

(2) Capitalization rate and calculation of capitalization of borrowing cost

For the borrowings that are made specifically for the acquisition and construction or production of a qualifying asset, the amount of borrowing costs to be capitalized is calculated by actual interest expense during the period that it occurred less any interest income earned from outstanding borrowings deposited in the bank or any investment income on the temporary investment made from such borrowings.

For the borrowings that are made for a general purpose and used for the acquisition and construction or production of a qualifying asset, the amount of interest to be capitalized on such borrowings is determined by applying a capitalization rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

21. Intangible Assets

(1) Useful life and its determination basis, estimation, amortization method or reviewing procedure

1 Estimation of useful life for the intangible assets with limited useful life:

Project	Estimated useful life	Basis
Land use rights	50 years	Statutory usage rights
Software	3–10 years	The useful life is determined based on the period over which it is expected to generate economic benefits for the Company
Patent rights	3–10 years	The useful life is determined based on the period over which it is expected to generate economic benefits for the Company

At the end of each year, the Company reviews the useful lives and amortization methods of intangible assets with limited useful lives. After review, the useful lives and amortization methods of intangible assets at the end of the current period are consistent with previous estimates.

2 An intangible asset is regarded as having an indefinite useful life when the period over which it is expected to generate economic benefits for the Company cannot be estimated. At the end of each year, the Company reviews the useful life of intangible assets with indefinite useful lives. If the useful life remains indefinite after the review, an impairment test shall be conducted at the balance sheet date.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

21. Intangible Assets (Continued)

(1) *Useful life and its determination basis, estimation, amortization method or reviewing procedure* (Continued)

3 *Amortization of intangible assets*

For intangible assets with limited useful lives, the Company determines their useful lives upon acquisition. Such assets are amortized systematically using the straight-line method over their useful lives. The amortization amounts are included in the profit or loss for the current period or in the cost of related assets, based on the benefiting items. The amortization amount is the cost of the intangible asset less its estimated residual value. For intangible assets for which impairment provisions have been recognized, the accumulated impairment provisions shall also be deducted. The residual value of intangible assets with limited useful lives is zero, except in the following circumstances: a third party has committed to purchase the intangible asset at the end of its useful life, or an estimate of residual value can be obtained from an active market and that market is likely to exist at the end of the useful life of the intangible asset.

Intangible assets with indefinite useful lives shall not be amortized. The useful life of intangible assets with indefinite useful lives shall be reviewed at the end of each year. If there is evidence that the useful life of the intangible asset is limited, its useful life shall be estimated and the asset shall be amortized systematically over its estimated useful life.

(2) *Classification scope of research and development expenditure*

The Company classifies various expenses directly related to the conduct of research and development activities as research and development expenses, including employee compensation for research and development personnel, direct input costs, depreciation and amortization expenses, amortization of intangible assets and other expenses.

(3) *Specific criteria for defining research stage and development stage of in-house research and development projects:*

1 The Company regards the preparatory activities of data and other related aspects for further development activities as the research stage. Expenditure on the research stage is recognized in the profit or loss for the current period in which it is incurred.

2 The Company regards subsequent development activities after the work at research stage is completed as the development stage.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

21. Intangible Assets (Continued)

(4) Conditions for the capitalization of expenditure at development stage

Expenditure at development phase is recognized as intangible assets when all of the following conditions are satisfied:

A. the technical feasibility of completing the intangible asset so that it will be available for use or sale;

B. the intention to complete the intangible asset and use or sell it;

C. how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

D. the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;

E. its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

22. Impairment of Long-term Assets

The asset impairment of long-term equity investments in subsidiaries, associates and joint ventures, investment properties measured using the cost model for subsequent measurement, fixed assets, construction in progress, right-of-use assets, intangible assets and goodwill (excluding inventories, investment properties measured using the fair value model, deferred tax assets, and financial assets) is determined as follows:

At the balance sheet date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates its recoverable amount and performs an impairment test. Goodwill arising from business combinations, intangible assets with indefinite useful lives, and intangible assets not yet available for use are tested for impairment annually, regardless 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 estimated future cash flows expected to be derived from the asset. The Company estimates the recoverable amount on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs is determined on the basis of the asset group. The identification of an asset group is based on whether the primary cash inflows generated by the asset group are independent of the cash inflows from other assets or asset groups.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

22. Impairment of Long-term Assets (Continued)

When the recoverable amount of an asset or an asset group is lower than its carrying amount, the Company reduces the carrying amount to its recoverable amount. The amount of the reduction is recognized in profit or loss for the current period, and a corresponding impairment provision is recognized.

For the purpose of goodwill impairment testing, the carrying amount of goodwill arising from business combinations is allocated from the acquisition date to the related asset groups on a reasonable basis. If it is not practicable to allocate goodwill to individual asset groups, it is allocated to a group of asset groups. The related asset group or group of asset groups is the asset group or group of asset groups that is expected to benefit from the synergies of the business combination, and shall not be larger than a reportable segment determined by the Company.

In performing impairment testing, if there is an indication of impairment of an asset group or a group of asset groups to which goodwill is allocated, the Company first tests the asset group or group of asset groups excluding goodwill, calculates its recoverable amount, and recognizes any corresponding impairment loss. The Company then tests the asset group or group of asset groups including goodwill, compares its carrying amount with its recoverable amount, and recognizes an impairment loss on goodwill if the recoverable amount is lower than the carrying amount.

Once an impairment loss is recognized, it shall not be reversed in subsequent accounting periods.

23. Long-term Deferred Expenses

Long-term deferred expenses represent expenses that have been incurred by the Company but are to be borne by the current and future periods, with an amortization period exceeding one year.

The Company's long-term deferred expenses are amortized on an average basis over the respective benefit periods.

24. Employee Compensation

(1) Accounting treatments for short-term compensation

1 *Basic employee compensation (salaries, bonuses, allowances and subsidies)*

The Company recognizes the actual short-term employee compensation incurred as a liability, and recognizes such compensation in profit or loss for the current period, except to the extent that other accounting standards require or permit such compensation to be recognized as part of the cost of assets, during the accounting period in which employees render services to the Company.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

24. Employee Compensation (Continued)

(1) Accounting treatments for short-term compensation (Continued)

2 *Employee welfare expenses*

Employee welfare expenses incurred by the Company are recognized in profit or loss for the current period or in the cost of relevant assets based on the actual amount incurred when they occur. Where employee welfare expenses are in the form of non-monetary benefits, they are measured at fair value.

3 *Social insurance premiums (including medical insurance, work-related injury insurance and maternity insurance), housing funds, trade union funds and employee education funds*

The Company's contributions to social insurance premiums (including medical insurance, work-related injury insurance and maternity insurance) and housing funds for its employees, as well as trade union funds and employee education funds withdrawn in accordance with relevant regulations, are calculated and recognized as the corresponding employee compensation amounts based on the prescribed contribution bases and contribution rates, and the corresponding liabilities are recognized in profit or loss for the current period or in the cost of relevant assets, during the accounting period in which employees render services to the Company.

4 *Short-term paid absences*

The Company recognizes employee compensation in respect of accumulated paid absences when employees render services that increase their entitlement to future paid absences, and measures them at the expected additional payments arising from the unused entitlement that has accumulated. The Company recognizes employee compensation in respect of non-accumulated paid absences during the accounting period when the absences occur.

5 *Short-term profit sharing plans*

The Company recognizes the related employee benefits payables when the profit sharing plan simultaneously satisfies the following conditions:

A. The Company has a present legal or constructive obligation to make employee compensation payments as a result of past events;

B. The amount of the employee benefits payables obligation arising from the profit sharing plan can be estimated reliably.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

24. Employee Compensation (Continued)

(2) Accounting treatments for post-employment benefits

1 Defined contribution plans

The Company recognizes the contributions payable under defined contribution plans as a liability, and recognizes them in profit or loss for the current period or in the cost of relevant assets, during the accounting period in which employees render services to the Company.

Where the entire amount of contributions payable under defined contribution plans is not expected to be settled within twelve months after the end of the annual Reporting Period in which the employees render the related services, the Company measures the employee benefits payables at the discounted amount of the entire contributions payable, using the appropriate discount rate (determined by reference to the market yields on government bonds or high-quality corporate bonds in active markets that have maturities and currencies matching the term and currency of the defined contribution plan obligations at the balance sheet date).

2 Defined benefit plans

A. Determination of the present value of defined benefit plan obligations and current service cost

The Company measures the obligations arising from defined benefit plans and determines the attribution period of the related obligations using the projected unit credit method, with unbiased and mutually consistent actuarial assumptions to estimate relevant demographic and financial variables. The Company discounts the obligations arising from defined benefit plans using the appropriate discount rate (determined by reference to the market yields on government bonds or high-quality corporate bonds in active markets that have maturities and currencies matching the term and currency of the defined benefit plan obligations at the balance sheet date) to determine the present value of the defined benefit plan obligations and the current service cost.

B. Recognition of net defined benefit liability or asset

If the defined benefit plan has assets, the Company recognizes the deficit or surplus arising from the present value of the defined benefit plan obligations less the fair value of the defined benefit plan assets as a net defined benefit liability or net defined benefit asset.

If the defined benefit plan has a surplus, the Company measures the net defined benefit asset at the lower of the surplus in the defined benefit plan and the asset ceiling.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

24. Employee Compensation (Continued)

(2) Accounting treatments for post-employment benefits (Continued)

2 Defined benefit plans (Continued)

C. Determination of the amount to be included in the cost of assets or profit or loss for the current period

Service costs include current service cost, past service cost and gains or losses on settlement. Except for the current service cost which is required or permitted by other accounting standards to be included in the cost of assets, all other service costs are included in profit or loss for the current period.

Net interest on the net defined benefit liability or asset, including interest income on plan assets, interest expense on defined benefit plan obligations, and interest on the effect of the asset ceiling, are included in profit or loss for the current period.

D. Determination of amounts to be recognized in other comprehensive income

Changes in the net defined benefit liability or asset arising from remeasurement, including:

(a) actuarial gains and losses, i.e., increases or decreases in the previously measured present value of defined benefit plan obligations resulting from actuarial assumptions and experience adjustments;

(b) return on plan assets, excluding amounts included in net interest on the net defined benefit liability or asset;

(c) changes in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability or asset.

The above changes in the net defined benefit liability or asset arising from remeasurement are recognized directly in other comprehensive income and shall not be reclassified to profit or loss in subsequent accounting periods. Upon termination of the original defined benefit plan, the Company transfers in its entirety within equity the amounts previously recognized in other comprehensive income to undistributed profit.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

24. Employee Compensation (Continued)

(3) Accounting treatments for termination benefits

The Company recognizes a liability for employee compensation arising from termination benefits, and recognizes it in profit or loss for the current period, at the earlier of the following dates when the Company provides termination benefits to its employees:

1 when the Company can no longer withdraw the offer of termination benefits resulting from a plan of termination of employment or a proposal for redundancies;

2 when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits.

Where termination benefits are not expected to be settled wholly within twelve months after the end of the annual Reporting Period, they are discounted using the appropriate discount rate (determined by reference to the market yields on government bonds or high-quality corporate bonds in active markets that have maturities and currencies matching the term and currency of the defined benefit plan obligations at the balance sheet date), and the employee benefits payables are measured at the discounted amount.

(4) Accounting treatments for other long-term employee benefits

1 Where the conditions for a defined contribution plan are met

Where other long-term employee benefits provided by the Company to its employees meet the conditions for a defined contribution plan, the total amount of contributions payable shall be measured at the discounted amount and recognized as employee benefits payable.

2 Where the conditions for a defined benefit plan are met

At the end of the Reporting Period, the Company recognizes the employee compensation costs arising from other long-term employee benefits as the following components:

A. Service cost;

B. Net interest on the net liability or net asset for other long-term employee benefits;

C. Changes arising from remeasurement of the net liability or net asset for other long-term employee benefits.

To simplify the relevant accounting treatment, the net total of the above items is recognized in profit or loss for the current period or included in the cost of relevant assets.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

25. Expected Liabilities

(1) Recognition criteria for expected liabilities

If an obligation relating to a contingent event concurrently meets the following conditions, the Company recognizes it as an expected liability:

1 The obligation is a present obligation of 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.

(2) Measurement method for expected liabilities

Expected liabilities are initially measured at the best estimate of the expenditure required to settle the present obligation, taking into account factors such as risks, uncertainties and the time value of money relating to the contingent event. The carrying amount of expected liabilities is reviewed at each balance sheet date. If there is conclusive evidence that the carrying amount does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

26. Share-based Payments

(1) Types of share-based payments

The Company's share-based payments include cash-settled share-based payments and equity-settled share-based payments.

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

1 For shares granted to employees, their fair value is measured at the market price of the Company's shares, adjusted for the terms and conditions upon which the shares were granted (excluding exercisable conditions other than market conditions).

2 For share options granted to employees, it is often difficult to obtain their market price. Where there are no traded options with similar terms and conditions, the Company selects an appropriate option pricing model to estimate the fair value of the options granted.

(3) Basis for determining the best estimates of exercisable equity instruments

On each balance sheet date within the vesting period, the Company shall determine the best estimates based on the latest number of employees able to exercise their options and revise the estimated number of exercisable equity instruments to make the best estimates of the exercisable equity instruments.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

26. Share-based Payments (Continued)

(4) Accounting treatments for the implementation of share-based payment plans

Cash-settled share-based payments

1 For cash-settled share-based payments that are exercisable immediately upon grant, the fair value of the liability incurred by the Company is recognized in the relevant costs or expenses at the grant date, with a corresponding increase in liabilities. The fair value of the liability is remeasured at each balance sheet date prior to settlement and at the settlement date, with changes in fair value recognized in profit or loss.

2 For cash-settled share-based payments that are exercisable only after completion of services during the vesting period or satisfaction of specified performance conditions, at each balance sheet date during the vesting period, based on the best estimate of exercisable instruments, the services received during the current period are recognized in costs or expenses and the corresponding liability, at the fair value of the liability incurred by the Company.

Equity-settled share-based payments

1 For equity-settled share-based payments granted in exchange for employee services that are exercisable immediately upon grant, the fair value of the equity instruments is recognized in the relevant costs or expenses at the grant date, with a corresponding increase in capital reserve.

2 For equity-settled share-based payments granted in exchange for employee services that become exercisable upon completion of the services during the vesting period or satisfaction of specified performance conditions, at each balance sheet date during the vesting period, based on the best estimate of the number of exercisable equity instruments, the services acquired in the current period are recognized in costs or expenses and capital reserve, at the fair value of the equity instruments at the grant date.

(5) Accounting treatments for modification of share-based payment plans

When the Company modifies its share-based payment plans, if the modification increases the fair value of the equity instruments granted, the increase in services received shall be recognized accordingly 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 shall be recognized accordingly as an increase in services received. The increase in the fair value of equity instruments refers to the difference between the fair value of the equity instruments before and after the modification at the modification date. If the modification reduces the total fair value of the share-based payments or otherwise modifies the terms and conditions of the share-based payment plans in a manner that is unfavourable to employees, the Company shall continue 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.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

26. Share-based Payments (Continued)

(6) Accounting treatments for cancellation or settlement of share-based payment plans

If the Company cancels or settles the equity instruments granted during the vesting period (other than cancellations due to failure to satisfy vesting conditions):

1 The cancellation or settlement is treated as an acceleration of vesting, and the Company shall immediately recognize the amount that would otherwise have been recognized over the remaining vesting period;

2 Any payments made to employees in connection with the cancellation or settlement shall be treated as a repurchase of equity interests, and the excess of the repurchase price over the fair value of the equity instruments at the repurchase date shall be recognized as an expense in the current period.

If the Company repurchases equity instruments that have already become exercisable from its employees, it shall reduce the owner's equity of the Company; the excess of the repurchase price over the fair value of the equity instruments at the repurchase date shall be recognized in profit or loss for the current period.

27. Revenue

Disclosure of accounting policies adopted for revenue recognition and measurement by business type

(1) General principles

Revenue is the gross inflow of economic benefits arising from the Company's ordinary activities, which result in an increase in shareholders' equity and are not related to contributions from shareholders.

The Company recognizes revenue when it satisfies a performance obligation in a contract, i.e., when the customer obtains control of the relevant goods. Obtaining control of the relevant goods means being able to direct the use of the goods and obtain substantially all of the economic benefits from such goods.

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

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

27. Revenue (Continued)

(1) General principles (Continued)

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. In determining the transaction price for a contract, if there is variable consideration, the Company determines the best estimate of the variable consideration using the expected value method or the most likely amount method, and includes in the transaction price an amount that is not highly probable to result in a significant reversal in the amount of cumulative revenue recognized when the related uncertainty is subsequently resolved. If the contract contains a significant financing component, the Company determines the transaction price based on the amount that would be payable in cash if the customer had obtained control of the goods and paid at that time, and the difference between that amount and the contractual consideration is amortized over the contract period using the effective interest method. For contracts where the period between the transfer of control and the customer's payment is one year or less, the Company does not consider the financing component.

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

1 The customer simultaneously receives and consumes the economic benefits arising from the Company's performance as the Company performs;

2 The customer controls the goods in progress during the Company's performance;

3 The goods produced by the Company's performance have no alternative use to the Company, and the Company has an enforceable right to payment for performance completed to date throughout the contract term.

For performance obligations satisfied over time, the Company recognizes revenue over time based on the progress towards complete satisfaction of the performance obligation, except when the progress cannot be reasonably determined. The Company determines the progress towards complete satisfaction of the performance obligation using the input method (or output method). When the progress towards complete satisfaction of the performance obligation cannot be reasonably determined, the Company recognizes revenue to the extent of costs incurred if it is probable that the costs incurred will be recovered, until the progress can be reasonably determined.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

27. Revenue (Continued)

(1) General principles (Continued)

For performance obligations satisfied at a point in time, the Company recognizes revenue at the point in time when the customer obtains control of the relevant goods. 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, i.e., 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, i.e., the customer has obtained the legal title to the goods;

3 The Company has transferred the physical possession of the goods to the customer, i.e., the customer has taken physical possession of the goods;

4 The Company has transferred the significant risks and rewards of ownership of the goods to the customer, i.e., the customer has obtained the significant risks and rewards of ownership of the goods;

5 The customer has accepted the goods.

Sales return provisions

For sales with sales return provisions, when the customer obtains control of the relevant goods, the Company recognizes revenue at the amount of consideration to which it expects to be entitled in exchange for transferring the goods, and recognizes expected liabilities in the amount expected to be refunded as a result of sales returns. Concurrently, the Company recognizes an asset for the right to recover returned goods, measured at the carrying amount of the goods expected to be returned at the time of transfer, less the expected costs to recover the goods (including impairment in value of the returned goods), and recognizes costs of goods sold at the net amount of the carrying amount of the goods transferred at the time of transfer less the cost of the above asset. At each balance sheet date, the Company reassesses its estimates of future sales returns and remeasures the above asset and liability.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

27. Revenue (Continued)

(1) General principles (Continued)

Warranty obligations

The Company provides quality assurance for the goods sold and construction projects undertaken in accordance with contractual terms and legal requirements. For assurance-type quality assurance that provides assurance to customers that the goods sold conform to agreed-upon specifications, the Company accounts for such quality assurance in accordance with the Accounting Standard for Business Enterprises No. 13-Contingent Events. For service-type quality assurance that provides a separate service in addition to providing assurance to customers that the goods sold conform to agreed-upon specifications, the Company treats such quality assurance as a separate performance obligation, allocates a portion of the transaction price to the service-type quality assurance based on the relative standalone selling prices of the goods and the service-type quality assurance, and recognizes revenue when the customer obtains control of the services. In assessing whether a quality assurance provides a separate service in addition to providing assurance to customers that the goods sold conform to agreed-upon specifications, the Company considers factors such as whether the quality assurance is required by law, the duration of the quality assurance, and the nature of the tasks that the Company has undertaken to perform.

Principal versus agent

The Company determines whether its role in a transaction is that of a principal or an agent based on whether it obtains control of the goods or services before they are transferred to the customer. If the Company controls the goods or services before they are transferred to the customer, the Company is the principal and recognizes revenue at the gross amount of consideration received or receivable. Otherwise, the Company is the agent and recognizes revenue at the amount of commission or fee to which it expects to be entitled, which is determined as either the net amount of the gross consideration received or receivable after deducting the consideration payable to other relevant parties, or in accordance with a fixed commission amount or percentage, as applicable.

Consideration payable to a customer

If a contract contains consideration payable to a customer, unless such consideration is paid to obtain other distinct goods or services from the customer, the Company reduces the transaction price by the amount of consideration payable to the customer, and recognizes the reduction in revenue in the current period at the later of when the related revenue is recognized and when the Company pays or promises to pay the consideration to the customer.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

27. Revenue (Continued)

(1) General principles (Continued)

Customer unexercised contractual rights

When the Company receives advance payments from customers for the sale of goods or services, it initially recognizes such amounts as liabilities and subsequently recognizes them as revenue when the related performance obligations are satisfied. If the advance payments received by the Company are non-refundable and customers may forfeit all or part of their contractual rights, the Company, to the extent that it expects to be entitled to the amount relating to the contractual rights forfeited by customers, recognizes such amount as revenue in proportion to the pattern by which customers exercise their contractual rights; otherwise, the Company recognizes the relevant remaining balance of the above liabilities as revenue only when the possibility of customers demanding the satisfaction of the remaining performance obligations is remote.

Contract modifications

When a construction contract with a customer is modified:

1 If the contract modification adds distinct construction services and contract price, and the additional contract price reflects the standalone selling price of the additional construction services, the Company accounts for the contract modification as a separate contract;

2 If the contract modification does not fall within the circumstances described in item 1 above, and the construction services transferred prior to the contract modification date are distinct from the construction services not yet transferred, the Company treats the original contract as terminated, and concurrently accounts for the remaining unperformed portion of the original contract and the modification as a new contract;

3 If the contract modification does not fall within the circumstances described in item 1 above, and the construction services transferred prior to the contract modification date are not distinct from the construction services not yet transferred, the Company accounts for the contract modification as part of the original contract, and the effect on revenue already recognized is adjusted against revenue in the current period at the contract modification date.

Application of different revenue recognition and measurement methods for similar business operations under different business models

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

27. Revenue (Continued)

(2) Specific methods

The specific methods of revenue recognition adopted by the Company are as follows:

1 *Contracts for sale of goods*

The contracts for sale of goods between the Company and its customers contain a performance obligation to transfer goods, which is satisfied at a point in time.

Revenue recognition for domestic sales of products is subject to the following conditions: the Company has delivered the products to the customer in accordance with the contractual terms; for contracts that require the Company to undertake installation and commissioning obligations, revenue is recognized upon completion of equipment installation and commissioning, readiness for production delivery, and signing of the equipment installation and commissioning report by the customer; for contracts that do not require the Company to undertake installation and commissioning obligations, revenue is recognized upon customer's acknowledgement of receipt;

Revenue recognition for export sales of products is subject to the following conditions: The Company has dispatched the goods in accordance with the orders and completed the customs clearance procedures, and revenue is recognized upon obtaining the customs declaration and bill of lading. For exports to bonded zones and export processing zones where the contract requires the Company to undertake installation and commissioning obligations, revenue is recognized upon completion of equipment installation and commissioning, readiness for production delivery, and signing of the equipment installation and commissioning report by the customer.

2 *Contracts for the provision of services*

The contracts for the provision of services between the Company and its customers mainly contain performance obligations to provide processing services and maintenance services. For the provision of maintenance services, the Company recognizes revenue over the service period as stipulated in the contract, or upon completion of the services and confirmation by the customer. For the provision of processing services, the Company recognizes revenue upon completion of the services and confirmation by the customer.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

28. Government Grants

(1) Recognition of government grants

Government grants are recognized when the following conditions are concurrently met:

1 The Company is able to comply with the conditions attached to the government grants;

2 The Company is able to receive the government grants.

(2) Measurement of government grants

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; if fair value cannot be reliably obtained, they are measured at a nominal amount of RMB1.

(3) Accounting treatments for government grants

1 Government grants related to assets

Government grants obtained by the Company that are used for the acquisition, construction or other means of formation of long-term assets are classified as government grants related to assets. Government grants related to assets are recognized as deferred income, and are recognized in profit or loss in installments over the useful lives of the relevant assets on a reasonable and systematic basis. Government grants measured at nominal amount are recognized directly in profit or loss for the current period. If the relevant assets are sold, transferred, scrapped or damaged before the end of their useful lives, the remaining unallocated balance of the related deferred income is transferred to profit or loss for the period in which the assets are disposed of.

2 Government grants related to income

Government grants other than those related to assets are classified as government grants related to income. Government grants related to income are accounted for in accordance with the following provisions, depending on the circumstances:

Grants that compensate the Company for relevant costs, expenses or losses to be incurred in future periods are recognized as deferred income, and are recognized in profit or loss for the period in which the relevant costs, expenses or losses are recognized;

Grants that compensate the Company for relevant costs, expenses or losses already incurred are recognized directly in profit or loss for the current period.

For government grants that contain both a portion related to assets and a portion related to income, the different portions are distinguished and accounted for separately; if it is difficult to distinguish between the two portions, the entire grant is classified as a government grant related to income.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

28. Government Grants (Continued)

(3) Accounting treatments for government grants (Continued)

2 Government grants related to income (Continued)

Government grants that are related to the Company's ordinary activities are recognized in other income in accordance with the substance of the economic transactions. Government grants that are not related to the Company's ordinary activities are recognized in non-operating income or expenses.

3 Preferential policy loan interest subsidies

Where the finance authorities directly disburse the interest subsidy funds to the Company, the Company offsets the corresponding interest subsidy against the relevant borrowing costs.

4 Refund of government grants

When a government grant that has been recognized needs to be refunded, if the grant was initially recognized as a reduction of the carrying amount of the related asset, the carrying amount of the asset is adjusted; if there is a remaining balance of the related deferred income, the remaining balance of the related deferred income is reduced, and any excess is recognized in profit or loss for the current period; in other cases, the refund is recognized directly in profit or loss for the current period.

29. Deferred tax assets/Deferred tax liabilities

In accordance with the temporary difference between the carrying amount and tax base of assets and liabilities on the balance sheet date, the Company usually recognizes and measures the impact of taxable temporary difference or deductible temporary difference on the amount of income tax as the deferred tax liability or deferred tax asset by using the balance sheet liability method. The Company does not conduct discounting of any deferred tax asset and deferred tax liability.

(1) Recognition of deferred tax asset

As for any deductible temporary difference, deductible losses and tax credits that can be carried forward to subsequent years, its impact on income tax is calculated at the income tax rate during the estimated reversal period and recognized as deferred tax asset, to the extent that it is probable that the amount of future taxable income will be available against which the deductible temporary differences, the deductible tax losses and tax reduction can be utilized.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

29. Deferred tax assets/Deferred tax liabilities (Continued)

(1) Recognition of deferred tax asset (Continued)

The impact of deductible temporary difference on the amount of income tax, which is arisen from the initial recognition of assets or liabilities during a transaction or event which is simultaneously featured by the following, shall not be recognized as deferred tax assets:

A. The transaction is not a business combination;

B. At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected.

However, the above exemption from the initial recognition of deferred tax liabilities and deferred tax assets shall not apply to a single transaction that simultaneously satisfies the above two conditions and results in the initial recognition of assets and liabilities giving rise to equal amounts of taxable temporary differences and deductible temporary differences. For taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities of the transaction, the Company recognizes the corresponding deferred tax liabilities and deferred tax assets respectively when the transaction occurs.

If the deductible temporary difference related to the Company's investments in the subsidiaries, associates and joint ventures can meet the following requirements simultaneously, its impact on income tax can be recognized as deferred tax assets:

A. The temporary differences is likely to be reversed in the expected future;

B. It is likely to obtain taxable income that may be used for offsetting the deductible temporary difference;

On the balance sheet date, if there is conclusive evidence that it is likely to obtain sufficient taxable income to offset the deductible temporary difference in the future, the deferred tax assets not recognized in the previous period shall be recognized.

The carrying amount of deferred tax assets shall be reviewed by the Company on balance sheet date. If it is unlikely to obtain sufficient taxable income to offset the benefit of the deferred tax assets in the future, the carrying amount of the deferred tax assets shall be written down. When adequate taxable income is likely to obtain, the deducted amount shall be reversed.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

29. Deferred tax assets/Deferred tax liabilities (Continued)

(2) Recognition of deferred tax liabilities

The impact of all taxable temporary difference on income tax of the Company shall be measured at the income tax rate in the estimated reversal period, and this impact shall be recognized as the deferred tax liability, except for the following conditions:

1 The impact of taxable temporary difference resulted from the following transactions and events on income tax shall not be recognized as the deferred tax liability:

A. Initial recognition of goodwill;

B. Initial confirmation of assets or liabilities generated in transactions with the following characteristics: the transaction is not a business combination and, at the time of transaction, the accounting profits will not be affected, nor will the taxable amount or the deductible loss be affected.

2 The impact of taxable temporary difference related to the Company's investments in the subsidiaries, associates and joint ventures on income tax is generally recognized as deferred tax liability, excluding the ones which satisfy the following two conditions at the same time:

A. The Company can control the time of the reverse of temporary differences;

B. The temporary differences are unlikely to be reversed in the foreseeable future.

(3) Recognition of deferred tax liabilities or assets related to special transactions and events

1 Deferred tax liabilities or assets related to business combination

For the taxable temporary difference or deductible temporary difference generated in a business combination not under the same control, the relevant deferred income tax expenses (or gains) are generally used to adjust the goodwill recognized in a business combination while the deferred tax liabilities or assets are recognized.

2 Items directly included into owner's equity

The income taxes for the current period and deferred income tax related to the transactions or events directly recorded in the owner's equity shall be included in the owner's equity. The impact of temporary difference on income tax is included in the transactions and events of the owner's equity, including: other comprehensive income generated from the changes in the fair value of other debt investments, the retrospective adjustment method, or the difference retrospective restatement for correction of previous (important) accounting errors is used to adjust the opening retained earnings due to the changes in accounting policies, and the mixed financial instruments with both liability and equity are included into the owner's equity at initial recognition.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES
(Continued)

29. Deferred tax assets/Deferred tax liabilities (Continued)

(3) *Recognition of deferred tax liabilities or assets related to special transactions and events* (Continued)

3 Recoverable loss and tax deduction

A. Recoverable loss and tax deduction arising from the Company's own operations

Deductible loss refers to the loss allowed to be covered by the taxable income in subsequent years as determined in the calculation based on the tax laws. The recoverable losses (deductible loss) and tax deduction, which can be carried-over in the future in accordance with tax law, are regarded as deductible temporary difference. If it is possible to obtain enough taxable income in the future period when the recoverable loss and tax deduction are expected to be available, the relevant deferred tax assets shall be recognized for the amount of the taxable income which can possibly be obtained, and the income tax expenses shall be deducted in the income statement for the current period at the same time.

B. Deductible unrecoverable loss of merged enterprise caused by business combination

During a business combination, the Company shall not recognize the deductible temporary difference obtained from the acquiree which cannot conform to the recognition conditions of deferred tax asset on the purchasing date. Within 12 months after the purchasing date, if there is new or further information indicating that the conditions are existing on the purchasing date, and it is predicted that the economic benefit brought by the deductible temporary difference of the acquiree on the purchasing date can be realized, the relevant deferred tax asset shall be recognized and the goodwill shall be reduced. If the goodwill is not enough for deduction, the difference shall be recognized as the current profit or loss. In addition to the above conditions, the deferred tax asset related to business combination shall be recognized and included into the current profit or loss.

4 Temporary difference due to elimination of consolidation

When the Company is preparing the consolidated financial statement, if the carrying amount of the assets and liabilities in the consolidated balance sheet temporarily differ from the tax basis of the subject of tax payment it belongs because of the elimination of the unrealized profit or loss of internal sales, the deferred tax assets or deferred tax liabilities shall be recognized in the consolidated balance sheet and the income tax expenses shall be adjusted in the consolidated income statement, except for the transactions or matters that are directly included into the owners' equity, and the deferred income taxes related to business combination.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

29. Deferred tax assets/Deferred tax liabilities (Continued)

(3) Recognition of deferred tax liabilities or assets related to special transactions and events (Continued)

5 *Equity-settled share-based payments*

If it is allowed for pre-tax deduction of share-based payment in accordance with the regulations of tax law, the Company shall calculate and determine the tax base and the resultant temporary difference based on the pre-tax deduction amount estimated as per information obtained at the end of the accounting period within the period where the cost is recognized in accordance with the accounting principles, and the relevant deferred income tax shall be recognized accordingly if the recognition conditions are satisfied. If the estimated pre-tax deduction amount in the future exceeds the cost related to the share-based payment determined in accordance with accounting principles, the impact of such excess on income tax shall be directly included into the owner's equity.

6 *Dividends relating to financial instruments classified as equity instruments*

For financial instruments classified as equity instruments by the Company as the issuer, if the relevant dividend expenses are deducted before enterprise income tax in accordance with the relevant provisions of tax policies, the Company recognizes the income tax effect related to the dividend when recognizing the dividend payable. For the distribution of profits arising from transactions or events that previously generated profit or loss, the income tax effect of the dividend is included in the current profit or loss; For the distribution of profits arising from transactions or events that previously recognised in owners' equity, the income tax effect of the dividends is included in owners' equity.

(4) Basis for presenting deferred tax assets and deferred tax liabilities on a net basis

Deferred tax assets and deferred tax liabilities are presented at the net amount after offsetting when the following conditions are met:

1 The Company has the legal right to settle current income tax assets and current income tax liabilities on a net basis;

2 Deferred tax assets and deferred tax liabilities are related to the income tax levied by the same tax collection and administration department on the same taxpayer or related to different taxpayers, but in each period when significant deferred tax assets and deferred tax liabilities are reversed in the future, the taxpayers involved intend to settle the current income tax assets and liabilities on a net basis or obtain assets and settle liabilities at the same time.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

30. Leases

(1) Accounting policies for leases as lessee

At the commencement date of the lease term, the Company recognizes a lease with a lease term of no more than 12 months and no purchase option as a short-term lease; Leases with low value when the single leased asset is a brand-new asset are recognized as low-value asset leases. If the Company subleases or expects to sublease the leased assets, the original lease is not recognized as a lease of low-value assets.

For all short-term leases and leases of low-value assets, the Company uses the straight-line method/workload method to recognize the lease payments in the cost of relevant assets or current profit or loss in each period of the lease term.

Except for short-term leases and low-value asset leases which adopt simplified treatment as mentioned above, the Company recognizes right-of-use assets and lease liabilities for leases at the commencement date of the lease term.

1 Right-of-use assets

Right-of-use assets represent the lessee's right to use the leased asset over the lease term.

At the commencement date of the lease term, the right-of-use asset is initially measured at cost. The cost includes:

A. The amount of the initial measurement of the lease liability;

B. Lease payments made at or before the commencement date, net of any lease incentives received;

C. Initial direct costs incurred by the lessee;

D. Costs expected to be incurred by the 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 specified in the terms of the lease. The Company recognizes and measures the cost according to the recognition standard and measurement method of accrued liabilities. For details, please refer to Note V.25. The above costs, which are incurred in the production of inventories, are included in the cost of inventories.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

30. Leases (Continued)

(1) Accounting policies for leases as lessee (Continued)

1 *Right-of-use assets* (Continued)

Depreciation of right-of-use assets is calculated on a straight-line basis by category. For right-of-use assets for which it is reasonably certain that the ownership of the leased assets will be obtained at the expiry of the lease term, depreciation is provided over the estimated remaining useful lives of the leased assets at a rate determined by reference to the asset category and the estimated residual value rate. For right-of-use assets for which it is not reasonably certain that the ownership of the leased assets will be obtained at the expiry of the lease term, depreciation is provided over the shorter of the lease term and the remaining useful lives of the leased assets at a rate determined by reference to the asset category.

2 *Lease liabilities*

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date of the lease term. The lease payments include the following five items:

A. Fixed payments and in-substance fixed payments, less any lease incentives receivable;

B. Variable lease payments that depend on an index or a rate;

C. The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;

D. Payments for terminating the lease, if the lease term reflects the lessee exercising that option of terminating;

E. The amount expected to be paid based on the residual value of the guarantees provided by the lessee.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

30. Leases (Continued)

(1) Accounting policies for leases as lessee (Continued)

2 Lease liabilities (Continued)

When calculating the present value of lease payments, the interest rate implicit in the lease is used as the discount rate. If the interest rate implicit in the lease cannot be determined, the Company's incremental borrowing rate is used as the discount rate. The difference between the lease payments and their present value is recognised as unrecognised finance costs, which are recognised as interest expenses over the lease term using the discount rate applied in measuring the present value of the lease payments, and are charged to the current period's profit or loss. Variable lease payments not included in the measurement of the lease liability are recognised in the current period's profit or loss as incurred.

After the commencement date of the lease, when there is a change in in-substance fixed payments, a change in the amount expected to be payable under residual value guarantees, a change in the index or rate used to determine lease payments, or a change in the assessment or actual exercise of purchase options, renewal options or termination options, the Company remeasures the lease liability at the present value of the revised lease payments, with a corresponding adjustment to the carrying amount of the right-of-use asset.

(2) Accounting treatment method for leasing as a Lessor

At the commencement date of the lease, the Company classifies leases that transfer substantially all the risks and rewards associated with ownership of the leased asset as finance leases, and all other leases are operating leases.

1 Operating lease

The Company recognizes the lease receipts as rental income on a straight-line basis in each period of the lease term, and the initial direct costs incurred are capitalized and amortized on the same basis as the recognition of rental income, and included in the current profit or loss in instalments. Variable lease payments obtained by the Company in relation to operating leases that are not included in lease receipts are recognised in profit or loss for the current period when they are actually incurred.

2 Financial lease

At the commencement date of the lease, the Company recognizes the finance lease receivables based on the net lease investment (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 term discounted at the interest rate implicit in the lease), and derecognizes the finance lease assets. During each period of the lease term, the Company calculates and recognises interest income based on the interest rate implicit in the lease.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

30. Leases (Continued)

(2) Accounting treatment method for leasing as a Lessor (Continued)

2 *Financial lease* (Continued)

Variable lease payments received by the Company that are not included in the measurement of the net investment in the lease are recognised in the current period's profit or loss as incurred.

31. Debt Restructuring

(1) The Company as a creditor

For debt restructuring in the form of settlement of debts by assets, the Company initially recognizes assets other than transferred financial assets at cost, of which the cost of inventories, including the fair value of the renounced claims and other costs directly attributable to the asset, such as taxes, transportation, loading and unloading, and insurance, etc., incurred to bring the asset to its current location and condition. The cost of an investment in an associate or joint venture includes the fair value of the relinquished claim and other costs such as taxes directly attributable to the asset. The cost of investment property, including the fair value of the relinquished claims and other costs such as taxes directly attributable to the asset. The cost of a fixed asset includes the fair value of the renounced claims and other costs directly attributable to the asset, such as taxes, transportation costs, loading and unloading costs, installation costs, and professional services fees, etc., incurred to bring the asset to the intended use. The cost of a biological asset includes the fair value of the renounced claims and other costs directly attributable to the asset, such as taxes, transportation costs, and insurance premiums. The cost of an intangible asset includes the fair value of the renounced claims and other costs that are directly attributable to the asset such as taxes, incurred before making the asset available for the intended use. The difference between the fair value and the book value of the renounced claims should be recognised in the current profits and losses.

For debt restructuring effected by converting debt into equity instruments, which results in the Company converting its claims into equity investments in associates or joint ventures, the Company measures the initial investment cost at the fair value of the renounced claims and other costs directly attributable to the asset, including taxes. The difference between the fair value and the book value of the renounced claims should be recognised in the current profits and losses.

For debt restructuring effected by modifying other terms of the debt, the Company recognises and measures the restructured debts in accordance with the accounting policies set out in Note III.11.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

31. Debt Restructuring (Continued)

(1) *The Company as a creditor* (Continued)

For debt restructuring effected by transferring multiple assets or by a combination of methods, the Company first recognises and measures the financial assets and restructured claims acquired in accordance with Note III.11, and then allocates the net amount of the fair value of the renounced claims less the recognised amounts of the financial assets and restructured claims to the acquired assets other than financial assets in proportion to their respective fair values, and determines the cost of each of those assets based on the aforementioned methods. The difference between the fair value and the book value of the renounced claims should be recognised in the current profits and losses.

(2) *The Company as a debtor*

If a debt restructuring is carried out by means of settlement of a debt with an asset, the Company derecognizes the asset and the debt settled when the conditions for derecognition are met, and the difference between the carrying amount of the debt settled and the carrying amount of the asset transferred is recognized in profit or loss for the current period.

For debt restructuring by converting debt to equity instruments, the Company derecognizes the debt when the debt settled meets the conditions for derecognition. The Company initially recognizes an equity instrument at the fair value of the equity instrument. If the fair value of the equity instrument cannot be reliably measured, it is measured at the fair value of the debt settled. The difference between the carrying amount of the debt settled and the amount recognized for the equity instrument is recognized in profit or loss for the current period.

For debt restructuring effected by modifying other terms of the debt, the Company recognises and measures the restructured debts in accordance with the accounting policies set out in Note V.11.

When debt restructuring is carried out by using multiple assets to settle debts or by combining them, the Company recognizes and measures equity instruments and restructured debts in accordance with the foregoing method, and the difference between the carrying amount of the debt settled and the sum of the carrying amount of the transferred assets and the recognized amounts of equity instruments and restructured debts is recognized in profit or loss for the current period.

32. Restricted Shares

If the Company grants the restricted shares to incentive participants under an equity incentive plan, the incentive participants shall subscribe for the shares first. If the unlocking conditions stipulated in the equity incentive plan cannot be fulfilled subsequently, the Company repurchase the shares at the predetermined price. If the registration and other capital increase procedures for the restricted shares issued to employees are completed in accordance with relevant regulations, the Company recognises share capital and capital reserve (or capital premium) based on the subscription money received from the employees on the grant date; and recognises treasury shares and other payables for repurchase obligation.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

33. Other Significant Accounting Policies and Accounting Estimates

The Company gives continuous assessment on, among other things, the reasonable expectations of future events and the significant accounting estimates and key assumptions adopted according to its historical experience and other factors. The significant accounting estimates and key assumptions that are likely to lead to significant adjustment risks of the carrying amount of assets and liabilities for the next fiscal year are listed as follows:

Classification of financial assets

Significant judgements involved in determining the classification of financial assets include the analysis of business models and contractual cash flow characteristics.

Factors considered by the Company in determining the business model for a group of financial assets include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how the relevant management personnel are compensated.

When the Company assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as below: whether the principal amount may change in timing or amount over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and cost and profit margin. For example, whether the amount repaid in advance reflects only the outstanding principal and interest thereon, as well as reasonable compensation paid for early termination of the contract.

Measurement of the ECLs of accounts receivable

The Company calculates the ECLs of accounts receivable using the exposure to default risk and ECL rate of accounts receivable, and determines the ECL rate based on default probability and default loss rate. When determining the ECL rate, the Company adjusts its historical data by referring to information such as internal historical credit loss experience as well as current situation and forward-looking information. When considering the forward-looking information, indicators used by the Company include the external market environment, technology environment and changes in customers. The assumptions relating to the ECL calculation are monitored and reviewed by the Company on a regularly basis.

Impairment of goodwill

The Company assesses the impairment of goodwill at least annually, which requires estimates of the use value of asset groups allocated with goodwill. When estimating the use value, the Company is required to estimate the future cash flows from such asset groups while selecting the appropriate discount rate to calculate the present value of future cash flows.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

33. Other Significant Accounting Policies and Accounting Estimates (Continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

34. Changes in Significant Accounting Policies and Accounting Estimates

(1) Changes in significant accounting policies

☑ Applicable ☐ Not applicable

1 *Impact of the implementation of the Accounting Standards for Business Enterprises Interpretations No. 19 on the Company*

The Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretations No. 19 (Cai Kuai [2025] No. 32) on 5 December 2025. The Interpretations sets out provisions relating to "accounting treatment of compensatory assets in business combinations not under common control", "accounting treatment of related capital reserve upon disposal of subsidiaries previously acquired through business combinations under common control", "derecognition of financial liabilities settled through electronic payment systems", "assessment of contractual cash flow characteristics of financial assets and related disclosures", and "disclosures relating to equity instruments designated as measured at fair value through other comprehensive income", which became effective from 1 January 2026. The implementation of these provisions did not have a material impact on the financial position and operating results of the Company.

2 *Impact of the implementation of the Accounting Standards for Business Enterprises Interpretations No. 20 on the Company*

The Ministry of Finance issued the Accounting Standards for Business Enterprises Interpretations No. 20 (Cai Kuai [2026] No. 7) on 4 June 2026. The Interpretations sets out provisions relating to "assessment of contractual cash flow characteristics of financial assets" and "accounting treatment and related disclosures in the absence of exchangeability of currencies", which became effective from 4 June 2026 (the date of promulgation). For transactions falling within the scope of this Interpretations that occurred during the period from 1 January 2026 to the effective date of this Interpretations, the Company is required to make adjustments in accordance with this Interpretations. The implementation of these provisions did not have a material impact on the financial position and operating results of the Company.

SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

34. Changes in Significant Accounting Policies and Accounting Estimates (Continued)

(2) Changes in significant accounting estimates

□ Applicable ☑ Not applicable

(3) Adjustment of relevant items in the financial statements at the beginning of the year of the first implementation of the new accounting standards from 2026

□ Applicable ☑ Not applicable

TAXATION

1. Major Tax Categories and Tax Rates

Tax categories	Tax basis	Tax rate
Value-added tax	Sale of goods or provision of taxable services	5%, 6%, 9%, 13%
Urban maintenance and construction tax	Amount of turnover tax payable	5%, 7%
Enterprise income tax	Taxable income	See table below for details
Property tax	Based on the taxable residual value of the property or on the rental income from the property	1.2%, 12%
Land use tax	Actual land area occupied	RMB2/m^2, RMB3/m^2
Education surcharge	Amount of turnover tax payable	3%
Local education surcharge	Amount of turnover tax payable	2%

Companies subject to different income tax rates are disclosed as follows:

Name of taxpayer	Income tax rate
The Company	15%
Shenzhen Mason Electronics Co., Ltd. (深圳麥遜電子有限公司)	15%
Suzhou MASON Electronics Testing Co., Ltd. (蘇州明信電子測試有限公司)	20%
Han's Mason Electronics (HK) Co., Limited (大族明信電子(香港)有限公司)	16.50%
Asia Foundation (Shenzhen) Wood Industry Co., Ltd. (亞洲創建(深圳)木業有限公司)	25%
Shenzhen Han's Microelectronics Technology Co., Ltd. (深圳市大族微電子科技有限公司)	25%
Hong Kong Mason Electronics Co., Limited (香港麥遜電子有限公司)	16.50%
Advanced Intelligent Machine Co., Ltd. (深圳市升宇智能科技有限公司)	15%
Mason Electronics (Xinfeng) Co., Ltd. (麥遜電子(信豐)有限公司)	15%
Han's CNC Technology (Xinfeng) Co., Ltd. (大族數控科技(信豐)有限公司)	15%
Shanghai Han's Machinery Co., Ltd. (上海大族機械有限公司)	15%
Shenzhen Han's Rayleigh Taide Precision Coating Co., Ltd. (深圳市大族瑞利泰德精密塗層有限公司)	20%
HANS CNC TECHNOLOGY(THAILAND) CO., LTD.	20%
HANS CNC SINGAPORE PTE., LTD.	17%
HANS CNC TECHNOLOGY COMPANY LIMITED (VIETNAM)	20%

TAXATION (Continued)

2. Tax Preference

According to Paragraph 2 of Article 28 of the Enterprise Income Tax Law of the People's Republic of China, "high-tech enterprises that require great support from the state are subject to a reduced corporate income tax rate of 15%".

Our Company obtained the High-tech Enterprise Certificate (Certificate No. GR202344204894) issued by the Shenzhen Municipal Science, Technology and Innovation Commission, Shenzhen Municipal Finance Bureau and Shenzhen Tax Service, State Administration of Taxation on 15 November 2023. The certificate is valid for three years (2023 to 2025). At present, the Company is applying for the re-examination of national high-tech enterprise qualification, and it is expected to pass the 2026 annual re-examination. Accordingly, enterprise income tax shall be calculated and paid at the 15% tax rate in 2026.

Shenzhen Mason Electronics Co., Ltd. (深圳麥遜電子有限公司), a subsidiary of the Company (hereinafter referred to as "**Mason Electronics**"), obtained the High-tech Enterprise Certificate with serial number GR202344202525 issued by the Shenzhen Municipal Science, Technology and Innovation Commission, Shenzhen Municipal Finance Bureau and Shenzhen Tax Service, State Administration of Taxation on 16 October 2023. The certificate is valid for three years (2023 to 2025). The subsidiary is currently applying for the re-examination of national high-tech enterprise qualification and is expected to pass the 2026 annual re-examination. Accordingly, enterprise income tax shall be calculated and paid at the 15% tax rate in 2026.

Advanced Intelligent Machine Co., Ltd. (深圳市升宇智能科技有限公司), a subsidiary of the Company (hereinafter referred to as "**Advanced Intelligent**"), obtained the High-tech Enterprise Certificate with serial number GR202544202759 issued by the Shenzhen Municipal Bureau of Industry and Information Technology, Shenzhen Municipal Finance Bureau and Shenzhen Tax Service, State Administration of Taxation on 25 December 2025. The certificate is valid for three years (2025 to 2027). Accordingly, enterprise income tax shall be calculated and paid at the 15% tax rate in 2026.

Shanghai Han's Machinery Co., Ltd. (上海大族機械有限公司), a subsidiary of the Company (hereinafter referred to as "**Shanghai Han's**"), obtained the High-tech Enterprise Certificate with serial number GR202531004403 issued by the Shanghai Municipal Science and Technology Commission, Shanghai Municipal Finance Bureau and Shanghai Tax Service, State Administration of Taxation on 25 December 2025. The certificate is valid for three years (2025 to 2027). Accordingly, enterprise income tax shall be calculated and paid at a 15% tax rate in 2026.

Shenzhen Han's Rayleigh Taide Precision Coating Co., Ltd. (深圳市大族瑞利泰德精密塗層有限公司), a subsidiary of the Company (hereinafter referred to as "**Han's Rayleigh Taide**"), obtained the High-tech Enterprise Certificate with serial number GR202444207136 issued by the Shenzhen Municipal Bureau of Industry and Information Technology, Shenzhen Municipal Finance Bureau and Shenzhen Tax Service, State Administration of Taxation on 26 December 2024. The certificate is valid for three years (2024 to 2026). Accordingly, enterprise income tax shall be calculated and paid at a 15% tax rate in 2026.

TAXATION (Continued)

2. Tax Preference (Continued)

According to relevant provisions of the Enterprise Income Tax Law of the People's Republic of China and its Implementation Regulations, as well as the Announcement of the Ministry of Finance and the State Administration of Taxation on Further Support of Development of Small and Micro Enterprises and Individual Industrial and Commercial Households (《財政部稅務總局關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》) (Announcement No. 12 [2023] of the MOF and the SAT), for the part of small profit-making enterprises, 25% shall be included in the taxable income, and the corporate income tax shall be paid at the tax rate of 20%. The policy will continue to be implemented until 31 December 2027. Two subsidiaries of the Company, namely Suzhou MASON Electronics Testing Co., Ltd. (蘇州明信電子測試有限公司) (hereinafter referred to as "**Suzhou MASON**") and Shenzhen Han's Rayleigh Taide Precision Coating Co., Ltd. (hereinafter referred to as "**Han's Rayleigh Taide**"), meet the qualification criteria for small low-profit enterprises and are eligible for the aforesaid enterprise income tax preferential policies.

According to the Notice of the Continuation of the Enterprise Income Tax for Implementation of Exploration and Development of Western Region (No. 23 [2020]) jointly issued by the Ministry of Finance, State Administration of Taxation and National Development and Reform Commission, enterprises engaged in encouraged industries and located in western regions of China whose main business income accounts for more than 60% of their total enterprise income shall be subject to enterprise income tax at a reduced rate of 15% for the period from 1 January 2021 to 31 December 2030. Two subsidiaries of the Company, namely Han's CNC Technology (Xinfeng) Co., Ltd. (大族數控科技(信豐)有限公司), (hereinafter referred to as "**Xinfeng CNC**") and Mason Electronics (Xinfeng) Co., Ltd. (hereinafter referred to as "**Xinfeng Mason**"), are eligible for the aforesaid preferential policy and shall calculate and pay enterprise income tax at a tax rate of 15%.

In accordance with the provisions of the Circular of the State Council on Issuing Several Policies for Further Encouraging the Development of the Software and Integrated Circuit Industries (Guo Fa [2011] No. 4), as well as the Circular of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax Policies for Software Products jointly issued by the Ministry of Finance and the State Administration of Taxation (Cai Shui [2011] No. 100), the Company and its subsidiaries including Mason Electronics, Advanced Intelligent and Shenzhen Han's Microelectronics Technology Co., Ltd. (深圳市大族微電子科技有限公司) (hereinafter referred to as "**Han's Microelectronics**") sell self-developed and self-produced software products. After value-added tax is levied at the statutory tax rate of 13%, they are eligible for the preferential VAT refund policy whereby the portion of actual VAT burden exceeding 3% shall be refunded immediately upon collection.

According to the Ministry of Finance and State Administration of Taxation Notice on the Policy of Additional VAT Deduction for Industrial Machine Tool Enterprises (《財政部稅務總局關於工業母機企業增值稅加計抵減政策的通知》) (CaiShui [2023] No. 25), general VAT taxpayers (hereinafter referred to as machine tool enterprises) engaged in the production and sale of advanced industrial machine tool hosts, key functional components, and CNC systems (hereinafter referred to as advanced industrial machine products) shall be permitted to deduct an additional 15% of the current deductible input tax amount from their payable VAT (hereinafter referred to as the additional deduction policy) for the period from 1 January 2023 to 31 December 2027. The Company enjoyed the aforesaid preferential policy in 2026, whereby an additional 15% of the current deductible input VAT was deducted against the payable VAT amounts.

TAXATION (Continued)

2. Tax Preference (Continued)

According to the Ministry of Finance and State Administration of Taxation Announcement on the Weighted VAT Deduction Policy for Advanced Manufacturing Enterprises (《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》) (Announcement [2023] No. 43 of the Ministry of Finance and the State Administration of Taxation), from 1 January 2023 to 31 December 2027, advanced manufacturing enterprises are permitted to deduct an additional 5% of the current deductible input tax amount from their payable VAT (hereinafter referred to as the additional deduction policy). Three subsidiaries of the Company, namely Mason Electronics, Advanced Intelligent and Han's Rayleigh Taide, enjoyed the aforesaid preferential policy in 2026, deducting an additional 5% of the current deductible input VAT against their respective payable VAT amounts.

According to the Ministry of Finance and the State Administration of Taxation Announcement on Further Improving the Policy of Additional Pre-tax Deduction for R&D Expenses (Announcement No. 7 of 2023 of the Ministry of Finance and the State Administration of Taxation), to further incentivize enterprises to increase R&D investment and better support scientific and technological innovation, for the R&D expenses actually incurred in the R&D activities of enterprises, if they are not accounted for as intangible assets and included in the profit or loss of the current period, they shall be deducted on an actual basis as required, and shall be additionally deducted before tax at 100% of the actual amount incurred since 1 January 2023; or be amortized before tax at 200% of the cost of intangible assets since 1 January 2023 if they are accounted for as intangible assets. The Company's subsidiaries including Mason Electronics, Advanced Intelligent, Shanghai Han's, Han's Rayleigh Taide and Han's Microelectronics are entitled to the tax preferential policy of 100% additional pre-tax deduction on R&D expenses.

In accordance with the provisions of the Announcement of the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology on Raising the Additional Pre-tax Deduction Ratio for R&D Expenses of Integrated Circuit and Industrial Machine Tool Enterprises (Announcement No. 44 of 2023 of the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Industry and Information Technology), for the actual R&D expenses incurred by integrated circuit enterprises and industrial machine tool enterprises in carrying out research and development activities: if such expenses do not form intangible assets and are recorded as current profit or loss, on the basis of actual deduction as stipulated, an additional 120% of the actual incurred amount may be deducted before tax for the period from 1 January 2023 to 31 December 2027; if such expenses form intangible assets, pre-tax amortization shall be conducted at 220% of the cost of such intangible assets within the aforesaid period. The Company is eligible for the tax preferential policy of 120% additional pre-tax deduction.

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary Funds

Unit: RMB

Items	Closing balance	Opening balance
Bank deposit	**5,254,191,015.52**	1,815,979,154.48
Other monetary funds	**541,528.70**	542,074.56
Total	**5,254,732,544.22**	1,816,521,229.04
Including: Total deposits in overseas banks	**40,571,936.71**	32,689,885.16

2. Bills Receivable

(1) Bills receivable by category

Unit: RMB

Items	Closing balance	Opening balance
Bank acceptance bills	**263,947,465.49**	217,176,975.38
Commercial acceptance bills	**356,290,387.62**	269,174,736.24
Total	**620,237,853.11**	486,351,711.62

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Bills Receivable (Continued)

(2) Disclosure by bad debt provision method

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Percentage	Amount	Provision percentage	Carrying amount	Amount	Percentage	Amount	Provision percentage	Carrying amount
Including:										
Bills receivable assessed collectively for bad debt provision	642,140,438.96	100.00%	21,902,585.85	3.41%	620,237,853.11	508,403,321.19	100.00%	22,051,609.57	4.34%	486,351,711.62
Including:										
Commercial acceptance bills-listed companies and Fortune Global 500 customers	318,479,263.10	49.60%	16,440,855.36	5.16%	302,038,407.74	242,881,002.28	47.77%	17,889,659.47	7.37%	224,991,342.81
Commercial acceptance bills-other corporate customers	59,713,710.37	9.30%	5,461,730.49	9.15%	54,251,979.88	48,345,343.53	9.51%	4,161,950.10	8.61%	44,183,393.43
Bank acceptance bills	263,947,465.49	41.10%	0.00	0.00%	263,947,465.49	217,176,975.38	42.72%	0.00	0.00%	217,176,975.38
Total	642,140,438.96	100.00%	21,902,585.85	3.41%	620,237,853.11	508,403,321.19	100.00%	22,051,609.57	4.34%	486,351,711.62

Category name for collectively assessed bad debt provisions:

Unit: RMB

Name	Closing balance		
	Book balance	Bad debt provision	Provision percentage
Commercial acceptance bills-listed companies and Fortune Global 500 customers	318,479,263.10	16,440,855.36	5.16%
Commercial acceptance bills-other corporate customers	59,713,710.37	5,461,730.49	9.15%
Bank acceptance bills	263,947,465.49	0.00	0.00%
Total	642,140,438.96	21,902,585.85	3.41%

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Bills Receivable (Continued)

Explanations of the basis for determination of the portfolio:

As at 30 June 2026, the Company measures the provision for bad debts on bank acceptance bills based on expected credit losses over the entire lifetime. The Company is of the opinion that the bank acceptance bills held by it do not carry significant credit risks, and no material losses will arise from defaults by banks or other drawers.

Please refer to Note V. 11 for the recognition criteria and description of provision for bad debts assessed by portfolio.

If the bad debt provision of bills receivable is made in accordance with the general model of ECLs:

☐ Applicable ☑ Not applicable

(3) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Changes in the period				Closing balance
		Provision	Recovery or reversal	Written-off	Others	
Commercial acceptance bills-listed companies and Fortune Global 500 customers	17,889,659.47	-1,448,804.11	0.00	0.00	0.00	16,440,855.36
Commercial acceptance bills-other corporate customers	4,161,950.10	1,299,780.39	0.00	0.00	0.00	5,461,730.49
Total	22,051,609.57	-149,023.72	0.00	0.00	0.00	21,902,585.85

Including, the amounts of recovery or reversal of provision for bad debts during the current period that are material:

☐ Applicable ☑ Not applicable

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Bills Receivable (Continued)

(4) Endorsed or discounted bills receivable that are not mature on balance sheet date at the end of the period

Unit: RMB

Items	Closing derecognized amount	Closing non-derecognized amount
Bank acceptance bills	—	**208,315,706.13**
Commercial acceptance bills	—	**26,258,920.01**
Total	—	**234,574,626.14**

3. Accounts Receivable

(1) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	**4,569,658,582.28**	2,289,489,139.42
1 to 2 years	**317,100,438.00**	344,889,497.13
2 to 3 years	**27,084,648.97**	30,180,956.07
Over 3 years	**7,428,627.41**	11,972,782.37
3 to 4 years	**5,764,792.86**	4,286,600.17
4 to 5 years	**1,641,194.28**	5,262,259.02
Over 5 years	**22,640.27**	2,423,923.18
Total	**4,921,272,296.66**	2,676,532,374.99

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. Accounts Receivable (Continued)

(2) Disclosure by bad debt provision method

Unit: RMB

	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
Category	Amount	Percentage	Amount	Provision percentage	Carrying amount	Amount	Percentage	Amount	Provision percentage	Carrying amount
Accounts receivable assessed individually for bad debt provision	8,264,642.61	0.17%	8,143,585.49	98.54%	121,057.12	18,605,221.26	0.70%	18,484,164.14	99.35%	121,057.12
Including:										
Accounts receivable assessed collectively for bad debt provision	4,913,007,654.05	99.83%	129,652,164.42	2.64%	4,783,355,489.63	2,657,927,153.73	99.30%	85,494,250.12	3.22%	2,572,432,903.61
Including:										
Listed companies and Fortune Global 500 customer portfolio	2,882,648,061.13	58.58%	48,104,951.57	1.67%	2,834,543,109.56	1,344,419,733.56	50.23%	26,024,506.43	1.94%	1,318,395,227.13
Other customer portfolio	2,030,359,592.92	41.26%	81,547,212.85	4.02%	1,948,812,380.07	1,313,507,420.17	49.07%	59,469,743.69	4.53%	1,254,037,676.48
Total	4,921,272,296.66	100.00%	137,795,749.91	2.80%	4,783,476,546.75	2,676,532,374.99	100.00%	103,978,414.26	3.88%	2,572,553,960.73

Category name for individually assessed bad debt provisions: receivables subject to material individual bad debt provisions

Unit: RMB

	Opening balance		Closing balance			
Name	Book balance	Bad debt provision	Book balance	Bad debt provision	Provision percentage	Provision reason
Customer A	5,908,877.30	5,908,877.30	5,908,877.30	5,908,877.30	100.00%	Not expected to be recovered
Total	5,908,877.30	5,908,877.30	5,908,877.30	5,908,877.30	100.00%	

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. Accounts Receivable (Continued)

(2) *Disclosure by bad debt provision method* (Continued)

Category name for collectively assessed bad debt provisions: listed companies and Fortune Global 500 customer portfolio

Unit: RMB

	Closing balance		
Name	**Book balance**	**Bad debt provision**	**Provision percentage**
Within 1 year	**2,779,351,457.71**	**41,691,019.70**	**1.50%**
1 to 2 years	**94,705,594.52**	**4,735,279.73**	**5.00%**
2 to 3 years	**6,641,004.90**	**996,150.74**	**15.00%**
3 to 4 years	**1,950,004.00**	**682,501.40**	**35.00%**
Total	**2,882,648,061.13**	**48,104,951.57**	**1.67%**

Explanations of the basis for determination of the portfolio:

Please refer to Note V. 11 for the recognition criteria and description of provision for bad debts assessed by portfolio.

Category name for collectively assessed bad debt provisions: other customer portfolio

Unit: RMB

	Closing balance		
Name	**Book balance**	**Bad debt provision**	**Provision percentage**
Within 1 year	**1,790,227,124.57**	**53,706,813.50**	**3.00%**
1 to 2 years	**222,279,208.48**	**22,227,920.87**	**10.00%**
2 to 3 years	**16,631,857.96**	**4,989,557.39**	**30.00%**
3 to 4 years	**1,195,761.64**	**597,880.82**	**50.00%**
4 to 5 years	**3,000.00**	**2,400.00**	**80.00%**
Over 5 years	**22,640.27**	**22,640.27**	**100.00%**
Total	**2,030,359,592.92**	**81,547,212.85**	**4.02%**

Explanations of the basis for determination of the portfolio:

Please refer to Note V. 11 for the recognition criteria and description of provision for bad debts assessed by portfolio.

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. Accounts Receivable (Continued)

(2) *Disclosure by bad debt provision method* (Continued)

If the bad debt provision of accounts receivable is made in accordance with the general model of ECLs:

☐ Applicable ☑ Not applicable

(3) *Provision, recovery or reversal of bad debt provision for the period*

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Changes in the period Provision	Recovery or reversal	Written-off	Others	Closing balance
Assessed individually for bad debt provision	18,484,164.14	5,000.00	987,632.82	9,357,945.83	0.00	8,143,585.49
Assessed collectively for bad debt provision — listed companies and Fortune Global 500 customer portfolio	26,024,506.43	22,197,893.50	0.00	0.00	-117,448.36	48,104,951.57
Assessed collectively for bad debt provision — other customer portfolio	59,469,743.69	22,083,137.18	0.00	5,570.00	-98.02	81,547,212.85
Total	103,978,414.26	44,286,030.68	987,632.82	9,363,515.83	-117,546.38	137,795,749.91

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3. Accounts Receivable (Continued)

(4) Actual write-off of accounts receivable for the period

Unit: RMB

Items	Written-off amount
Actual write-off of accounts receivable	9,363,515.83

Including: significant accounts receivable write-offs:

Unit: RMB

Company name	Nature of accounts receivable	Written-off amount	Reason for written-off	Written-off procedures performed	Whether arising from related transactions
Customer B	Loan	9,352,945.83	The customer underwent bankruptcy reorganization, relevant litigation has been closed, and the outstanding receivables are irrecoverable		No
Total		9,352,945.83			

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. Accounts Receivable (Continued)

(5) Top five accounts receivable and contract assets based on closing balance of debtors

Unit: RMB

Company name	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Percentage of total closing balance of accounts receivable and contract assets	Closing balance of bad debt provision of accounts receivable and impairment provision of contract assets
Customer C	292,953,451.33	0.00	292,953,451.33	5.85%	4,446,801.77
Customer D	269,766,161.54	0.00	269,766,161.54	5.39%	4,046,492.42
Customer E	162,795,725.78	12,016,200.00	174,811,925.78	3.49%	2,987,542.37
Customer F	148,893,454.98	0.00	148,893,454.98	2.97%	2,233,961.83
Customer G	137,299,713.01	0.00	137,299,713.01	2.74%	2,059,495.70
Total	1,011,708,506.64	12,016,200.00	1,023,724,706.64	20.44%	15,774,294.09

4. Contract Assets

(1) Contract assets

Unit: RMB

Items	Closing balance			Opening balance		
	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount
Unexpired quality guarantee deposit	108,662,318.00	2,228,845.20	106,433,472.80	53,505,336.39	1,345,348.85	52,159,987.54
Subtotal	108,662,318.00	2,228,845.20	106,433,472.80	53,505,336.39	1,345,348.85	52,159,987.54
Less: Contract assets presented in other non-current assets	21,449,892.16	403,341.77	21,046,550.39	4,779,260.91	73,358.01	4,705,902.90
Total	87,212,425.84	1,825,503.43	85,386,922.41	48,726,075.48	1,271,990.84	47,454,084.64

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Contract Assets (Continued)

(2) Disclosure by bad debt provision method

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Percentage	Amount	Provision percentage	Carrying amount	Amount	Percentage	Amount	Provision percentage	Carrying amount
Including:										
Items assessed collectively for bad debt provision	87,212,425.84	100.00%	1,825,503.43	2.09%	85,386,922.41	48,726,075.48	100.00%	1,271,990.84	2.61%	47,454,084.64
Including:										
Listed companies and Fortune Global 500 customer portfolio	64,001,126.12	73.39%	1,129,164.43	1.76%	62,871,961.69	33,262,511.46	68.26%	571,387.66	1.72%	32,691,123.80
Other customer portfolio	23,211,299.72	26.61%	696,339.00	3.00%	22,514,960.72	15,463,564.02	31.74%	700,603.18	4.53%	14,762,960.84
Total	87,212,425.84	100.00%	1,825,503.43	2.09%	85,386,922.41	48,726,075.48	100.00%	1,271,990.84	2.61%	47,454,084.64

Number of categories for collectively assessed bad debt provisions: 2

Category name for collectively assessed bad debt provisions: listed companies and Fortune Global 500 customer portfolio

Unit: RMB

Name	Closing balance		
	Book balance	Bad debt provision	Provision percentage
Within 1 year	61,343,924.10	920,158.87	1.50%
1 to 2 years	1,895,747.47	94,787.37	5.00%
2 to 3 years	761,454.55	114,218.19	15.00%
Total	64,001,126.12	1,129,164.43	1.76%

Explanations of the basis for determination of the portfolio:

Please refer to Note V. 11 for the recognition criteria and description of provision for bad debts assessed by portfolio.

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Contract Assets (Continued)

(2) Disclosure by bad debt provision method (Continued)

Category name for collectively assessed bad debt provisions: other customer portfolio

Unit: RMB

Name	Closing balance		
	Book balance	Bad debt provision	Provision percentage
Within 1 year	**23,211,299.72**	**696,339.00**	**3.00%**
Total	**23,211,299.72**	**696,339.00**	**3.00%**

Explanations of the basis for determination of the portfolio:

Please refer to Note V. 11 for the recognition criteria and description of provision for bad debts assessed by portfolio.

Bad debt provision based on the general model of ECLs:

□ Applicable ☑ Not applicable

(3) Provision, recovery or reversal of bad debt provision for the period

Unit: RMB

Items	Provision for the period	Recovery or reversal for the period	Transfer/ written-off for the period	Reason
Listed companies and Fortune Global 500 customer portfolio	557,776.77	0.00	0.00	
Other customer portfolio	-4,264.18	0.00	0.00	
Total	553,512.59	0.00	0.00	—

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Contract Assets (Continued)

(3) Provision, recovery or reversal of bad debt provision for the period (Continued)

Including, the amounts of recovery or reversal of provision for bad debts during the current period that are material:

Unit: RMB

Company name	Recovery or reversal amount	Reason for reversal	Method of recovery	Basis for determining the original provision percentage for bad debts and its reasonableness

Nil

(4) Actual write-off of contract assets for the period

Unit: RMB

Item	Written-off amount
Actual written-off of contract assets	0.00

Including: significant contract assets write-offs

Unit: RMB

Company name	Nature	Written-off amount	Reason for written-off	Written-off procedures performed	Whether arising from related transactions

Nil

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. Accounts Receivable Financing

(1) Accounts receivable financing by category

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bills	**106,218,206.44**	49,759,620.13
Total	**106,218,206.44**	49,759,620.13

(2) Disclosure by bad debt provision method

Unit: RMB

	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
Category	Amount	Percentage	Amount	Provision percentage	Carrying amount	Amount	Percentage	Amount	Provision percentage	Carrying amount
Including:										
Items assessed collectively for bad debt provision	**106,218,206.44**	**100.00%**	**0.00**	**0.00%**	**106,218,206.44**	49,759,620.13	100.00%	0.00	0.00%	49,759,620.13
Including:										
Bank acceptance bills	**106,218,206.44**	**100.00%**	**0.00**	**0.00%**	**106,218,206.44**	49,759,620.13	100.00%	0.00	0.00%	49,759,620.13
Total	**106,218,206.44**	**100.00%**	**0.00**	**0.00%**	**106,218,206.44**	49,759,620.13	100.00%	0.00	0.00%	49,759,620.13

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

5. Accounts Receivable Financing (Continued)

(3) Endorsed or discounted accounts receivables financing that are not mature on balance sheet date at the end of the period

Unit: RMB

Item	Closing derecognized amount	Closing non-derecognized amount
Bank acceptance bills	**325,088,336.60**	0.00
Total	**325,088,336.60**	0.00

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. Other Receivables

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	**27,198,200.42**	14,153,535.03
Total	**27,198,200.42**	14,153,535.03

(1) Other receivables

1) Classification of other receivables by nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Deposit and guarantee deposit	**26,411,808.80**	15,626,931.42
Paid but unsettled expenses	**297,092.13**	152,656.30
Advances on employees' social insurance and housing fund	**3,086,989.56**	2,255,707.89
Reserve	**4,455,260.05**	1,496,388.13
Related party transactions	**124,805.30**	103,505.27
External transactions	**49,853.00**	4,109.07
Total	**34,425,808.84**	19,639,298.08

2) Disclosure by aging

Unit: RMB

Aging	Closing book balance	Opening book balance
Within 1 year (including 1 year)	**24,098,309.47**	11,603,382.32
1 to 2 years	**2,309,853.57**	359,303.96
2 to 3 years	**806,898.00**	474,564.00
Over 3 years	**7,210,747.80**	7,202,047.80
3 to 4 years	**2,022,565.37**	2,700,254.21
4 to 5 years	**991,203.97**	4,462,793.59
Over 5 years	**4,196,978.46**	39,000.00
Total	**34,425,808.84**	19,639,298.08

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. Other Receivables (Continued)

(1) Other receivables (Continued)

3) Classified disclosure by the method of provision for bad debts

☑ Applicable ☐ Not applicable

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Percentage	Amount	Provision percentage	Carrying amount	Amount	Percentage	Amount	Provision percentage	Carrying amount
Including:										
Items assessed collectively for bad debt provision	34,425,808.84	100.00%	7,227,608.42	20.99%	27,198,200.42	19,639,298.08	100.00%	5,485,763.05	27.93%	14,153,535.03
Including:										
Aging group	34,425,808.84	100.00%	7,227,608.42	20.99%	27,198,200.42	19,639,298.08	100.00%	5,485,763.05	27.93%	14,153,535.03
Total	34,425,808.84	100.00%	7,227,608.42	20.99%	27,198,200.42	19,639,298.08	100.00%	5,485,763.05	27.93%	14,153,535.03

Category name for collectively assessed bad debt provisions: aging group

Unit: RMB

Name	Closing balance		
	Book balance	Bad debt provision	Provision percentage
Aging group	34,425,808.84	7,227,608.42	20.99%
Total	34,425,808.84	7,227,608.42	20.99%

Explanations of the basis for determination of the portfolio:

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. Other Receivables (Continued)

(1) Other receivables (Continued)

3) *Classified disclosure by the method of provision for bad debts* (Continued)

Bad debt provision based on the general model of ECLs:

Unit: RMB

Bad debt provision	Stage 1 ECLs for the next 12 months	Stage 2 Lifetime ECLs (not credit-impaired)	Stage 3 Lifetime ECLs (credit-impaired)	Total
Balance as at 1 January 2026	5,485,763.05	0.00	0.00	5,485,763.05
Balance as at 1 January 2026 for the period				
Provision for the period	1,742,923.31	0.00	0.00	1,742,923.31
Other changes	-1,077.94	0.00	0.00	-1,077.94
Balance as at 30 June 2026	7,227,608.42	0.00	0.00	7,227,608.42

Basis of segregation and bad debt provisioning ratio by stages

Please refer to Note V. 11 for the recognition criteria and description of provision for bad debts assessed by portfolio.

Changes in carrying book balances with significant changes in loss provision for the period

☐ Applicable ☑ Not applicable

4) *Provision, recovery or reversal of bad debt provision for the period*

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Changes in the period: Provision	Recovery or reversal	Transfer or written-off	Others	Closing balance
Items assessed collectively for bad debt provision	5,485,763.05	1,742,923.31	0.00	0.00	-1,077.94	7,227,608.42
Total	5,485,763.05	1,742,923.31	0.00	0.00	-1,077.94	7,227,608.42

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

6. Other Receivables (Continued)

(1) Other receivables (Continued)

5) *Top five other receivables according to closing balance of debtors*

Unit: RMB

Company name	Nature	Closing balance	Aging	As a percentage of the closing balance of total other receivables	Closing balance of bad debt provision
Shanghai Javol Vision Optoelectronics Technology Co., Ltd. (上海嘉沃光電科技有限公司)	Guarantee deposit	8,220,000.00	Within 1 year	23.88%	246,600.00
Han's Laser Technology Industry Group Co., Ltd.	Rental deposit	5,920,015.46	3 to 4 years, over 5 years	17.20%	5,005,182.39
Shenzhen Bao'an Sanlian Co., Ltd. (深圳市寶安三聯有限公司)	Rental deposit	2,784,081.22	Within 1 year	8.09%	83,522.44
Shenzhen Antuoshan Concrete Pipe Pile Co., Ltd. (深圳市安托山混凝土管樁有限公司)	Rental deposits and utility deposits	2,357,307.78	Within 1 year, 1 to 2 years	6.85%	228,021.20
AVIC Zhaocai Technology (Beijing) Co., Ltd. (中航招採科技(北京)有限公司)	Bid deposit	1,219,608.11	Within 1 year	3.54%	36,588.24
Total		20,501,012.57		59.56%	5,599,914.27

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Prepayments

(1) Prepayments by aging

Unit: RMB

Aging	Closing balance Amount	Closing balance Percentage	Opening balance Amount	Opening balance Percentage
Within 1 year	**347,300,321.51**	**99.90%**	112,079,342.45	99.34%
1 to 2 years	**336,184.48**	**0.10%**	743,573.90	0.66%
Total	**347,636,505.99**	**100.00%**	112,822,916.35	100.00%

(2) Top five prepayments based on closing balance of prepaid parties

Unit: RMB

Company name	Balance as at 30 June 2026	As a percentage of the closing balance of the total prepayments (%)
Supplier A	**295,285,714.34**	84.94
Supplier B	**21,979,141.46**	6.32
Supplier C	**8,184,406.81**	2.35
Supplier D	**3,093,200.00**	0.89
Supplier E	**2,057,738.46**	0.59
Total	**330,600,201.07**	95.09

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8. Inventories

Whether the Company needs to comply with the disclosure requirements for real estate industries

No

(1) Categories of inventories

Unit: RMB

	Closing balance			Opening balance		
Items	Book balance	Impairment provision for inventories or contract performance costs	Carrying amount	Book balance	Impairment provision for inventories or contract performance costs	Carrying amount
Raw materials	729,049,440.96	45,625,879.25	683,423,561.71	456,665,603.91	38,127,378.81	418,538,225.10
Work in progress	1,240,276,412.24	4,968,017.65	1,235,308,394.59	778,474,823.29	6,301,597.71	772,173,225.58
Goods in stock	59,258,784.00	2,228,513.49	57,030,270.51	52,844,353.72	3,274,972.60	49,569,381.12
Goods in transit	313,854,312.82	4,799,966.80	309,054,346.02	510,087,588.62	3,939,217.79	506,148,370.83
Semi-finished goods	163,304,627.63	5,854,573.11	157,450,054.52	120,946,196.39	6,426,333.79	114,519,862.60
Materials consigned for processing	54,553,007.84	6,281,840.00	48,271,167.84	35,272,631.17	3,107,202.01	32,165,429.16
Total	2,560,296,585.49	69,758,790.30	2,490,537,795.19	1,954,291,197.10	61,176,702.71	1,893,114,494.39

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8. Inventories (Continued)

(2) Impairment provision for inventories and contract performance costs

Unit: RMB

Items	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Provision	Others	Reversal or transfer	Others	
Raw materials	38,127,378.81	13,954,415.06	552,837.96	7,008,752.58	0.00	45,625,879.25
Work in progress	6,301,597.71	1,210,218.13	0.00	2,149,198.91	394,599.28	4,968,017.65
Goods in stock	3,274,972.60	383,414.01	0.00	405,001.14	1,024,871.98	2,228,513.49
Goods in transit	3,939,217.79	2,371,447.64	0.00	1,510,698.63	0.00	4,799,966.80
Semi-finished goods	6,426,333.79	2,663,118.91	0.00	3,234,879.59	0.00	5,854,573.11
Materials consigned for processing	3,107,202.01	5,439,280.68	0.00	2,264,642.69	0.00	6,281,840.00
Total	61,176,702.71	26,021,894.43	552,837.96	16,573,173.54	1,419,471.26	69,758,790.30

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Non-current Assets Due within One Year

Unit: RMB

Items	Closing balance	Opening balance
Long-term receivables due within one year	**1,581,708,714.49**	1,218,809,481.88
Less: Unrealized financing income	**9,723,465.21**	14,120,683.68
Less: Impairment provision	**42,576,032.39**	28,277,052.72
Subtotal	**1,529,409,216.89**	1,176,411,745.48
Large-denomination certificates of deposit and accrued interest	**425,528,589.32**	0.00
Total	**1,954,937,806.21**	1,176,411,745.48

(1) Debt investments due within one year

□ Applicable ☑ Not applicable

(2) Other debt investments due within one year

□ Applicable ☑ Not applicable

10. Other Current Assets

Unit: RMB

Items	Closing balance	Opening balance
Listing intermediary fee	**0.00**	15,639,484.93
Value-added tax credits carried forward and input tax to be certified	**93,413,964.43**	56,347,841.20
Prepayments of enterprise income tax	**7,547.60**	6,169.20
Total	**93,421,512.03**	71,993,495.33

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

11. Investments in Other Equity Instruments

Unit: RMB

Item	Opening balance	Investment cost	Gains included in other comprehensive income for the period	Losses included in other comprehensive income for the period	Gains accumulated in other comprehensive income at the end of the period	Losses accumulated in other comprehensive income at the end of the period	Dividend income recognized for the period	Closing balance	Reasons for designation at fair value through other comprehensive income
Equity investments	0.00	343,788,528.33	222,822,866.60	0.00	222,822,866.60	0.00	0.00	**566,611,394.93**	Held for non-trading purposes
Total	0.00	343,788,528.33	222,822,866.60	0.00	222,822,866.60	0.00	0.00	**566,611,394.93**	

12. Long-term Receivables

(1) Particulars of long-term receivables

Unit: RMB

Items	Closing balance			Opening balance			
	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount	Discount rate range
Sales of goods by installment payment	**1,667,765,264.35**	**44,068,222.65**	**1,623,697,041.70**	1,646,421,385.74	34,825,919.65	1,611,595,466.09	
Less: Unrealized financing income	**9,965,763.00**	**0.00**	**9,965,763.00**	16,964,085.69	0.00	16,964,085.69	2.4%
Less: Long-term receivables due within one year	**1,571,985,249.28**	**42,576,032.39**	**1,529,409,216.89**	1,204,688,798.20	28,277,052.72	1,176,411,745.48	
Total	**85,814,252.07**	**1,492,190.26**	**84,322,061.81**	424,768,501.85	6,548,866.93	418,219,634.92	

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12. Long-term Receivables (Continued)

(2) Disclosure by bad debt provision method

Unit: RMB

	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
Category	Amount	Percentage	Amount	Provision percentage	Carrying amount	Amount	Percentage	Amount	Provision percentage	Carrying amount
Including:										
Items assessed collectively for bad debt provision	1,667,765,264.35	100.00%	44,068,222.65	2.64%	1,623,697,041.70	1,646,421,385.74	100.00%	34,825,919.65	2.12%	1,611,595,466.09
Including:										
Listed companies and Fortune Global 500 customer portfolio	1,241,005,759.77	74.41%	23,785,595.75	1.92%	1,217,220,164.02	1,214,612,966.64	73.77%	18,377,488.77	1.51%	1,196,235,477.87
Other customer portfolio	426,759,504.58	25.59%	20,282,626.90	4.75%	406,476,877.68	431,808,419.10	26.23%	16,448,430.88	3.81%	415,359,988.22
Total	1,667,765,264.35	100.00%	44,068,222.65	2.64%	1,623,697,041.70	1,646,421,385.74	100.00%	34,825,919.65	2.12%	1,611,595,466.09

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12. Long-term Receivables (Continued)

(2) *Disclosure by bad debt provision method* (Continued)

Category name for collectively assessed bad debt provisions: listed companies and Fortune Global 500 customer portfolio

Unit: RMB

	Closing balance		
Name	Book balance	Bad debt provision	Provision percentage
Listed companies and Fortune Global 500 customer portfolio	1,241,005,759.77	23,785,595.75	1.92%
Total	1,241,005,759.77	23,785,595.75	1.92%

Explanations of the basis for determination of the portfolio:

Please refer to Note V. 11 for the recognition criteria and description of provision for bad debts assessed by portfolio.

Category name for collectively assessed bad debt provisions: other customer portfolio

Unit: RMB

	Closing balance		
Name	Book balance	Bad debt provision	Provision percentage
Other customer portfolio	426,759,504.58	20,282,626.90	4.75%
Total	426,759,504.58	20,282,626.90	4.75%

Explanations of the basis for determination of the portfolio:

Please refer to Note V. 11 for the recognition criteria and description of provision for bad debts assessed by portfolio.

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12. Long-term Receivables (Continued)

(2) *Disclosure by bad debt provision method* (Continued)

Bad debt provision based on the general model of ECLs:

Unit: RMB

Bad debt provision	Stage 1 ECLs for the next 12 months	Stage 2 Lifetime ECLs (not credit-impaired)	Stage 3 Lifetime ECLs (credit-impaired)	Total
Balance as at 1 January 2026	**34,825,919.65**	**0.00**	**0.00**	**34,825,919.65**
Balance as at 1 January 2026 for the period				
Provision for the period	**9,242,303.00**	**0.00**	**0.00**	**9,242,303.00**
Balance as at 30 June 2026	**44,068,222.65**	**0.00**	**0.00**	**44,068,222.65**

(3) *Provision, recovery or reversal of bad debt provision for the period*

Unit: RMB

Category	Opening balance	Changes in the period				Closing balance
		Provision	Recovery or reversal	Transfer or written-off	Others	
Listed companies and Fortune Global 500 customer portfolio	18,377,488.77	5,408,106.98	0.00	0.00	0.00	23,785,595.75
Other customer portfolio	16,448,430.88	3,834,196.02	0.00	0.00	0.00	20,282,626.90
Total	34,825,919.65	9,242,303.00	0.00	0.00	0.00	44,068,222.65

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12. Long-term Receivables (Continued)

(3) Provision, recovery or reversal of bad debt provision for the period (Continued)

Including, significant amounts of provision for bad debts reversed or recovered for the period:

Unit: RMB

Company name	Recovery or reversal amount	Reason for reversal	Method of recovery	Basis for determining the original provision percentage for bad debts and its reasonableness

Nil

(4) Actual write-off of long-term receivables for the period

Unit: RMB

Item	Written-off amount
Actual write-off of long-term receivables	0.00

Including: significant long-term receivables write-offs:

Unit: RMB

Company name	Nature	Written-off amount	Reason for written-off	Written-off procedures performed	Whether arising from related transactions

Nil

Explanation on long-term receivables write-off:

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

13. Long-term Equity Investments

Unit: RMB

			Change for the period									
Investee	Opening balance (carrying amount)	Opening balance of impairment provision	Additional contribution	Withdrawn contribution	Investment gain or loss recognized under equity method	Adjustment of other comprehensive income	Other change in equity interest	Distribution of cash dividend or profit declared	Impairment provision	Others	Closing balance (carrying amount)	Closing balance of impairment provision
I. Joint ventures												
II. Associates												
Shenzhen Mingxin Test Equipment Co., Ltd. (深圳市明信測試設備股份有限公司)	54,494,369.03	0.00	0.00	0.00	-1,458,746.45	0.00	0.00	0.00	0.00	0.00	53,035,622.58	55,768,292.21
Subtotal	54,494,369.03	0.00	0.00	0.00	-1,458,746.45	0.00	0.00	0.00	0.00	0.00	53,035,622.58	55,768,292.21
Total	54,494,369.03	0.00	0.00	0.00	-1,458,746.45	0.00	0.00	0.00	0.00	0.00	53,035,622.58	55,768,292.21

Determination of recoverable amount based on the net amount after deducting disposal costs from fair value

☐ Applicable ☑ Not applicable

Determination of recoverable amount based on present value of expected future cash flows

☐ Applicable ☑ Not applicable

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. Investment Properties

(1) Investment properties under cost measurement model

☑ Applicable ☐ Not applicable

Unit: RMB

Item	Property, buildings	Land use rights	Construction in progress	Total
I. Original carrying amount				
1. Opening balance	3,219,054.31			3,219,054.31
2. Increase during the period				
(1) Acquisition				
(2) Transfer from inventories/ fixed assets/construction in progress				
(3) Increase in business combinations				
3. Decrease during the period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	3,219,054.31			3,219,054.31
II. Accumulated depreciation and accumulated amortization				
1. Opening balance	1,493,641.52			1,493,641.52
2. Increase during the period	38,628.66			38,628.66
(1) Provision or amortization	38,628.66			38,628.66
3. Decrease during the period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	1,532,270.18			1,532,270.18
III. Impairment provision				
1. Opening balance				
2. Increase during the period				
(1) Provision				
3. Decrease during the period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance				
IV. Carrying amount				
1. Closing carrying amount	1,686,784.13			1,686,784.13
2. Opening carrying amount	1,725,412.79			1,725,412.79

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. Investment Properties (Continued)

(1) *Investment properties under cost measurement model* (Continued)

Determination of recoverable amount based on the net amount after deducting disposal costs from fair value

□ Applicable ☑ Not applicable

Determination of recoverable amount based on present value of expected future cash flows

□ Applicable ☑ Not applicable

(2) *Investment properties under fair value measurement model*

□ Applicable ☑ Not applicable

(3) *Particulars of investment properties without obtaining ownership certificates*

□ Applicable ☑ Not applicable

15. Fixed Assets

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	**819,054,211.38**	762,597,585.38
Total	**819,054,211.38**	762,597,585.38

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

15. Fixed Assets (Continued)

(1) Particulars of fixed assets

Unit: RMB

Item	Property and buildings	House decoration cost	Machinery and equipment	Transportation equipment	Electronic equipment	Other equipment	Total
I. Original carrying amount:							
1. Opening balance	575,271,400.74	59,128,440.37	126,318,249.48	8,133,998.87	32,568,411.61	74,487,830.22	875,908,331.29
2. Increase during the period		22,749,014.03	23,497,630.42		5,890,204.74	30,544,795.92	82,681,645.11
(1) Acquisition			21,616,367.44		5,890,204.74	23,832,740.61	51,339,312.79
(2) Transferred from construction in progress		22,749,014.03	1,881,262.98			6,712,055.31	31,342,332.32
3. Decrease during the period			1,313,943.62		399,959.63	390,172.32	2,104,075.57
(1) Disposal or retirement			1,313,943.62		399,959.63	390,172.32	2,104,075.57
4. Closing balance	575,271,400.74	81,877,454.40	148,501,936.28	8,133,998.87	38,058,656.72	104,642,453.82	956,485,900.83
II. Accumulated depreciation							
1. Opening balance	6,891,055.58	691,131.50	44,474,152.57	4,603,663.50	13,192,628.53	43,458,114.23	113,310,745.91
2. Increase during the period	6,902,816.99	3,744,526.93	5,489,482.47	571,136.79	2,861,133.19	5,967,216.88	25,536,313.25
(1) Provision	6,902,816.99	3,744,526.93	5,489,482.47	571,136.79	2,861,133.19	5,967,216.88	25,536,313.25
3. Decrease during the period			835,994.23		222,931.61	356,443.87	1,415,369.71
(1) Disposal or retirement			835,994.23		222,931.61	356,443.87	1,415,369.71
4. Closing balance	13,793,872.57	4,435,658.43	49,127,640.81	5,174,800.29	15,830,830.11	49,068,887.24	137,431,689.45
III. Impairment provision							
1. Opening balance							
2. Increase during the period							
(1) Provision							
3. Decrease during the period							
(1) Disposal or retirement							
4. Closing balance							
IV. Carrying amount							
1. Closing carrying amount	561,477,528.17	77,441,795.97	99,374,295.47	2,959,198.58	22,227,826.61	55,573,566.58	819,054,211.38
2. Opening carrying amount	568,380,345.16	58,437,308.87	81,844,096.91	3,530,335.37	19,375,783.08	31,029,715.99	762,597,585.38

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

15. Fixed Assets (Continued)

(2) Particulars of temporarily idle fixed assets

☐ Applicable ☑ Not applicable

(3) Fixed assets leased out under operating leases

☐ Applicable ☑ Not applicable

(4) Particulars of fixed assets with pending ownership certificates

Unit: RMB

Item	Carrying amount	Reason for ownership certificates not obtained
Yachuang Industrial Park Renewal Project-Innovation R&D Building	118,863,899.84	Under application
Yachuang Industrial Park Renewal Project-Innovation Elite Court	195,940,940.92	Under application

(5) Impairment testing on fixed assets

☐ Applicable ☑ Not applicable

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16. Construction in Progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	39,782,243.87	24,219,611.10
Total	39,782,243.87	24,219,611.10

(1) Particulars of construction in progress

Unit: RMB

	Closing balance			Opening balance		
Item	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Yachuang Industrial Park Renewal Project	39,782,243.87	0.00	39,782,243.87	22,548,456.89	0.00	22,548,456.89
Workshop and office renovation works	0.00	0.00	0.00	1,671,154.21	0.00	1,671,154.21
Total	39,782,243.87	0.00	39,782,243.87	24,219,611.10	0.00	24,219,611.10

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16. Construction in Progress (Continued)

(2) Movements of major construction projects in progress during the period

Unit: RMB

Item	Budget	Opening balance	Increase during the period	Amount transferred into fixed assets during the period	Other decrease during the period	Closing balance	Percentage of accumulated investment in project to budget	Project progress	Accumulated amount of interest capitalized	Including: Amount of interest capitalized during the period	Interest capitalization rate during the period	Source of fund
Yachuang Industrial Park Renewal Project	790,000,000.00	22,548,456.89	48,576,119.30	31,342,332.32		39,782,243.87	90.52%	90.52%				Proceeds, self-raised funds
Total	790,000,000.00	22,548,456.89	48,576,119.30	31,342,332.32		39,782,243.87	90.52%	90.52%				

(3) Impairment provision for construction in progress during the period

□ Applicable ☑ Not applicable

(4) Impairment testing on construction in progress

□ Applicable ☑ Not applicable

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. Right-of-use Assets

(1) Particulars of right-of-use assets

Unit: RMB

Item	Property and buildings	Total
I. Original carrying amount		
1. Opening balance	144,468,628.66	144,468,628.66
2. Increase during the period	88,678,526.52	88,678,526.52
(1) Leased during the period	88,678,526.52	88,678,526.52
3. Decrease during the period	113,075,323.67	113,075,323.67
(2) Disposed during the period	113,075,323.67	113,075,323.67
4. Closing balance	120,071,831.51	120,071,831.51
II. Accumulated depreciation		
1. Opening balance	118,106,124.84	118,106,124.84
2. Increase during the period	28,156,373.86	28,156,373.86
(1) Provision	28,156,373.86	28,156,373.86
3. Decrease during the period	79,671,778.82	79,671,778.82
(1) Disposal	79,671,778.82	79,671,778.82
4. Closing balance	66,590,719.88	66,590,719.88
III. Impairment provision		
1. Opening balance		
2. Increase during the period		
(1) Provision		
3. Decrease during the period		
(1) Disposal		
4. Closing balance		
IV. Carrying amount		
1. Closing carrying amount	53,481,111.63	53,481,111.63
2. Opening carrying amount	26,362,503.82	26,362,503.82

(2) Impairment testing on right-of-use assets

☐ Applicable ☑ Not applicable

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

18. Intangible Assets

(1) Particulars of intangible assets

Unit: RMB

Item	Land use rights	Patents	Non-patented technology	Software	Total
I. Original carrying amount					
1. Opening balance	485,810,417.94	536,471.89		12,596,935.46	498,943,825.29
2. Increase during the period				63,477.59	63,477.59
(1) Acquisition				63,477.59	63,477.59
3. Decrease during the period					
(1) Disposal					
(2) Others					
4. Closing balance	485,810,417.94	536,471.89		12,660,413.05	499,007,302.88
II. Accumulated amortisation					
1. Opening balance	44,622,498.92	52,733.04		7,823,720.68	52,498,952.64
2. Increase during the period	4,795,520.88	6,477.36		1,305,603.35	6,107,601.59
(1) Provision	4,795,520.88	6,477.36		1,305,603.35	6,107,601.59
3. Decrease during the period					
(1) Disposal					
4. Closing balance	49,418,019.80	59,210.40		9,129,324.03	58,606,554.23
III. Impairment provision					
1. Opening balance					
2. Increase during the period					
(1) Provision					
3. Decrease during the period					
(1) Disposal					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	436,392,398.14	477,261.49		3,531,089.02	440,400,748.65
2. Opening carrying amount	441,187,919.02	483,738.85		4,773,214.78	446,444,872.65

Intangible assets from internal research and development of the Company accounted for 0.00% of the balance of intangible assets at the end of the period

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

18. Intangible Assets (Continued)

(2) Land use rights with pending ownership certificates

☐ Applicable ☑ Not applicable

(3) Impairment testing on intangible assets

☐ Applicable ☑ Not applicable

19. Goodwill

(1) Original carrying amount of goodwill

Unit: RMB

Name of investee or event generating goodwill	Opening balance	Increase during the period		Decrease during the period		Closing balance
		Arising from business combinations		Disposal		
Mason Electronics	12,924,354.06					**12,924,354.06**
Advanced Intelligent	9,378,254.76					**9,378,254.76**
Han's Rayleigh Taide	141,038,885.73					**141,038,885.73**
Total	163,341,494.55					**163,341,494.55**

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

19. Goodwill (Continued)

(2) Provision for impairment of goodwill

Unit: RMB

Name of investee or event generating goodwill	Opening balance	Increase during the period: Provision	Increase during the period	Decrease during the period: Disposal	Decrease during the period	Closing balance
Advanced Intelligent	9,378,254.76					9,378,254.76
Han's Rayleigh Taide	141,038,885.73					141,038,885.73
Total	150,417,140.49					150,417,140.49

(3) Information about the asset group or the portfolio of asset groups to which goodwill belongs

The goodwill of the Company is formed when the equity interests of the above-mentioned companies are acquired, and each company is recognized as an asset group. The asset group to which goodwill belongs at the end of the period is consistent with that determined on the acquisition date and in the impairment testing of prior years.

(4) Specific methods for determining the recoverable amount

Determination of recoverable amount based on the net amount after deducting disposal costs from fair value

□ Applicable ☑ Not applicable

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

19. Goodwill (Continued)

(4) Specific methods for determining the recoverable amount (Continued)

Determination of recoverable amount based on present value of expected future cash flows

☐ Applicable ☑ Not applicable

Item	Carrying amount	Recoverable Amount	Impairment Amount	Term of Forecast Period	Key Parameter for Forecast Period	Key Parameter for Stabilization Period	Basis of Determination of Key Parameter for Stabilization Period
Mason Electronics	592,146,978.91	670,362,606.73	0.00	5	Revenue growth rate: 5%; Profit margin: 14.69%-15.80%; Pre-tax discount rate: 18.81%	Pre-tax discount rate: 18.81%	Based on the level at the end of the forecast period
Total	592,146,978.91	670,362,606.73	0.00				

(5) Fulfilment of performance undertaking and corresponding impairment of goodwill

Goodwill was formed when a performance undertaking existed and the Reporting Period or the previous period fell within the performance undertaking period

☐ Applicable ☑ Not applicable

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

20. Long-term Deferred Expenses

Unit: RMB

Item	Opening balance	Increase during the period	Amortization during the period	Other deductions	Closing balance
Decoration cost	5,959,155.60	2,291,849.13	4,731,866.74	0.00	**3,519,137.99**
Extended warranty service fees	7,319,792.38	0.00	3,338,128.81	0.00	**3,981,663.57**
Total	13,278,947.98	2,291,849.13	8,069,995.55	0.00	**7,500,801.56**

21. Deferred Tax Assets/Deferred Tax Liabilities

(1) Deferred tax assets before offsetting

Unit: RMB

	Closing balance		Opening balance	
Item	**Deductible temporary difference**	**Deferred tax assets**	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	**68,137,552.23**	**10,613,290.83**	57,278,637.35	8,555,126.84
Unrealized profit arising from intra-group transactions	**8,399,906.80**	**1,259,986.02**	12,707,959.78	1,920,114.46
Deductible loss	**8,110,971.69**	**1,216,645.75**	11,894,092.49	1,784,113.87
Provision for credit-impairment	**205,047,959.42**	**30,925,310.33**	157,105,736.86	23,563,232.02
Equity incentive expenses	**1,232,034,156.81**	**184,805,123.53**	728,327,374.74	109,249,106.21
Product quality warranty	**79,747,076.61**	**11,962,061.49**	51,627,701.01	7,744,155.15
Accrued expenses	**36,276,595.50**	**5,441,489.34**	26,025,494.60	3,903,824.19
Deferred income	**2,476,006.04**	**446,400.90**	1,053,818.67	158,072.80
Depreciation and amortization of assets	**4,761,910.93**	**714,286.64**	4,509,951.21	676,492.68
Accrued employee benefits	**349,569,576.97**	**52,435,436.54**	125,153,741.63	18,773,061.25
Lease liabilities	**78,658,409.96**	**12,598,187.49**	18,604,026.68	1,827,170.21
Unrecognized financing income	**12,134,366.00**	**2,036,398.11**	16,927,755.17	2,541,436.00
Total	**2,085,354,488.96**	**314,454,616.97**	1,211,216,290.19	180,695,905.68

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

21. Deferred Tax Assets/Deferred Tax Liabilities (Continued)

(2) Deferred tax liabilities before offsetting

Unit: RMB

Item	Closing balance: Taxable temporary differences	Closing balance: Deferred tax liabilities	Opening balance: Taxable temporary differences	Opening balance: Deferred tax liabilities
Revaluation gain on the previously held long-term equity investment arising from a step acquisition of entities not under common control	**15,360,787.97**	**2,304,118.20**	15,360,787.97	2,304,118.20
Right-of-use assets	**75,922,632.18**	**12,186,449.93**	17,488,684.82	1,674,802.58
Difference between fair value and tax basis of remaining investments on disposal of subsidiaries and loss of control	**18,330,353.80**	**2,749,553.07**	18,330,353.80	2,749,553.07
Depreciation of fixed assets	**1,930,647.01**	**289,597.05**	2,467,344.99	370,101.74
Performance compensation	**68,682,800.00**	**10,302,420.00**	68,682,800.00	10,302,420.00
Interest income from certificates of deposit	**24,804,931.52**	**3,720,739.73**	19,052,602.74	2,857,890.41
Fair value changes on other equity instrument investments	**204,492,512.80**	**36,765,772.99**	—	—
Total	**409,524,665.28**	**68,318,650.97**	141,382,574.32	20,258,886.00

(3) Deferred tax assets or liabilities presented as net amount after offsetting

Unit: RMB

Item	Offset of deferred tax assets and liabilities at the end of the period	Closing balance of deferred tax assets or liabilities after offsetting	Offset of deferred tax assets and liabilities at the beginning of the period	Opening balance of deferred tax assets or liabilities after offsetting
Deferred tax assets	**27,057,744.63**	**287,396,872.34**	15,711,095.92	164,984,809.76
Deferred tax liabilities	**27,057,744.63**	**41,260,906.34**	15,711,095.92	4,547,790.08

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

21. Deferred Tax Assets/Deferred Tax Liabilities (Continued)

(4) Breakdown of unrecognized deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	**14,756,280.42**	16,201,620.77
Deductible loss	**138,057,185.06**	167,132,685.44
Total	**152,813,465.48**	183,334,306.21

(5) Deductible loss of the unrecognized deferred tax assets will be due in the following years

Unit: RMB

Year	Closing balance	Opening balance	Remark
2026	**388,786.56**	388,786.56	
2027	**1,648,864.28**	1,648,864.28	
2028	**7,757,493.60**	432,244.83	
2029	**8,718,504.09**	0.00	
2030	**19,163,226.82**	38,656,198.65	
2031	**12,647,683.53**	0.00	
2032	**13,938,492.42**	17,258,242.75	
2033	**29,617,058.00**	37,207,133.58	
2034	**16,778,384.65**	25,874,737.30	
2035	**27,398,691.11**	45,666,477.49	
Total	**138,057,185.06**	167,132,685.44	

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

22. Other Non-current Assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Prepayments for long-term assets	24,087,603.24		24,087,603.24	2,628,175.25		2,628,175.25
Retained value-added tax	25,693,307.26		25,693,307.26	22,252,031.51		22,252,031.51
Certificates of deposit and accrued interest	0.00		0.00	419,052,602.74		419,052,602.74
Unexpired warranty	21,449,892.16	403,341.77	21,046,550.39	4,779,260.91	73,358.01	4,705,902.90
Total	71,230,802.66	403,341.77	70,827,460.89	448,712,070.41	73,358.01	448,638,712.40

23. Assets with Restricted Ownership or Right of Use

Unit: RMB

Item	End of the period				Beginning of the period			
	Book balance	Carrying amount	Type of restriction	Restriction	Book balance	Carrying amount	Type of restriction	Restriction
Monetary funds	541,528.70	541,528.70	Freezing	Frozen due to litigation	541,528.70	541,528.70	Freezing	Frozen due to litigation
Bills receivable	234,574,626.14	233,578,506.55	Endorsed/ discounted	Bills receivable endorsed or discounted but not yet matured	202,329,403.35	200,487,684.80	Endorsed/ discounted	Bills receivable endorsed or discounted but not yet matured
Total	235,116,154.84	234,120,035.25			202,870,932.05	201,029,213.50		

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

24. Short-term Borrowings

(1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Credit borrowings	**1,093,445,527.11**	472,172,492.88
Bill discounting	**690,000.00**	1,560,000.00
Total	**1,094,135,527.11**	473,732,492.88

25. Bills Payable

Unit: RMB

Category	Closing balance	Opening balance
Commercial acceptance bills	**0.00**	8,021,201.10
Bank acceptance bills	**1,394,967,778.63**	1,142,112,017.18
Total	**1,394,967,778.63**	1,150,133,218.28

26. Accounts Payable

(1) Particulars of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Payables for goods	**2,266,272,709.57**	1,533,864,733.46
Payables for long-term assets	**13,957,582.59**	102,317,684.56
Fees payable	**31,831,206.31**	23,737,378.88
Total	**2,312,061,498.47**	1,659,919,796.90

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

26. Accounts Payable (Continued)

(2) Significant accounts payable aged over 1 year or overdue

□ Applicable ☑ Not applicable

27. Other Payables

Unit: RMB

Item	Closing balance	Opening balance
Other payables	**19,533,933.69**	32,895,162.94
Total	**19,533,933.69**	32,895,162.94

(1) Other payables

1) Other payables by nature

Unit: RMB

Item	Closing balance	Opening balance
Accrued expenses	**17,925,945.59**	32,060,565.02
Guarantees and deposits payable	**1,607,988.10**	834,597.92
Total	**19,533,933.69**	32,895,162.94

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

27. Other Payables (Continued)

(1) Other payables (Continued)

2) Significant other payables aged over 1 year or overdue

□ Applicable ☑ Not applicable

28. Contract Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Payment for goods in advance	**212,534,977.45**	198,420,637.20
Total	**212,534,977.45**	198,420,637.20

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

29. Staff Remuneration Payables

(1) Particulars of staff remuneration payables

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
I. Short-term remuneration	361,872,501.51	550,931,323.42	501,490,707.09	**411,313,117.84**
II. Post-employment benefits-defined contribution scheme	104,141.73	21,523,526.31	21,517,709.69	**109,958.35**
III. Termination benefits	0.00	582,107.97	582,107.97	**0.00**
Total	361,976,643.24	573,036,957.70	523,590,524.75	**411,423,076.19**

(2) Particulars of short-term remuneration

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Salaries, bonuses, allowance and subsidies	361,427,747.10	535,479,798.17	486,037,977.87	**410,869,567.40**
2. Staff welfare	0.00	2,906,182.48	2,906,182.48	**0.00**
3. Social insurance premium	58,066.91	6,196,483.20	6,191,730.25	**62,819.86**
Including: Medical insurance premium	51,124.12	4,965,776.73	4,961,592.07	**55,308.78**
Work-related injury insurance premium	1,262.33	441,308.04	441,204.71	**1,365.66**
Maternity insurance premium	5,680.46	789,398.43	788,933.47	**6,145.42**
4. Housing provident funds	49,473.95	5,518,147.63	5,514,204.52	**53,417.06**
5. Union expenses and employees education expenses	337,213.55	830,711.94	840,611.97	**327,313.52**
Total	361,872,501.51	550,931,323.42	501,490,707.09	**411,313,117.84**

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

29. Staff Remuneration Payables (Continued)

(3) Particulars of defined contribution plan

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
1. Basic pension insurance premiums	100,985.92	20,682,702.52	20,677,144.21	**106,544.23**
2. Unemployment insurance premiums	3,155.81	840,823.79	840,565.48	**3,414.12**
Total	104,141.73	21,523,526.31	21,517,709.69	**109,958.35**

30. Tax payables

Unit: RMB

Item	Closing balance	Opening balance
Value added tax	**34,264,675.09**	28,860,466.32
Enterprise income tax	**43,870,951.44**	102,359,646.07
Individual income tax	**161,009,634.13**	2,982,487.07
Urban maintenance and construction tax	**1,875,596.78**	1,856,864.20
Educational surcharges	**1,441,356.25**	1,363,078.51
Stamp duty	**2,226,638.01**	1,442,515.51
Property tax and land use tax	**46,379.16**	14,826.04
Others	**1,127.31**	409.40
Total	**244,736,358.17**	138,880,293.12

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

31. Non-current Liabilities Due within One Year

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	**0.00**	31,334,945.46
Lease liabilities due within one year	**33,407,840.46**	16,794,809.96
Accrued liabilities due within one year	**36,491,164.82**	19,919,758.54
Total	**69,899,005.28**	68,049,513.96

32. Other Current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Endorsement of bills that do not meet the derecognition criteria	**233,884,626.14**	200,769,403.35
Pending transfer to input VAT	**24,458,045.68**	14,500,460.15
Total	**258,342,671.82**	215,269,863.50

33. Long-term Borrowings

(1) Classification of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Credit borrowings	**0.00**	211,284,945.46
Long-term borrowings due within one year	**0.00**	-31,334,945.46
Total	**0.00**	179,950,000.00

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

34. Lease Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Lease payment	**23,657,586.39**	11,308,303.35
Less: Unrecognized financing expenses	**1,397,439.83**	267,173.59
Total	**22,260,146.56**	11,041,129.76

35. Accrued Liabilities

Unit: RMB

Item	Closing balance	Opening balance	Reason
Pending litigations	**943,450.58**	723,036.64	
Product quality assurance	**43,255,911.79**	33,544,704.59	Free repairs during the warranty period
Total	**44,199,362.37**	34,267,741.23	

36. Deferred Income

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Reason
Government grants	1,053,818.67	1,750,000.00	327,812.63	**2,476,006.04**	Asset-related government grants
Total	1,053,818.67	1,750,000.00	327,812.63	**2,476,006.04**	

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

37. Share Capital

Unit: RMB

	Opening balance	Increase or decrease (+, -): Issuance of new shares	Bonus shares	Shares converted from reserves	Others	Subtotal	Closing balance
Total number of shares	425,509,152.00	63,498,589.00	0.00	0.00	0.00	63,498,589.00	489,007,741.00

Other explanations:

The increase in share capital during the period was due to the issuance of shares under the H Share IPO and the issuance of shares upon the satisfaction of the exercise conditions of the second phase of equity incentive.

38. Capital Reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Capital premium (share premium)	4,263,713,528.56	5,053,491,450.86	0.00	**9,317,204,979.42**
Other capital reserves	247,743,888.78	225,005,024.78	214,586,224.66	**258,162,688.90**
Total	4,511,457,417.34	5,278,496,475.64	214,586,224.66	**9,575,367,668.32**

Other explanations, including changes (increase or decrease) during the period and reasons for such changes:

1 The increase in the share premium during the Reporting Period comprised RMB4,838,905,226.2 from new share issuance and RMB214,586,224.66 transferred from other capital reserves upon the satisfaction of the exercise conditions of the equity incentive.

2 The increase in other capital reserves during the Reporting Period comprised RMB27,341,102.74 arising from the recognition of share-based payment expenses, and RMB197,663,922.04 arising from the recognition of deferred tax assets in capital reserves in respect of the excess of estimated future tax-deductible amounts over the share-based payment expenses recognized during the vesting period. The decrease in other capital reserves of RMB214,586,224.66 arose from the transfer from other capital reserves to share premium upon the satisfaction of the exercise conditions of the equity incentive.

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

39. Other Comprehensive Income

Unit: RMB

		Amount during the period						
Item	Opening balance	Amount before income tax during the period	Less: amount included in other comprehensive income in previous periods and transferred to profit or loss during the period	Less: Amount included in other comprehensive income in previous periods and transferred to retained earnings during the period	Less: Income tax expenses	Attributable to the parent company after tax	Attributable to minority shareholders after tax	Closing balance
I. Other comprehensive income that cannot be reclassified to profit or loss	0.00	222,822,866.6	0.00	0.00	36,765,772.99	186,057,093.61	0.00	**186,057,093.61**
II. Other comprehensive income that will be reclassified to profit or loss	693,046.87	-749,381.92	0.00	0.00	0.00	-748,432.83	-949.09	**-55,385.96**
Translation differences of financial statements denominated in foreign currency	693,046.87	-749,381.92	0.00	0.00	0.00	-748,432.83	-949.09	**-55,385.96**
Total other comprehensive income	693,046.87	222,073,484.68	0.00	0.00	36,765,772.99	185,308,660.78	-949.09	**186,001,707.65**

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

40. Surplus Reserves

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory surplus reserves	212,754,576.00	0.00	0.00	**212,754,576.00**
Total	212,754,576.00	0.00	0.00	**212,754,576.00**

41. Undistributed Profits

Unit: RMB

Item	The period	The prior period
Undistributed profit at the end of the prior period before adjustment	**920,426,200.18**	273,160,194.80
Undistributed profits at the beginning of the period after adjustment	**920,426,200.18**	273,160,194.80
Add: Net profit attributable to owners of the parent in the period	**956,862,424.74**	824,267,918.74
Less: Extract for statutory surplus reserve	**0.00**	9,001,913.36
Ordinary shares dividend payable	**293,221,443.12**	168,000,000.00
Undistributed profits at the end of the period	**1,584,067,181.80**	920,426,200.18

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

41. Undistributed Profits (Continued)

Breakdown of the adjustments to the undistributed profits at the beginning of the period:

1) Due to retrospective adjustment under Accounting Standard for Business Enterprises and related new regulations, the undistributed profit at the beginning of the period was affected by RMB0.00.

2) Due to changes in accounting policies, the undistributed profit at the beginning of the period was affected by RMB0.00.

3) Due to the correction of major accounting errors, the undistributed profit at the beginning of the period was affected by RMB0.00.

4) Due to changes in the scope of consolidation arising from business combinations under common control, the undistributed profit at the beginning of the period was affected by RMB0.00.

5) Due to other adjustments, the undistributed profit at the beginning of the period was affected by RMB0.00.

42. Operating Revenue and Operating Costs

Unit: RMB

	Amount during the period		Amount during the prior period	
Item	**Revenue**	**Cost**	Revenue	Cost
Principal activities	**4,822,845,762.79**	**3,148,678,566.51**	2,222,165,217.67	1,588,160,709.37
Other activities	**162,075,050.42**	**84,290,415.50**	159,667,936.88	72,403,266.49
Total	**4,984,920,813.21**	**3,232,968,982.01**	2,381,833,154.55	1,660,563,975.86

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

42. Operating Revenue and Operating Costs (Continued)

Breakdown of operating revenue and operating costs:

Unit: RMB

	First half of 2026		First half of 2025	
Category of contract	**Operating revenue**	**Operating costs**	Operating revenue	Operating costs
By type of products				
Including:				
Drilling equipment	**3,619,519,580.82**	**2,430,655,710.86**	1,691,527,756.26	1,249,992,788.74
Testing equipment	**420,766,399.85**	**242,673,783.61**	209,020,748.87	123,388,330.81
Formation equipment	**395,071,257.47**	**256,300,845.96**	141,174,295.12	106,762,791.83
Photolithography equipment	**298,714,671.91**	**163,810,690.57**	124,266,338.65	76,688,275.28
Attachment equipment	**69,829,377.46**	**39,554,479.89**	56,176,078.77	31,328,522.71
Lamination equipment	**18,944,475.28**	**15,683,055.62**	0.00	0.00
Others	**162,075,050.42**	**84,290,415.50**	159,667,936.88	72,403,266.49
Total	**4,984,920,813.21**	**3,232,968,982.01**	2,381,833,154.55	1,660,563,975.86
By geographical area				
Including:				
Domestic sales	**4,344,445,823.78**	**2,817,753,977.55**	2,101,440,130.93	1,463,493,559.40
Overseas sales	**640,474,989.43**	**415,215,004.46**	280,393,023.62	197,070,416.46
Total	**4,984,920,813.21**	**3,232,968,982.01**	2,381,833,154.55	1,660,563,975.86

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

42. Operating Revenue and Operating Costs (Continued)

Information related to performance obligations:

The Company's contracts with customers for the sale of goods include the performance obligation to transfer specialized PCB production equipment, such as drilling equipment, photolithography equipment, formation equipment and testing equipment. Payment terms vary among different customers and products. For domestic sales of specialized PCB production equipment such as drilling equipment, photolithography equipment, formation equipment and testing equipment, the performance obligation is satisfied upon delivery to customers, completion of equipment installation and commissioning to production-ready status, and signing of the equipment installation and commissioning report by customers. For contracts that do not require the Company to undertake installation and commissioning obligations, the performance obligation is satisfied upon the customer's acknowledgement of receipt. For overseas sales of specialized PCB production equipment such as drilling equipment and testing equipment, the Company arranges customs declaration in accordance with the contract terms, and the performance obligation is satisfied upon obtaining the bill of lading. Where the contract stipulates that the Company is obliged to undertake installation and commissioning, the performance obligation is satisfied upon completion of equipment installation and commissioning to production-ready status, and signing of the equipment installation and commissioning report by customers.

43. Taxes and Surcharges

Unit: RMB

Item	Amount during the period	Amount during the prior period
Urban maintenance and construction tax	**7,551,267.53**	2,838,251.79
Educational surcharges	**5,598,935.21**	2,194,664.73
Property tax	**29,520.08**	28,114.36
Land use tax	**32,387.98**	32,387.98
Vehicle and vessel use tax	**360.00**	0.00
Stamp duty	**3,627,625.63**	2,018,615.64
Total	**16,840,096.43**	7,112,034.50

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

44. Administration Expenses

Unit: RMB

Item	Amount during the period	Amount during the prior period
Employee benefits	**113,017,907.17**	53,464,046.33
Depreciation and amortization	**21,766,271.24**	5,583,924.37
Amortization of right-of-use assets	**13,149,391.08**	5,601,612.58
Equity incentive expenses	**12,503,931.33**	26,097,606.32
Short-term and low-value asset lease expenses	**7,178,980.52**	3,915,861.35
Security and sanitation fees	**5,673,127.81**	3,212,059.44
Office expenses	**2,025,668.25**	1,373,716.88
Business entertainment expenses	**1,167,014.39**	1,221,037.95
Intermediary fees	**1,183,115.66**	4,207,042.82
Travelling expenses and motor vehicle expenses	**349,378.81**	1,424,794.53
Business promotion expenses	**2,501,346.65**	38,563.13
Other expenses	**23,045,271.80**	8,592,352.45
Total	**203,561,404.71**	114,732,618.15

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

45. Selling Expenses

Unit: RMB

Item	Amount during the period	Amount during the prior period
Employee benefits	**114,147,455.04**	70,844,404.76
Business entertainment expenses	**23,023,296.81**	14,579,855.17
Travelling expenses and motor vehicle expenses	**12,699,669.16**	10,423,171.10
Sales services and agency fees	**5,700,915.01**	5,932,639.95
Equity incentive expenses	**4,360,463.09**	9,249,891.64
Business promotion and exhibition expenses	**3,557,252.18**	3,268,837.24
Short-term and low-value asset lease expenses	**2,068,199.59**	1,279,969.65
Depreciation and amortization	**476,909.80**	454,040.91
Amortization of right-of-use assets	**191,575.81**	327,911.99
Others	**1,732,114.18**	1,697,583.23
Total	**167,957,850.67**	118,058,305.64

46. Research and Development Expenses

Unit: RMB

Item	Amount during the period	Amount during the prior period
Employee benefits	**216,212,118.97**	110,437,237.89
Material expenses	**22,904,340.88**	10,508,562.84
Equity incentive expenses	**8,216,955.11**	17,874,364.67
Depreciation and amortization	**6,834,409.14**	6,584,325.08
Travelling expenses and motor vehicle expenses	**6,119,326.27**	5,777,273.36
Short-term and low-value asset lease expenses	**2,205,754.18**	1,178,627.77
Amortization of right-of-use assets	**2,076,582.37**	2,647,812.69
Other expenses	**4,943,865.10**	3,898,014.32
Total	**269,513,352.02**	158,906,218.62

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

47. Finance Expenses

Unit: RMB

Item	Amount during the period	Amount during the prior period
Interest expenses	**8,682,742.91**	9,154,175.31
Including: Interest expenses for lease liabilities	**1,051,028.26**	1,009,017.10
Less: Interest income	**67,791,277.15**	13,678,032.12
Net interest expense ("-" for income)	**-59,108,534.24**	-4,523,856.81
Net losses from foreign exchange ("-" for income)	**61,288,929.11**	22,321,223.53
Bank charges and others	**13,945,223.67**	1,920,988.43
Total	**16,125,618.54**	19,718,355.15

48. Other Income

Unit: RMB

Source of other income	Amount during the period	Amount during the prior period
I.Government grants included in other income	**91,609,934.17**	36,230,101.00
Including: Government grants relating to deferred income	**327,812.63**	357,758.70
Government grants directly included in profit or loss	**91,282,121.54**	35,872,342.30
Including: VAT refund upon collection for software	**84,290,779.60**	19,990,603.80
II.Other items arising from ordinary activities that are included in other income	**25,270,939.02**	23,914,371.78
Including: Handling fees for withholding individual income tax	**849,392.09**	508,218.34
Additional deduction of input VAT	**24,421,546.93**	23,406,153.44
Total	**116,880,873.19**	60,144,472.78

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

49. Investment Income

Unit: RMB

Item	Amount during the period	Amount during the prior period
Long-term equity investment income accounted for under the equity method	**-1,458,746.45**	3,065,167.72
Gains on debt restructuring	**-933,737.40**	-864,865.08
Total	**-2,392,483.85**	2,200,302.64

50. Credit Impairment Losses

Unit: RMB

Item	Amount during the period	Amount during the prior period
Bad debt loss of bills receivable	**149,023.72**	-7,648,909.13
Bad debt loss of accounts receivable	**-43,298,397.86**	-41,768,065.81
Bad debt loss of other receivables	**-1,742,923.31**	-396,822.84
Bad debt loss of long-term receivables	**-9,248,359.12**	0.00
Total	**-54,140,656.57**	-49,813,797.78

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

51. Asset Impairment Losses

Unit: RMB

Item	Amount during the period	Amount during the prior period
I.Inventory depreciation loss and impairment loss on contract performance cost	**-25,183,258.47**	-21,541,526.23
XI.Impairment losses on contract assets	**-884,435.23**	-678,318.50
Total	**-26,067,693.70**	-22,219,844.73

52. Gains on Disposal of Assets

Unit: RMB

Sources of gains on disposal of assets	Amount during the period	Amount during the prior period
Gains or losses on disposal of fixed assets, construction in progress, productive biological assets and intangible assets that are not classified as held for sale	**88,916.84**	-244,192.45
Including: Fixed assets	**0.00**	-267,823.08
Right-of-use assets	**88,916.84**	23,630.63
Total	**88,916.84**	-244,192.45

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

53. Non-operating Income

Unit: RMB

Item	Amount during the period	Amount during the prior period	Amount included in current non-recurring profit or loss
Supplier fines and compensation	**200,387.50**	79,937.50	200,387.50
Payment waived	**5,206.68**	20,954.42	5,206.68
Others	**758,544.62**	449,105.66	758,544.62
Total	**964,138.80**	549,997.58	964,138.80

54. Non-operating Expenses

Unit: RMB

Item	Amount during the period	Amount during the prior period	Amount included in current non-recurring profit or loss
Exchange loss on non-monetary assets	**33,475.32**	21,174.83	33,475.32
External donations	**2,685,303.00**	0.00	2,685,303.00
Accrued liabilities	**220,413.94**	0.00	220,413.94
Default and penalty charges	**1,179,905.70**	83,647.71	1,179,905.70
Others	**43,859.81**	18,297.21	43,859.81
Total	**4,162,957.77**	123,119.75	4,162,957.77

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

55. Income Tax Expenses

(1) Table of income tax expenses

Unit: RMB

Item	Amount during the period	Amount during the prior period
Current income tax expenses	**75,991,114.52**	47,037,080.52
Deferred income tax expenses	**64,540,832.19**	-15,193,439.61
Total	**140,531,946.71**	31,843,640.91

(2) The reconciliation between accounting profit and income tax expenses

Unit: RMB

Item	Amount during the period
Total profit	**1,109,123,645.77**
Income tax expenses calculated at statutory/applicable tax rates	**169,557,826.19**
Impact of different tax rates applied to subsidiaries	**-234,520.30**
Impact of adjustment to income tax for prior periods	**236,101.96**
Impact of non-taxable income	**0.00**
Impact of non-deductible costs, expenses and losses	**3,085,146.94**
Impact of utilizing deductible loss of deferred tax assets unrecognized in previous periods	**-10,676,285.40**
Impact of deductible temporary difference or deductible loss of deferred tax assets unrecognized in current period	**7,440,330.44**
Additional deduction for research and development expense	**-28,876,653.12**
Income tax expense	**140,531,946.71**

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

56. Dividends

Unit: RMB

	Amount during the period	Amount during the prior period
Dividends declared or paid during the year (tax inclusive) relating to the prior year	**293,221,443.12**	168,000,000.00

At the annual general meeting held on 8 May 2026, the shareholders approved the payment of a final dividend of RMB6 per 10 shares (tax inclusive) for the year ended 31 December 2025. The dividend on A shares is to be distributed in RMB, while the dividend on H shares is to be distributed in HKD, equivalent to HKD6.8559 per 10 H shares (tax inclusive). The dividend was paid on 12 June 2026 to H shareholders whose names appeared on the Company's H Share register of members as at 18 May 2026.

57. Other Comprehensive Income

For details, please refer to Note VII. 39 Other Comprehensive Income.

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

58. Items in the Cash Flow Statement

(1) Cash relating to operating activities

Cash received relating to other operating activities

Unit: RMB

Item	Amount during the period	Amount during the prior period
Interest income	**52,454,540.50**	6,568,896.74
Government grants	**8,914,198.33**	16,136,183.51
Receipts of deposits and guarantees	**12,599,174.14**	20,000.00
Refund of handling fees for individual income tax withholding	**903,837.08**	508,218.34
Funds frozen due to litigation	**0.00**	0.00
Individual income tax withheld on equity incentives	**157,479,083.17**	0.00
Others	**8,449,086.07**	8,433,541.11
Total	**240,799,919.29**	31,666,839.70

Cash paid relating to other operating activities

Unit: RMB

Item	Amount during the period	Amount during the prior period
Bank charges	**2,391,108.48**	5,315,291.35
Administration expenses	**52,403,738.19**	18,117,310.36
Selling expenses	**61,616,183.63**	77,927,198.33
Research and development expenses	**15,563,690.69**	12,474,050.29
Payments of deposits and guarantees	**10,996,232.96**	1,271,244.37
Donation expenses	**2,686,583.00**	0.00
Others	**84,851,468.34**	12,375,217.83
Total	**230,509,005.29**	127,480,312.53

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

58. Items in the Cash Flow Statement (Continued)

(2) *Cash relating to investing activities*

Cash received relating to other investing activities

□ Applicable ☑ Not applicable

Significant cash received relating to investing activities

□ Applicable ☑ Not applicable

Cash paid relating to other investing activities

□ Applicable ☑ Not applicable

Significant cash paid relating to investing activities

□ Applicable ☑ Not applicable

(3) *Cash relating to financing activities*

Cash received relating to other financing activities

Unit: RMB

Item	Amount during the period	Amount during the prior period
Receipt of security deposits and guarantees for right-of-use assets	0.00	78,134.00
Total	0.00	78,134.00

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

58. Items in the Cash Flow Statement (Continued)

(3) Cash relating to financing activities (Continued)

Cash paid relating to other financing activities

Unit: RMB

Item	Amount during the period	Amount during the prior period
Payments for principal and interest on lease liabilities	**22,336,815.53**	20,797,339.89
Intermediary service fees	**9,336,229.21**	7,804,079.86
Payment of security deposits and guarantees for right-of-use assets	**1,285,157.24**	272,837.50
Payment of margin deposits for borrowings and bills	**2,537,572.41**	0.00
Total	**35,495,774.39**	28,874,257.25

Changes in liabilities arising from financing activities

☑ Applicable ☐ Not applicable

Unit: RMB

Item	Opening balance	Increase during the period: Cash changes	Increase during the period: Non-cash changes	Decrease during the period: Cash changes	Decrease during the period: Non-cash changes	Closing balance
Short-term borrowings	473,732,492.88	1,378,651,999.81	2,507,072.97	760,772,929.26	-16,890.71	**1,094,135,527.11**
Long-term borrowings (including non-current liabilities due within one year)	211,284,945.46	30,855,054.54	0.00	242,140,000.00	0.00	**0.00**
Lease liabilities (including non-current liabilities due within one year)	27,835,939.72	0.00	45,972,437.50	15,942,505.50	2,197,884.70	**55,667,987.02**
Total	712,853,378.06	1,409,507,054.35	48,479,510.47	1,018,855,434.76	2,180,993.99	**1,149,803,514.13**

(4) Description of cash flows presented on a net basis

☐ Applicable ☑ Not applicable

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

59. Supplementary Information on Cash Flow Statement

(1) Supplementary information on cash flow statement

Unit: RMB

Supplementary information	Amount for the period	Amount for the prior period
1. Reconciliation of net profit as cash flows from operating activities:		
Net profit	**968,591,699.06**	261,391,824.01
Add: Provision for impairment of assets	**28,568,192.54**	22,453,010.06
Provision for credit impairment	**54,140,656.57**	49,813,797.78
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of bearer biological assets	**25,352,385.58**	10,362,600.55
Depreciation of right-of-use assets	**28,168,863.57**	16,625,184.56
Amortisation of intangible assets	**4,719,125.55**	2,624,946.83
Amortisation of long-term prepaid expenses	**8,081,842.16**	11,876,074.49
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" denotes gain)	**88,916.84**	-267,823.08
Loss on retirement of fixed assets ("-" denotes gain)	**33,475.32**	9,309.45
Loss on changes in fair value ("-" denotes gain)	**0.00**	0.00
Finance expenses ("-" denotes gain)	**83,591,555.51**	2,683,680.82
Investment loss ("-" denotes gain)	**1,442,197.85**	-3,176,951.72
Decrease in deferred tax assets ("-" denotes increase)	**-123,180,786.34**	-16,011,685.19
Increase in deferred tax liabilities ("-" denotes decrease)	**-27,793.97**	0.00
Decrease in inventories ("-" denotes increase)	**-622,737,217.83**	-501,674,766.58
Decrease in operating receivables ("-" denotes increase)	**-2,175,563,134.20**	-1,154,146,459.46
Increase in operating payables ("-" denotes decrease)	**635,522,156.71**	738,742,259.18
Others	**8,287,013.20**[2]	7,509,011.11
Net cash flows from operating activities	**-1,074,920,851.88**	-551,185,987.19
2. Major investing and financing activities not involving cash settlements:		
Capital converted from debts	**0.00**	0.00
Convertible corporate bonds due within one year	**0.00**	0.00
Fixed assets under finance leases	**0.00**	0.00
3. Net change in cash and cash equivalents:		
Closing balance of cash	**5,254,191,015.52**	1,347,872,373.54
Less: Opening balance of cash	**1,815,979,700.34**	1,539,131,101.95
Add: Closing balance of cash equivalents	**0.00**	0.00
Less: Opening balance of cash equivalents	**0.00**	0.00
Net increase in cash and cash equivalents	**3,438,211,315.18**	-191,258,728.41

Note: 2 Others comprise recognized equity incentives expenses and movements in deferred income

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

59. Supplementary Information on Cash Flow Statement (Continued)

(1) *Supplementary information on cash flow statement* (Continued)

The transferred endorsed commercial bill which do not involve in cash receipt and payment

Unit: RMB

Item	Amount for the period
Transferred endorsed commercial bill	**262,995,214.63**
Including: payments for purchases	**262,995,214.63**

(2) *Cash and cash equivalents composition*

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	**5,254,191,015.52**	1,815,979,700.34
Bank deposit that can be used for payment at any time	**5,254,191,015.52**	1,815,979,154.48
Other monetary funds that can be used for payment at any time	**0.00**	545.86
II. Cash Equivalents	**0.00**	0.00
III. Balance of cash and cash equivalent at the end of the period	**5,254,191,015.52**	1,815,979,700.34

Note: Others comprise recognized equity incentives expenses and movements in deferred income

(3) *Monetary funds other than cash and cash equivalents*

Unit: RMB

Item	Amount for the period	Amount for the prior period	Reasons why it is not cash and cash equivalents
Monetary funds	**541,528.70**	0.00	Frozen due to litigation
Total	**541,528.70**	0.00	

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

60. Foreign Currency Items

(1) Foreign currency items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing balance in RMB
Monetary funds			
Of which: USD	6,793,402.63	6.8109	46,269,185.97
EUR	0.94	7.7671	7.30
HKD	41,164,111.49	0.8686	35,753,089.03
THB	5,971,371.22	0.2042	1,219,592.86
SGD	45,250.42	5.2605	238,565.88
VND	2,063,585,247.00	0.0003	534,609.08
Accounts receivables			
Of which: USD	78,594,010.77	6.8109	535,295,948.45
THB	266,700.40	0.2042	54,472.01
Contract assets			
Of which: USD	1,457,174.50	6.8109	9,924,669.82
Other non-current assets			
Of which: USD	330,290.00	6.8109	2,249,572.16
Long-term receivables			
Of which: USD	125,750.00	6.8109	856,470.70
Non-current assets due within one year			
Of which: USD	22,787,937.98	6.8109	155,206,366.81
Other receivables			
Of which: HKD	42,000.00	0.8686	36,479.10
SGD	111,343.28	5.2605	585,721.32
VND	26,357,000.00	0.0003	6,828.26
THB	668,000.00	0.2042	136,432.32
Accounts payable			
Of which: USD	18,149,214.82	6.8109	123,612,487.22
EUR	24,133,766.00	7.7671	187,449,373.90
HKD	10,790,732.09	0.8686	9,372,290.36
Other payables			
Of which: USD	35,970.00	6.8109	244,988.07
SGD	100.00	5.2605	526.05

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

60. Foreign Currency Items (Continued)

(2) *Explanation on overseas operating entities (including major overseas operating entities), which shall disclose their overseas principal places of business, functional currency and basis. Reasons shall be disclosed if there is any change in the functional currency.*

☑ Applicable ☐ Not applicable

Name of overseas company	Principal place of business	Functional currency	Basis for selection of functional currency
Han's Mason Electronics (HK) Co., Ltd. (大族明信電子(香港)有限公司)	Hong Kong	HKD	Currency of the primary economic environment in which it operates
Hong Kong Mason Electronics Co., Ltd. (香港麥遜電子有限公司)	Hong Kong	HKD	Currency of the primary economic environment in which it operates
HANS CNC TECHNOLOGY (THAILAND) CO., LTD.	Thailand	THB	Currency of the primary economic environment in which it operates
HANS CNC SINGAPORE PTE., LTD.	Singapore	SGD	Currency of the primary economic environment in which it operates
HANS CNC TECHNOLOGY COMPANY LIMITED (VIETNAM)	Vietnam	VND	Currency of the primary economic environment in which it operates

61. Leases

(1) *The Company as a lessee*

☑ Applicable ☐ Not applicable

Variable lease payments not included in the measurement of lease liabilities

☐ Applicable ☑ Not applicable

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

61. Leases (Continued)

(1) *The Company as a lessee* (Continued)

Lease expenses for short-term leases or low-value assets accounted for under the simplified approach

☑ Applicable ☐ Not applicable

Item	Amount for the period
Expenses on short-term leases included in profit or loss accounted for under the simplified approach for the current period	14,771,021.00
Expenses on low-value asset leases included in profit or loss accounted for under the simplified approach for the current period (excluding short-term leases)	
Interest expenses on lease liabilities	1,051,028.26
Variable lease payments not included in the measurement of lease liabilities that are recognized in profit or loss	
Revenue from subleasing right-of-use assets	
Total cash outflows relating to leases	37,994,097.79
Relevant profit or loss arisen from sale and leaseback transactions	

(2) *The Company as a lessor*

Operating lease as a lessor

☑ Applicable ☐ Not applicable

Unit: RMB

Item	Lease income	Of which: Revenue relating to variable lease payments not included in the lease receipts
Lease income	246,000.62	0.00
Total	246,000.62	0.00

NOTES TO ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

61. Leases (Continued)

(2) *The Company as a lessor* (Continued)

Finance lease as a lessor

☐ Applicable ☑ Not applicable

Undiscounted lease payments for each of the next five years

☑ Applicable ☐ Not applicable

Unit: RMB

	Annual undiscounted lease receivable	
Item	**Closing balance**	Opening balance
The first year	**516,601.32**	510,451.29
The second year	**516,601.32**	516,601.32

(3) *Recognition of profit or loss on sale of finance lease as a producer or distributor*

☐ Applicable ☑ Not applicable

R&D EXPENSES

Unit: RMB

Item	Amount during the period	Amount during the prior period
Employee compensation	**216,212,118.97**	110,437,237.89
Cost of materials	**22,904,340.88**	10,508,562.84
Share equity incentive expenses	**8,216,955.11**	17,874,364.67
Travel and motor vehicle expenses	**6,119,326.27**	5,777,273.36
Depreciation and amortisation	**6,834,409.14**	6,584,325.08
Amortisation of right-of-use assets	**2,076,582.37**	2,647,812.69
Short-term and low-value asset lease expenses	**2,205,754.18**	1,178,627.77
Other expenses	**4,943,865.10**	3,898,014.32
Total	**269,513,352.02**	158,906,218.62
Of which: R&D expenses as expense	**269,513,352.02**	158,906,218.62
R&D expenses as capital	**0.00**	0.00

1. R&D Projects Eligible for Capitalization

□ Applicable ☑ Not applicable

2. Significant capitalised R&D Projects

□ Applicable ☑ Not applicable

R&D EXPENSES (Continued)

1. R&D Projects Eligible for Capitalization (Continued)

Impairment provision for development expenses

Unit: RMB

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance	Impairment testing status

Nil

2. Significant Externally Acquired In-Development Projects

Items	Expected manner of generating economic benefits	Criteria and specific basis for determining capitalisation or expensing

Nil

CHANGE IN SCOPE OF CONSOLIDATION

During the Reporting Period, there was no change in the scope of the Company's consolidated statements.

INTERESTS IN OTHER ENTITIES

1. Interests in Subsidiaries

(1) Constitution of the Group

Name of subsidiary	Register capital	Principle place of business	Place of incorporation	Nature of business	Shareholding Direct	Shareholding Indirect	Acquisition
Mason Electronics	RMB100 million	Shenzhen	Shenzhen	R&D, production and sales	100.00%		Business combination not under common control
Suzhou Mason Electronics	RMB1 million	Suzhou	Suzhou	Processing services		100.00%	Business combination not under common control
Mason Electronics (HK)	HKD0.01 million	Hong Kong	Hong Kong	Sales		100.00%	Business combination not under common control
Advanced Intelligent	RMB10 million	Shenzhen	Shenzhen	R&D, production and sales	100.00%		Business combination not under common control
Asia Foundation (Shenzhen) Wood Industry Co., Ltd.	RMB82.8840 million	Shenzhen	Shenzhen	Park Operations	100.00%		Acquisition
Han's Microelectronics	RMB50 million	Shenzhen	Shenzhen	R&D, production and sales	70.00%		Newly established
Hong Kong Mason Electronics	HKD0.2 million	Hong Kong	Hong Kong	Sales		100.00%	Newly established
Xinfeng Mason Electronics	RMB5 million	Xinfeng County, Jiangxi	Xinfeng County, Jiangxi	Production and sales		100.00%	Newly established
Xinfeng CNC	RMB140 million	Xinfeng County, Jiangxi	Xinfeng County, Jiangxi	Production and sales	100.00%		Newly established
Shanghai HANS	RMB50 million	Shanghai	Shanghai	R&D, production and sales	100.00%		Newly established
Han's Rayleigh Taide	RMB20 million	Shenzhen	Shenzhen	R&D, production and sales	70.00%		Business combination not under common control
THAILAND CNC	THB15 million	Thailand	Thailand	After-sales services		99.00%	Newly established
SINGAPORE CNC	SGD 0.1 million	Singapore	Singapore	R&D, production and sales	100.00%		Newly established
VIETNAM CNC	USD0.5 million (equivalent to VND 13,120 million)	Vietnam	Vietnam	After-sales services		100.00%	Newly established

Explanation of differences between ownership interests and voting rights in subsidiaries:

Not applicable

Judgement base of having 50% or less of voting right but controlling the invested unit as well as having more than 50% of voting right but not controlling the invested unit:

Not applicable

INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in Subsidiaries (Continued)

(1) Constitution of the Group (Continued)

Basis of controlling significant structuring subject in the combination range:

Not applicable

2. Equity in Joint Ventures or Associates

(1) Summary on financial information for insignificant joint ventures and associates

Unit: RMB

	Closing balance/Amount during the period	Opening balance/Amount during the prior period
Joint ventures:		
Total amount of the following items based on shareholding		
Associates:		
Total carrying amount of investment	**53,035,622.58**	51,785,878.95
Total amount of the following items based on shareholding		
— Net profit	**-1,458,746.45**	3,065,167.72
— Other comprehensive income	**0.00**	-39,676.69
— Total comprehensive income	**-1,458,746.45**	3,025,491.03

GOVERNMENT GRANTS

1. Government Grants Recognised at the End of the Reporting Period at the Amount Receivable

□ Applicable ☑ Not applicable

Reasons for not receiving the estimated amount of government grants at the estimated time

□ Applicable ☑ Not applicable

2. Liabilities in Respect of Government Grants

☑ Applicable □ Not applicable

Unit: RMB

Accounting item	Opening balance	New grants during the period	Include in non-operating income for the period	Include in other income for the period	Other changes for the period	Closing balance	Asset-related/ income-related
Deferred income	1,053,818.67	1,750,000.00	0.00	327,812.63	0.00	2,476,006.04	Asset-related
Total	1,053,818.67	1,750,000.00	0.00	327,812.63	0.00	2,476,006.04	—

3. Government Grants Included in Profit or Loss for the Period

☑ Applicable □ Not applicable

Unit: RMB

Accounting Item	Amount during the period	Amount during the prior period
Other gains	**91,282,121.54**	35,872,342.30
Total	**91,282,121.54**	35,872,342.30

RISKS RELATING TO FINANCIAL INSTRUMENTS

1. Various Types of Risks Arising from Financial Instruments

The Company's risks relating to financial instruments arise from the various financial assets and financial liabilities recognised in the ordinary course of business, including credit risk, liquidity risk and market risk.

The formulation of management objectives and policies for the various risks relating to financial instruments is the responsibility of the Company's management. The operating management is responsible for day-to-day risk management through functional departments (for example, the Company's credit management department reviews each credit sale transaction on a case-by-case basis). The Company's internal audit department conducts ongoing supervision over the implementation of the Company's risk management policies and procedures, and reports relevant findings to the Company's audit committee in a timely manner.

The overall objective of the Company's risk management is to formulate risk management policies that minimise the various risks relating to financial instruments, without unduly affecting the Company's competitiveness and adaptability.

(1) Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes the other party to incur a financial loss. The Company's credit risk primarily arises from monetary funds, bills receivable, accounts receivable, receivables financing, other receivables, contract assets and long-term receivables. The credit risk of these financial assets arises from counterparty default, and the maximum exposure to credit risk is equal to the carrying amount of these instruments.

The Company's monetary funds are mainly deposited with financial institutions such as commercial banks. The Company considers that these commercial banks possess high creditworthiness and sound financial positions, and therefore the credit risk is low.

For bills receivable, accounts receivable, receivables financing, other receivables, contract assets and long-term receivables, the Company has established policies to control credit risk exposure. The Company assesses the creditworthiness of customers and sets corresponding credit terms based on the customer's financial condition, the likelihood of obtaining guarantees from third parties, credit history and other factors such as current market conditions. The Company regularly monitors the credit history of its customers. For customers with poor credit history, the Company adopts measures such as written reminders, shortening credit terms or cancelling credit terms, to ensure that the Company's overall credit risk is kept within a controllable range.

RISKS RELATING TO FINANCIAL INSTRUMENTS (Continued)

1. Various Types of Risks Arising from Financial Instruments (Continued)

(1) Credit Risk (Continued)

1) Criteria for determining a significant increase in credit risk

The Company assesses at each balance sheet date whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. In determining whether there has been a significant increase in credit risk since initial recognition, the Company considers reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis based on the Company's historical data, external credit risk ratings and forward-looking information. The Company determines the changes in the risk of default over the expected life of the financial instruments by comparing the risk of default at the balance sheet date with the risk of default at the date of initial recognition, on the basis of individual financial instruments or portfolios of financial instruments with similar credit risk characteristics.

The Company considers that a significant increase in credit risk of a financial instrument has occurred when one or more of the following quantitative or qualitative criteria are triggered: the quantitative criterion is primarily that the probability of default over the remaining life at the reporting date has increased by more than a certain percentage compared with that at initial recognition; the qualitative criteria include significant adverse changes in the operating or financial conditions of major debtors, a list of watchlist customers, etc.

2) Definition of credit-impaired assets

In determining whether credit impairment has occurred, the Company adopts criteria that are consistent with its internal credit risk management objectives for the relevant financial instruments, while taking into account both quantitative and qualitative indicators.

When assessing whether a debtor is credit-impaired, the Company primarily considers the following factors: significant financial difficulty of the issuer or debtor; breach of contract by the debtor, such as default or delinquency in interest or principal payments; the creditor granting concessions to the debtor for economic or contractual reasons relating to the debtor's financial difficulty that would not otherwise have been granted; the debtor becoming probable to enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset due to financial difficulties of the issuer or debtor; and the purchase or origination of a financial asset at a deep discount that reflects the fact that credit losses have been incurred.

Credit impairment of a financial asset may result from the combined effect of multiple events and may not necessarily be attributable to a single identifiable event.

RISKS RELATING TO FINANCIAL INSTRUMENTS (Continued)

1. Various Types of Risks Arising from Financial Instruments (Continued)

(1) Credit Risk (Continued)

3) Parameters for measuring expected credit losses

Depending on whether there has been a significant increase in credit risk and whether credit impairment has occurred, the Company measures loss allowances for different assets based on either 12-month expected credit losses or lifetime expected credit losses. The key parameters for measuring expected credit losses include probability of default, loss given default and exposure at default. The Company establishes models for probability of default, loss given default and exposure at default by considering quantitative analysis of historical statistical data (such as counterparty ratings, types of guarantees and collateral, and repayment methods) and forward-looking information.

The relevant definitions are as follows:

Probability of default is the likelihood that a debtor will fail to meet its repayment obligations within the next 12 months or over the entire remaining life.

Loss given default is the Company's expectation of the extent of loss on the exposure at default. Loss given default varies depending on the type of counterparty, the recourse method and priority, and the nature of the collateral. Loss given default is the percentage of loss on the exposure at default at the time of default, calculated on the basis of the next 12 months or the entire remaining life;

Exposure at default is the amount that the Company is entitled to be repaid at the time of default, within the next 12 months or over the entire remaining life. The assessment of significant increases in credit risk and the calculation of expected credit losses both involve forward-looking information. The Company identifies the key economic indicators that affect the credit risk and expected credit losses of each business type through historical data analysis.

The maximum exposure to credit risk to which the Company is exposed is the carrying amount of each financial asset in the balance sheet. The Company has not provided any guarantees that would otherwise expose the Company to credit risk.

Among the Company's accounts receivable, the accounts receivable due from the top five customers accounted for 20.44% of the Company's total accounts receivable (comparative period: 19.63%). Among the Company's other receivables, the other receivables due from the top five companies by amount accounted for 59.56% of the Company's total other receivables (comparative period: 52.88%).

RISKS RELATING TO FINANCIAL INSTRUMENTS (Continued)

1. Various Types of Risks Arising from Financial Instruments (Continued)

(2) Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or other financial assets. The Company is responsible for the overall cash management of its subsidiaries, including short-term investment of cash surpluses and arranging loans to meet expected cash requirements. The Company's policy is to regularly monitor short-term and long-term liquidity needs and compliance with the terms of borrowing agreements, to ensure that adequate cash reserves and readily marketable securities are maintained.

As of 30 June 2026, the maturity of the Company's financial liabilities is as follows:

Unit: RMB

	30 June 2026			
Item	**Within 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**
Short-term borrowings	**1,094,135,527.11**			
Bills payable	**1,394,967,778.63**			
Accounts payable	**2,312,061,498.47**			
Other payables	**19,533,933.69**			
Long-term borrowings				
Lease liabilities		**3,347,591.81**	**18,764,354.17**	**148,200.58**
Non-current liabilities due within one year	**69,899,005.28**			
Other current liabilities	**258,342,671.82**			
Total	**5,148,940,415.00**	**3,347,591.81**	**18,764,354.17**	**148,200.58**

Unit: RMB

	31 December 2025			
Item	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years
Short-term borrowings	473,732,492.88			
Bills payable	1,150,133,218.28			
Accounts payable	1,659,919,796.90			
Other payables	32,895,162.94			
Long-term borrowings		179,950,000.00		
Lease liabilities		5,065,145.84	4,821,827.96	1,154,155.96
Non-current liabilities due within one year	48,129,755.42			
Other current liabilities	200,769,403.35			
Total	3,565,579,829.77	185,015,145.84	4,821,827.96	1,154,155.96

RISKS RELATING TO FINANCIAL INSTRUMENTS (Continued)

1. Various Types of Risks Arising from Financial Instruments (Continued)

(3) Market Risk

1) Foreign exchange risk

The Company's foreign exchange risk primarily arises from foreign currency assets and liabilities held by the Company and its subsidiaries that are not denominated in their respective functional currencies. The Company's exposure to foreign exchange risk mainly relates to overseas sales and procurement denominated in US dollars, Euros and Hong Kong dollars, as well as borrowings denominated in Euros. Except for the Company's subsidiaries established in the Hong Kong Special Administrative Region of the People's Republic of China that use Hong Kong dollars as their functional currency, the subsidiary established in Thailand that uses Thai Baht as its functional currency, and the subsidiary established in Singapore that uses Singapore dollars for settlement, the Company's other principal businesses are denominated and settled in Renminbi.

1 As of 30 June 2026, the major foreign exchange risk exposures of the Company's foreign currency asset and liability items are as follows (for presentation purposes, the exposure amounts are presented in Renminbi, translated at the spot exchange rate on the balance sheet date):

Unit: RMB

	30 June 2026											
	USD		HKD		EUR		THB		SGD		VND	
Item	Foreign currency	RMB	Foreign currency	RMB	Foreign currency	RMB	Foreign currency	RMB	Foreign currency	RMB	Foreign currency	RMB
Monetary funds	6,793,402.63	46,269,185.97	41,164,111.49	35,753,089.03	0.94	7.30	5,971,371.22	1,219,592.86	45,250.42	238,565.88	2,063,585,247.00	534,609.08
Accounts receivables	78,634,618.63	535,572,524.03					266,700.40	54,472.01				
Contract assets	1,457,174.50	9,924,669.82										
Other Non-current assets	330,290.00	2,249,572.16										
Long-term receivables	125,750.00	856,470.70										
Non-current assets due within one year	22,787,937.98	155,206,366.81										
Other receivables			42,000.00	36,479.10			668,000.00	136,432.32	111,343.28	585,721.32	26,357,000.00	6,828.26
Accounts payable	18,149,214.82	123,612,487.22	10,790,732.09	9,372,290.36	24,133,766.00	187,449,373.90						
Other payables	35,970.00	244,988.07							100.00	526.05		

RISKS RELATING TO FINANCIAL INSTRUMENTS (Continued)

1. Various Types of Risks Arising from Financial Instruments (Continued)

(3) Market Risk (Continued)

1) Foreign exchange risk (Continued)

(Table continued)

Unit: RMB

	31 December 2025									
	USD		HKD		EUR		THB		SGD	
Item	Foreign currency	RMB	Foreign currency	RMB	Foreign currency	RMB	Foreign currency	RMB	Foreign currency	RMB
Monetary funds	9,951,776.94	69,949,049.76	8,574,057.61	7,744,260.31	0.94	7.74	9,902,134.22	2,203,412.15	268,639.80	1,466,397.21
Accounts receivables	27,592,140.56	193,939,637.57								
Contract assets	231,822.00	1,629,430.47								
Long-term receivables	1,478,989.69	10,395,522.77								
Non-current assets due within one year	20,927,591.95	147,095,858.27								
Other receivables			42,000.00	37,935.24					114,129.76	622,988.71
Accounts payable	973,281.62	6,841,001.85	14,713,234.43	13,289,287.60	18,678,620.10	153,827,775.83				
Other payables	192,877.00	1,355,693.86							100.00	545.86

The Company closely monitors the impact of exchange rate fluctuations on its foreign exchange risk. The Company currently does not adopt any measures to hedge foreign exchange risk. However, the management is responsible for monitoring foreign exchange risk and will consider hedging significant foreign exchange risks when necessary.

2 Sensitivity analysis

As at 30 June 2026, with all other risk variables held constant, if the Renminbi had appreciated or depreciated by 10% against the US dollar, the Company's net profit for the year would have increased or decreased by RMB53.3282 million; if the Renminbi had appreciated or depreciated by 10% against the Hong Kong dollar, the Company's net profit for the year would have increased or decreased by RMB2.2455 million; if the Renminbi had appreciated or depreciated by 10% against the Euro, the Company's net profit for the year would have decreased or increased by RMB15.9332 million; if the Renminbi had appreciated or depreciated by 10% against the Thai Baht, the Company's net profit for the year would have increased or decreased by RMB0.1269 million; if the Renminbi had appreciated or depreciated by 10% against the Singapore dollar, the Company's net profit for the year would have increased or decreased by RMB0.0700 million; and if the Renminbi had appreciated or depreciated by 10% against the Vietnamese Dong, the Company's net profit for the year would have increased or decreased by RMB0.0460 million.

RISKS RELATING TO FINANCIAL INSTRUMENTS (Continued)

1. Various Types of Risks Arising from Financial Instruments (Continued)

(3) Market Risk (Continued)

2) Interest rate risk

The Company's interest rate risk primarily arises from long-term bank borrowings. Financial liabilities with floating interest rates expose the Company to cash flow interest rate risk, while financial liabilities with fixed interest rates expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed-rate and floating-rate contracts based on prevailing market conditions.

The Company's head office finance department continuously monitors the Group's interest rate levels. An increase in interest rates would increase the cost of new interest-bearing debt and the interest expenses on the Company's outstanding interest-bearing debt calculated at floating interest rates, and would have a material adverse effect on the Company's financial performance. The management will make timely adjustments based on the latest market conditions.

For the period ended 30 June 2026, with all other risk variables held constant, if the interest rates on borrowings calculated at floating rates had increased or decreased by 100 basis points, the Company's net profit for the year would have decreased or increased by RMB7.0514 million.

2. Financial Assets

(1) By transfer method

☑ Applicable ☐ Not applicable

Unit: RMB

Item	Method of transfer of financial assets	Amount of financial assets derecognized	Gains or losses relating to derecognition
Bank acceptance bills in receivables financing that were not due	Endorsement/Discounting	325,088,336.60	686,136.88
Total		325,088,336.60	686,136.88

(2) Financial assets derecognised due to transfer

☐ Applicable ☑ Not applicable

(3) Continuing involvement in transferred financial assets

☐ Applicable ☑ Not applicable

Other explanations

DISCLOSURE OF FAIR VALUE

1. Fair Value of Assets and Liabilities Measured at Fair Value at the End of the Period

Unit: RMB

Items	Fair value at the end of the period Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
I. Recurring fair value measurement	—	—	—	—
(1) Other equity instrument investments	566,611,394.93			566,611,394.93
(2) Receivable financing			106,218,206.44	106,218,206.44
II. Non-recurring fair value measurement	—	—	—	—

2. Qualitative and Quantitative Information of Valuation Techniques and Important Parameters Used in Sustain and Non-Sustained Level 3 Fair Value Measuring Items

As there were no significant changes in the operating environment, operating conditions and financial position of the investee, the Company measured the receivables financing at investment cost as a reasonable estimate of fair value.

3. Fair Value of the Financial Assets and Financial Liabilities Not Measured at Fair Value

The Company's financial assets and financial liabilities measured at amortised cost mainly include: monetary funds, bills receivable, accounts receivable, other receivables, long-term receivables, short-term borrowings, bills payable, accounts payable, other payables and others.

RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information on the Company's Parent Company

Name of parent company	Registered place	Business nature	Registered capital in RMB	Parent's shareholding percentage in this entity	Parent's voting power percentage in this entity
Han's Laser	Shenzhen	R&D, production and sales	1,029,603,408.00	72.77%	72.77%

Description of the parent company of the Company

The ultimate controller of the Company is GAO Yunfeng.

2. Information on the Company's Subsidiaries

For details of the Company's subsidiaries, see Note X — Interests in Other Entities.

3. Information on the Company's Joint Ventures and Associates

For details of the Company's significant joint ventures or associates, see Note X — Interests in Other Entities.

Information on other joint ventures or associates, which have made a related party transaction with the Company in the period, or previously with balances being formed, are as follows:

Name of joint ventures or associates	Relationship with the Company
Shenzhen Mingxin Test Equipment Co., Ltd. (深圳市明信測試設備股份有限公司)	Associate

RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

4. Information on Other Related Parties

Name of other related party	Relationship between the other related party with the Company
GAO Yunfeng	De facto controller of the Company
YANG Chaohui	Chairperson of the Board and General Manager
Shenzhen Han's Motor Technology Co., Ltd. (深圳市大族電機科技有限公司)	Same controlling shareholder
Han's Tiancheng Semiconductor Co., Ltd. (北京大族天成半導體技術有限公司)	Associate of the parent company
GYX Optoelectronics Co., Ltd. (深圳國冶星光電科技股份有限公司)	Same controlling shareholder
Han's Laser Intelligent Equipment Group Co., Ltd. (大族激光智能裝備集團有限公司)	Same controlling shareholder
Shenzhen Yue'an Elevator Engineering Co., Ltd (深圳市悦安電梯工程有限公司)	Controlled by the same de facto controller
Shenzhen Han's Property Management Co., Ltd. (深圳市大族物業管理有限公司)	Controlled by the same de facto controller
Dazu Holdings Group Co., Ltd. (大族控股集團有限公司)	Parent company of Han's Laser
HAN'S LASER TECHNOLOGY CO., LIMITED. (大族激光科技股份有限公司)	Same controlling shareholder
Shenzhen Han's Cloud Technology Co., Ltd. (深圳市大族雲成科技有限公司)	Same controlling shareholder
Shenzhen Han's Vision Technology Co., Ltd. (深圳市大族視覺技術有限公司)	Same controlling shareholder
Shenzhen Hansheng Refrigeration Technology Co., Ltd. (深圳市漢盛製冷科技有限公司)	Same controlling shareholder
Guangdong Huayan Robotics Co., Ltd. (廣東華沿機器人股份有限公司) (Former Name: Guangdong Huayan Robot Co., Ltd. (廣東華沿機器人有限公司), Shenzhen Han's Robot Co., Ltd. (深圳市大族機器人有限公司))	Associate of the parent company
Zhejiang Guoyexing Intelligent Manufacturing Technology Co., Ltd. (浙江國冶星智造技術有限公司)	Same controlling shareholder
Dongguan Han Chuan Technology Co., Ltd. Shenzhen Branch (東莞市漢傳科技有限公司深圳分公司)	Same controlling shareholder
Tianjin Tiancheng Optoelectronic Technology Co., Ltd. (天津天成光電技術有限公司)	Associate of the parent company
Han's Laser E-Commerce Trade (Shenzhen) Co., Ltd. (大族激光電子商務貿易(深圳)有限公司)	Same controlling shareholder
Shenzhen Han's Machine Tool Technology Co., Ltd. (深圳市大族機床科技有限公司)	Same controlling shareholder
HANS HIGH-TECH SINGAPORE PTE. LTD.	Same controlling shareholder

RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Information on Related Party Transactions

(1) Related party transactions on purchase or sale of goods and provision or acceptance of services

Table on purchase of goods/receipt of services

Unit: RMB

Related party	Content of related party transactions	Amount for the current period	Approved transaction limit	Whether the transaction limit is exceeded	Amount for the previous period
Tianjin Tiancheng Optoelectronic Technology Co., Ltd. (天津天成光電技術有限公司)	Products and accessories	**28,507,490.40**	40,000,000.00	No	15,446,692.61
Shenzhen Han's Motor Technology Co., Ltd.(深圳市大族電機科技有限公司)	Products and accessories	**36,897,825.63**	136,800,000.00	No	14,305,024.73
Han's Laser	Utility expenses	**5,289,837.39**	136,800,000.00	No	4,825,566.29
Shenzhen Hansheng Refrigeration Technology Co., Ltd. (深圳市漢盛製冷科技有限公司)	Products and accessories	**12,140,645.96**	136,800,000.00	No	5,649,209.11
Shenzhen Han's Cloud Technology Co., Ltd.(深圳市大族物業管理有限公司)	Property fees	**4,804,708.95**	30,000,000.00	No	4,352,447.55
Han's Laser	Products and accessories	**3,066,424.69**	136,800,000.00	No	4,079,645.96
Guangdong Huayan Robot Co., Ltd. (Former Name: Shenzhen Han's Robot Co., Ltd.) (廣東華沿機器人股份有限公司 (曾用名:廣東華沿機器人有限公司、深圳市大族機器人有限公司))	Products and accessories	**102,654.87**	—	No	570,141.58
Zhejiang Guoyexing Intelligent Manufacturing Technology Co., Ltd. (浙江國冶星智造技術有限公司)	Products and accessories	**150,631.38**	136,800,000.00	No	809,385.25
Shenzhen Yue'an Elevator Engineering Co., Ltd(深圳市悅安電梯工程有限公司)	Maintenance	**30,891.08**		No	15,445.54
Han's Laser	Conference fees, network fees, etc	**28,931.74**	136,800,000.00	No	17,894.77
Dongguan Han Chuan Technology Co., Ltd. Shenzhen Branch (東莞市漢傳科技有限公司深圳分公司)	Products and accessories	**105,490.26**	136,800,000.00	No	6,502.30
GYX Optoelectronics Co., Ltd. (深圳國冶星光電科技股份有限公司)	Products and accessories	**4,242.48**	136,800,000.00	No	11,400.69
Han's Laser E-Commerce Trade (Shenzhen) Co., Ltd. (大族激光電子商務貿易(深圳)有限公司)	Products and accessories	**10,756.00**	136,800,000.00	No	5,828.00
Shenzhen Han's Cloud Technology Co., Ltd. (深圳市大族雲成科技有限公司)	Products and accessories	**0.00**	136,800,000.00	No	1,415.92
Shenzhen Han's Vision Technology Co., Ltd. (深圳市大族視覺技術有限公司)	Products and accessories	**1,238.92**	136,800,000.00	No	161.95
Total		**91,141,769.75**			50,096,762.25

RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Information on Related Party Transactions (Continued)

(1) *Related party transactions on purchase or sale of goods and provision or acceptance of services* (Continued)

Table on purchase of goods/receipt of services (Continued)

Note: The purchase amount of maintenance expenses from Guangdong Huayan Robotics Co., Ltd. (Former Name: Guangdong Huayan Robot Co., Ltd., Shenzhen Han's Robot Co., Ltd.) and Shenzhen Yue'an Elevator Engineering Co., Ltd falls within the authorised approval limit of the general manager; the combined transaction approval limit for "purchases of products and accessories and lease of premises" with Han's Laser and its controlled companies is RMB136.8000 million; the combined transaction approval limit for "property management services and lease of premises" with Han's Property is RMB30.0000 million; the transaction approval limit for "purchases of products and accessories" with Han's Tiancheng Semiconductor Co., Ltd. and its controlled companies is RMB40.0000 million.

Table on sales of goods/provision of services

Unit: RMB

Related party	Content of related party transactions	Amount for the current period	Amount for the previous period
HANS HIGH-TECH SINGAPORE PTE. LTD.	Product sales, accessories sales	**30,986,608.39**	4,037,252.37
Shenzhen Han's Motor Technology Co., Ltd. (深圳市大族電機科技有限公司)	Accessories sales	**2,215,396.44**	0.00
Han's Laser	Product sales, accessories sales, maintenance expenses	**8,249,876.10**	29,035.38
Shenzhen Han's Machine Tool Technology Co., Ltd. (深圳市大族機床科技有限公司)	Accessories sales	**21,964.60**	32,946.90
Shenzhen Mingxin Test Equipment Co., Ltd. (深圳市明信測試設備股份有限公司)	Accessories sales, maintenance expenses	**7,460.18**	3,362.84
Zhejiang Guoyexing Intelligent Manufacturing Technology Co., Ltd. (浙江國冶星智造技術有限公司)	Accessories sales	**0.00**	753.98
Total		**41, 481,305.71**	4,103,351.47

RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Information on Related Party Transactions (Continued)

(2) Related party leasing

The Company as lessor:

Unit: RMB

Name of lessee	Type of leased asset	Lease income recognized for the current period	Lease income recognized for the previous period

Nil

The Company as a leasee:

Unit: RMB

Name of lessor	Type of leased assets	Rental charges for short-term leases and leases of low-value assets with simplified approach (as applicable)		Variable lease payments not included in the measurement of lease liabilities (if applicable)		Rentals paid		Interest expense on lease liabilities assumed		Increased right-of-use assets	
		Amount for the current period	Amount for the previous period	**Amount for the current period**	Amount for the previous period	**Amount for the current period**	Amount for the previous period	**Amount for the current period**	Amount for the previous period	**Amount for the current period**	Amount for the previous period
Han's Laser	Production and R&D office buildings	**8,625,851.05**	1,561,912.36			**9,412,767.45**	15,651,617.90	**99,386.00**	760,425.81	**1,219,544.79**	
Han's Laser Technology Co., Ltd.	Office buildings	**25,720.86**	26,608.31								

(3) Asset transfer and debt restructuring of related party

Unit: RMB

Related party	Content of related party transactions	**Amount for the current period**	Amount for the previous period
Shenzhen Han's Motor Technology Co., Ltd.	Purchase of fixed assets	**0.00**	88,044.25

RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

5. Information on Related Party Transactions (Continued)

(4) Remuneration of key management

Unit: RMB million

Items	Amount for the current period	Amount for the previous period
Remuneration of key management	**7.4988**	4.2633

Note: The remuneration of key management for the current and prior periods included salaries, bonuses, social insurance premiums and housing provident funds borne by the Company.

(5) Other related party transactions

1) *Receipts and payments on behalf of others for rent, utilities and maintenance charges*

The Company and Mingxin Test co-leased premises at Antuoshan Industrial Park. Since certain utility and other expenses were required to be settled centrally, the amounts collected and paid by the Company on behalf of Mingxin Test for utilities and other expenses from January to June 2026 and January to June 2025 were RMB1,017,877.08 and RMB1,217,212.52, respectively.

2) The Company has been granted free use of Han's Laser's trademarks, with the license term lasting until the expiration of the validity period of such registered trademarks and during the period when the Company is within the consolidated financial statements scope of Han's Laser. The Company is not required to pay any fees to Han's Laser for this related-party transaction.

3) *Engineering management services provided by related parties*

Asia Foundation (Shenzhen) Wood Industry Co., Ltd. ("**Shenzhen Asia Foundation**", the subsidiary of the Company)

Pursuant to the approval at the 17th meeting of the first session of the Board of Directors of the Company, the Company entered into a Project Construction Engineering Management Service Agreement with Dazu Holdings Group Co., Ltd. (hereinafter referred to as "**Dazu Holdings**") in 2022: Shenzhen Asia Foundation entrusted Dazu Holdings to be responsible for the engineering management services for the construction of the Shenzhen Asia Foundation Industrial Park project. The engineering management service fee is calculated based on the total project investment amount tentatively set at RMB900.0000 million. The tentative total contract price is RMB20.5000 million, with an engineering management service fee rate of 2.5% for investment amounts below RMB500.0000 million (including RMB500.0000 million), and 2.0% for investment amounts between RMB500.0000 million and RMB1,000.0000 million (including RMB1,000.0000 million). From January to June 2026 and January to June 2025, the provision of engineering management service fees were both RMB0.0000 million.

RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Related Party Accounts Receivable and Accounts Payable

(1) Accounts receivable

Unit: RMB

Item	Related party	Closing balance Book balance	Closing balance Bad debt provision	Opening balance Book balance	Opening balance Bad debt provision
Accounts receivable	Han's Laser	**6,088,066.00**	**91,320.99**	1,403,206.00	21,048.09
	Shenzhen Han's Machine Tool Technology Co., Ltd. (深圳市大族機床科技有限公司)	**24,820.00**	**372.30**	—	—
	Shenzhen Mingxin Test Equipment Co., Ltd. (深圳市明信測試設備股份有限公司)	**7,800.00**	**234.00**	3,520.00	105.60
	HANS HIGH-TECH SINGAPORE PTE. LTD.	**13,766,191.08**	**206,492.87**	—	—
	Shenzhen Han's Motor Technology Co., Ltd. (深圳市大族電機科技有限公司)	**2,503,398.00**	**37,550.97**	2,379,986.95	35,699.80
Prepayments	Wuxi Fortrend Technology Co.,Ltd. (無錫富創得智能科技有限公司)	**—**	**—**	80,100.00	—
	Guangdong Huayan Robot Co., Ltd. (廣東華沿機器人股份有限公司)	**129,203.53**	**—**	—	—
Other receivables	Han's Laser	**5,920,015.46**	**5,005,182.40**	5,920,015.46	4,187,112.53
	Shenzhen Mingxin Test Equipment Co., Ltd. (深圳市明信測試設備股份有限公司)	**124,805.30**	**3,744.16**	103,505.27	3,105.16
Bills receivable	Han's Laser	**—**	**—**	428,000.00	6,420.00
	Shenzhen Han's Machine Tool Technology Co., Ltd. (深圳市大族機床科技有限公司)	**—**	**—**	62,050.00	930.75

RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Related Party Accounts Receivable and Accounts Payable (Continued)

(2) Accounts payable

Unit: RMB

Item	Related party	**Closing book balance**	Opening book balance
Accounts payable	Shenzhen Han's Motor Technology Co., Ltd. (深圳市大族電機科技有限公司)	**32,819,921.29**	14,165,717.02
	Han's Laser	**3,114,433.88**	3,153,576.97
	GYX Optoelectronics Co., Ltd. (深圳國冶星光電科技股份有限公司)	**5,964.00**	1,035.40
	Shenzhen Han's Vision Technology Co., Ltd. (深圳市大族視覺技術有限公司)	**1,238.92**	—
	Zhejiang Guoyexing Intelligent Manufacturing Technology Co., Ltd. (浙江國冶星智造技術有限公司)	**88,479.11**	144,242.45
	Shenzhen Hansheng Refrigeration Technology Co., Ltd. (深圳市漢盛製冷科技有限公司)	**7,796,806.56**	3,927,252.22
	Dongguan Han Chuan Technology Co., Ltd. Shenzhen Branch (東莞市漢傳科技有限公司深圳分公司)	**112,608.74**	12,078.26
	Guangdong Huayan Robot Co., Ltd. (Former Name: Shenzhen Han's Robot Co., Ltd.) (廣東華沿機器人股份有限公司(曾用名:廣東華沿機器人有限公司、深圳市大族機器人有限公司))	**116,000.00**	1,504,106.10
	Tianjin Tiancheng Optoelectronic Technology Co., Ltd. (天津天成光電技術有限公司)	**15,984,215.47**	9,872,872.36
	Dazu Holdings Group Co., Ltd. (大族控股集團有限公司)	**—**	7,735,849.12
	Wuxi Fortrend Technology Co.,Ltd. (無錫富創得智能科技有限公司)	**156,183.19**	—
Contract liabilities	HANS HIGH-TECH SINGAPORE PTE. LTD.	**—**	14,169,818.48

RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

6. Related Party Accounts Receivable and Accounts Payable (Continued)

(2) Accounts payable (Continued)

Unit: RMB

Item	Related party	Closing book balance	Opening book balance
Bills payables	Han's Laser	**1,336,999.99**	750,000.00
	Shenzhen Hansheng Refrigeration Technology Co., Ltd. (深圳市漢盛製冷科技有限公司)	**2,178,249.75**	4,137,828.34
	Tianjin Tiancheng Optoelectronic Technology Co., Ltd. (天津天成光電技術有限公司)	**25,928,980.07**	21,192,772.14
	Shenzhen Han's Motor Technology Co., Ltd. (深圳市大族電機科技有限公司)	**19,303,574.22**	12,165,010.77
	Guangdong Huayan Robot Co., Ltd. (Former Name: Shenzhen Han's Robot Co., Ltd.)(廣東華沿機器人股份有限公司(曾用名:廣東華沿機器人有限公司、深圳市大族機器人有限公司))	**519,000.00**	—
Other current liabilities	Shenzhen Han's Motor Technology Co., Ltd. (深圳市大族電機科技有限公司)	**1,250,277.76**	4,674,731.65
	Shenzhen Hansheng Refrigeration Technology Co., Ltd. (深圳市漢盛製冷科技有限公司)	**1,210,002.39**	684,302.75
Other current liabilities	Han's Laser	**1,139,036.91**	2,174,591.04
Other non-current liabilities due within one year	Han's Laser	**0.00**	9,924,949.66
Lease liabilities	Han's Laser	**918,186.58**	—

SHARE-BASED PAYMENT

1. General information of share-based payment

√ Applicable □ Not applicable

Unit: RMB

Category of Grantees	Granted during the period		Exercised during the period		Vested during the period		Lapsed during the period	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Management personnel			2,524,632.00	47,084,386.80			10,050.00	167,019.75
Production personnel			192,390.00	3,588,073.50				
R&D personnel			1,727,220.00	32,841,291.22				
Sales personnel			1,034,847.00	18,671,258.33				
Total			5,479,089.00	102,185,009.85			10,050.00	167,019.75

Stock options or other equity instruments outstanding at the end of the period

√ Applicable □ Not applicable

Category of grantees	Stock options outstanding at the end of the period		Other equity instruments outstanding at the end of the period	
	Range of exercise prices	Remaining contract term	Range of exercise prices	Remaining contract term
Management personnel, Production personnel, Sales personnel, R&D personnel	The initial grant price of the 2023 Restricted Share Incentive Scheme is RMB19.38 per share, according to the 13th meeting of the second session of the Board of Directors and the 10th meeting of the second session of the Supervisory Committee of the Company held on 6 May 2025, in view of the implementation of the 2024 annual profit distribution plan, the grant price was adjusted from RMB19.38 per share to RMB18.98 per share.	The validity period of this incentive scheme shall not exceed 52 months from the date of registration of the first grant of restricted shares to the date when all restricted shares granted to incentive participants are released from the restriction or the repurchase and cancellation are completed.		

SHARE-BASED PAYMENT (Continued)

2. Equity-settled Share-Based Payment

☑ Applicable ☐ Not applicable

Unit: RMB

Basis for determining the number of exercisable equity instruments	Make the best estimate based on the latest subsequent information such as changes in the number of employees vested
Reasons for significant differences between current period estimates and prior period estimates	Nil
Cumulative amount of equity-settled share-based payments included in capital reserve	287,068,361.01
Total expenses recognised for equity-settled share-based payments in the current period	**27,341,102.76**

Other explanations

3. Cash-settled Share-Based Payment

☐ Applicable ☑ Not applicable

4. Share-based Payment Expense for The Period

☑ Applicable ☐ Not applicable

Unit: RMB

Category of grantees	**Equity-settled share-based payment expenses**	Cash-settled share-based payment expenses
Management personnel	**12,632,325.51**	
Production personnel	**980,062.81**	
Sales personnel	**5,154,645.20**	
R&D personnel	**8,574,069.24**	
Total	**27,341,102.76**	

5. Modifications and Termination of Share-Based Payment

COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Significant commitments as at the balance sheet date

(1) Capital commitments

Unit: RMB

Capital commitments contracted for but not yet recognized in the financial statements	**30 June 2026**	31 December 2025
Commitment to purchase and construct long-term assets	**114,427,127.50**	104,158,081.60

(2) As of 30 June 2026, the outstanding letters of guarantee of the Company are as follows:

Unit: RMB

Type of letters of guarantee	**Amount of letters of guarantee**	Bank of account
Letters of performance guarantee	**25,507,700.00**	Bank of China Shenzhen Branch
Letters of customs duties guarantee	**20,000,000.00**	Bank of Communications Shenzhen Hongli Sub-branch
Total	**45,507,700.00**	

(3) Save for the above matters, the Company had no other material commitments that need to be disclosed.

COMMITMENTS AND CONTINGENCIES (Continued)

2. Contingencies

(1) *Significant contingencies as at the balance sheet date*

Contingent liabilities arising from guarantee provided to other entities and related financial effects

Name of the guaranteed entity	Guarantee	Amount (RMB)	Period	Note
I. Subsidiary				
Han's CNC Technology (Xinfeng) Co., Ltd.	Provide performance guarantee for the debts or contractual obligations incurred by Xinfeng CNC in the course of performing the sales-business contract entered into with ManKun Technology (滿坤科技)	156,930,000.00	Two years from the day following the expiry date of the last debt performance or last contractual obligation performance (whichever is later) of Xinfeng CNC as agreed in all main contracts	
Total		156, 930,000.00		

(2) *Please explain if no significant contingencies is required to be disclosed by the Company*

The Company has no material contingencies that need to be disclosed.

3. Others

EVENTS AFTER THE BALANCE SHEET DATE

1. Explanation on Other Events after Balance Sheet Date

As of the date of this Report, the Company had no other material matters that need to be disclosed.

OTHER SIGNIFICANT EVENTS

1. Segment Information

(1) Please explain if the Company has no reporting segments or is unable to disclose the total assets and total liabilities of each reporting segment.

Except for the sales of specialized PCB equipment business, the Company does not operate other businesses that have a significant impact on the operating results, and the Company does not implement segment management, so the Company does not need to disclose segment data.

2. Others

As of the date of the Report, the Company had no other material matters that need to be disclosed.

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Accounts Receivable

(1) Disclosure by aging

Unit: RMB

Age	Closing book balance	Opening book balance
Within 1 year (including 1 year)	**4,219,922,042.84**	2,330,316,712.31
1 to 2 years	**230,283,852.70**	249,068,012.98
2 to 3 years	**16,260,511.61**	15,282,871.11
Over 3 years	**4,837,654.73**	2,507,884.09
3 to 4 years	**3,285,820.18**	2,183,191.26
4 to 5 years	**1,529,194.28**	307,202.56
Over 5 years	**22,640.27**	17,490.27
Total	**4,471,304,061.88**	2,597,175,480.49

(2) Classified disclosure by the method of provision for bad debts

Unit: RMB

	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
Category	Amount	Percentage	Amount	Provision percentage	Carrying amount	Amount	Percentage	Amount	Provision percentage	Carrying amount
Accounts receivable which provision for bad debts on an individual basis	**4,456,721.82**	**0.10%**	**4,396,721.82**	**98.65%**	**60,000.00**	4,456,721.82	0.17%	4,396,721.82	98.65%	60,000.00
Of which:										
Accounts receivable with provision for bad debts on a group basis	**4,466,847,340.06**	**99.90%**	**75,657,296.51**	**1.69%**	**4,391,190,043.55**	2,592,718,758.67	99.83%	58,914,807.33	2.27%	2,533,803,951.34
Of which:										
1. Customer portfolio of listed companies and Fortune 500 companies	**1,511,028,881.88**	**33.79%**	**25,395,408.60**	**1.68%**	**1,485,633,473.28**	927,139,338.67	35.70%	17,049,925.76	1.84%	910,089,412.91
2. Other customer portfolio	**1,160,755,941.45**	**25.96%**	**50,261,887.91**	**4.33%**	**1,110,494,053.54**	902,178,160.56	34.74%	41,864,881.57	4.64%	860,313,278.99
3. Portfolio of related parties within the scope of consolidation	**1,795,062,516.73**	**40.15%**	**0.00**	**0.00%**	**1,795,062,516.73**	763,401,259.44	29.39%	0.00	0.00%	763,401,259.44
Total	**4,471,304,061.88**	**100.00%**	**80,054,018.33**	**1.79%**	**4,391,250,043.55**	2,597,175,480.49	100.00%	63,311,529.15	2.44%	2,533,863,951.34

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

1. Accounts Receivable (Continued)

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

Category name of provision for bad debts on an individual basis: Important receivables for which provision for bad debts on an individual basis

Unit: RMB

Name	Opening balance		Closing balance			
	Book balance	Bad debt provision	Book balance	Bad debt provision	Provision percentage	Provision reason
Customer A	3,026,166.14	3,026,166.14	3,026,166.14	3,026,166.14	100.00%	Expected to be unrecoverable
Total	3,026,166.14	3,026,166.14	3,026,166.14	3,026,166.14	100.00%	

Category name of provision for bad debts on a group basis: Customer portfolio of listed companies and Fortune 500 companies

Unit: RMB

Name	Closing balance		
	Book balance	Bad debt provision	Provision percentage
Within 1 year	1,442,790,459.00	21,641,856.92	1.50%
1 to 2 years	64,822,117.63	3,241,105.89	5.00%
2 to 3 years	3,416,305.25	512,445.79	15.00%
Total	1,511,028,881.88	25,395,408.60	1.69%

Description of the basis for determining this group:

Please refer to Note V.11 for the recognition criteria and explanation of provision for bad debts on a group basis.

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

1. Accounts Receivable (Continued)

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

Category name of provision for bad debts on a group basis: Other customer portfolio

Unit: RMB

	Closing balance		
Name	Book balance	Bad debt provision	Provision percentage
Within 1 year	981,989,067.11	29,459,672.10	3.00%
1 to 2 years	165,421,735.07	16,542,173.51	10.00%
2 to 3 years	12,123,737.36	3,637,121.21	30.00%
3 to 4 years	1,195,761.64	597,880.82	50.00%
4 to 5 years	3,000.00	2,400.00	80.00%
Over 5 years	22,640.27	22,640.27	100.00%
Total	1,160,755,941.45	50,261,887.91	

Description of the basis for determining this group:

Please refer to Note V.11 for the recognition criteria and explanation of provision for bad debts on a group basis.

If the bad debt provision of accounts receivable is made in accordance with the general model of ECLs:

☐ Applicable ☑ Not applicable

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

1. Accounts Receivable (Continued)

(3) Provision, recovery or reversal of bad debt provision for the period

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Amount of changes for the period: Provision	Recovery or reversal	Write-off	Others	Closing balance
Provision for bad debts on an individual basis	4,396,721.82	0.00	0.00	0.00	0.00	**4,396,721.82**
Customer portfolio of listed companies and Fortune 500 companies	17,049,925.76	8,345,482.84	0.00	0.00	0.00	**25,395,408.60**
Other customer portfolio	41,864,881.57	8,402,576.34	0.00	5,570.00	0.00	**50,261,887.91**
Total	63,311,529.15	16,748,059.18	0.00	5,570.00	0.00	**80,054,018.33**

Of which, significant amounts of provision for bad debts recovered or reversed for the period:

Unit: RMB

Name of entity	Recovered or reversed amounts	Reason for reversal	Method of recovery	The basis and rationality of determining the proportion of original bad debt provision
Nil				

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

1. Accounts Receivable (Continued)

(4) Actual write-off of accounts receivable for the current period

Unit: RMB

Item	Write-off amount
Actual write-off of accounts receivable	5,570.00

Of which, the significant accounts receivable write-off:

□ Applicable ☑ Not applicable

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

1. Accounts Receivable (Continued)

(5) *Accounts receivable and contract assets with the top five closing balances collected as per the borrowers*

Unit: RMB

Name of entity	Closing balance of accounts receivable	Closing balance of contract assets	Closing balance of accounts receivable and contract assets	Percentage of total closing balance of accounts receivable and contract assets	Closing balance of provision for bad debts of accounts receivable and provision for impairment of contract assets
Customer H	1,586,325,528.70	0.00	1,586,325,528.70	35.00%	0.00
Customer G	122,640,409.80	0.00	122,640,409.80	2.71%	1,839,606.15
Customer F	118,524,718.46	0.00	118,524,718.46	2.61%	1,777,870.78
Customer I	115,055,784.80	0.00	115,055,784.80	2.54%	0.00
Customer J	101,993,550.44	16,809,089.00	118,802,639.44	2.62%	1,782,039.60
Total	2,044,539,992.20	16,809,089.00	2,061,349,081.20	45.48%	5,399,516.53

2. Other Receivables

Unit: RMB

Items	Closing balance	Opening balance
Dividend receivables	**225,800,000.00**	225,800,000.00
Other receivables	**749,038,985.75**	696,637,892.51
Total	**974,838,985.75**	922,437,892.51

(1) *Dividends receivable*

1) *Classification of dividends receivable*

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

2. Other Receivables

Unit: RMB

Projects (or investees)	Closing balance	Opening balance
Mason Electronics	**225,800,000.00**	225,800,000.00
Total	**225,800,000.00**	225,800,000.00

2) *Significant dividends receivable aging over 1 year*

□ Applicable ☑ Not applicable

3) *Classified disclosure by the method of provision for bad debts*

□ Applicable ☑ Not applicable

4) *Provision, recovery or reversal of bad debt provision for the period*

□ Applicable ☑ Not applicable

Of which, the amount of bad debt provision recovered or reversed for the period is significant:
□ Applicable ☑ Not applicable

5) *Actual write-off of dividend receivables for the current period*

Unit: RMB

Item	Write-off amount
Actual write-off of dividend receivables	0.00

Of which, the significant dividend receivable write-off

□ Applicable ☑ Not applicable

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

2. Other Receivables (Continued)

(2) Other receivables

1) *Classification of other receivables by nature*

Unit: RMB

Nature	Closing book balance	Opening book balance
Intercompany	**736,873,547.99**	686,244,316.10
Security deposits and deposits	**13,831,076.02**	12,319,842.55
Advance personal social security and housing provident fund	**2,010,539.61**	1,533,280.42
Reserve fund	**1,280,946.26**	470,304.06
Related party transactions	**124,805.30**	103,505.27
External dealings	**0.00**	4,109.07
Total	**754,120,915.18**	700,675,357.47

2) *Disclosure by aging*

Unit: RMB

Age	Closing book balance	Opening book balance
Within 1 year (including 1 year)	**745,857,163.73**	694,700,639.63
1 to 2 years	**2,305,303.57**	331,903.96
2 to 3 years	**315,634.00**	0.00
Over 3 years	**5,642,813.88**	5,642,813.88
3 to 4 years	**1,954,665.37**	2,545,554.21
4 to 5 years	**891,403.97**	3,097,259.67
Over 5 years	**2,796,744.54**	0.00
Total	**754,120,915.18**	700,675,357.47

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

2. Other Receivables (Continued)

(2) *Other receivables* (Continued)

3) *Classified disclosure by the method of provision for bad debts*

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Percentage	Amount	Provision percentage	Carrying amount	Amount	Percentage	Amount	Provision percentage	Carrying amount
Of which:										
Provision for bad debts on a group basis	754,120,915.18	100.00%	5,081,929.43	0.67%	749,038,985.75	700,675,357.47	100.00%	4,037,464.96	0.58%	696,637,892.51
Of which:										
1. Aging portfolio	17,247,367.19	2.29%	5,081,929.43	29.46%	12,165,437.76	14,431,041.37	2.06%	4,037,464.96	27.98%	10,393,576.41
2. Portfolio of related parties within the scope of consolidation	736,873,547.99	97.71%	0.00	0.00%	736,873,547.99	686,244,316.10	97.94%	0.00	0.00%	686,244,316.10
Total	754,120,915.18	100.00%	5,081,929.43	0 .67%	749,038,985.75	700,675,357.47	100.00%	4,037,464.96	0.58%	696,637,892.51

Category name of provision for bad debts on a group basis:

Unit: RMB

Name	Closing balance		
	Book balance	Bad debt provision	Provision percentage
1. Aging portfolio	17,247,367.19	5,081,929.43	29.46%
2. Portfolio of related parties within the scope of consolidation	736,873,547.99	0.00	0.00%
Total	754,120,915.18	5,081,929.43	

Description of the basis for determining this group:

Please refer to Note V.11 for the recognition criteria and explanation of provision for bad debts on a group basis.

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

2. Other Receivables (Continued)

(2) *Other receivables* (Continued)

3) *Classified disclosure by the method of provision for bad debts* (Continued)

Provision for bad debts is made according to the general model of ECLs:

Unit: RMB

Bad debt provision	Stage 1 ECLs for the next 12 months	Stage 2 Lifetime ECLs (not credit-impaired)	Stage 3 Lifetime ECLs (credit-impaired)	Total
Balance as at 1 January 2026	4,037,464.96	0.00	0.00	4,037,464.96
Balance as at 1 January 2026 for the period				
Provision for the period	1,044,464.47	0.00	0.00	1,044,464.47
Balance as at 30 June 2026	5,081,929.43	0.00	0.00	5,081,929.43

Changes in provision for bad debts with significant changes in loss provision for the period

☐ Applicable ☑ Not applicable

4) *Provision, recovery or reversal of bad debt provision for the period*

Bad debt provision for the period:

Unit: RMB

Category	Opening balance	Amount of changes for the period				Closing balance
		Provision	Recovery or reversal	Transfer or write-off	Others	
Aging portfolio	4,037,464.96	1,044,464.47	0.00	0.00	0.00	**5,081,929.43**
Total	4,037,464.96	1,044,464.47	0.00	0.00	0.00	**5,081,929.43**

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

2. Other Receivables (Continued)

(2) Other receivables (Continued)

4) *Provision, recovery or reversal of bad debt provision for the period* (Continued)

Of which, significant amounts of provision for bad debts recovered or reversed for the period:

☐ Applicable ☑ Not applicable

5) *Actual write-off of other receivables for the current period*

☐ Applicable ☑ Not applicable

Of which, significant other receivable write-off:

☐ Applicable ☑ Not applicable

6) *Other receivables from the top five debtors by closing balance*

Unit: RMB

Name of entity	Nature	Closing balance	Age	Percentage of the total closing balance of other receivables	Closing balance of provision for bad debts
Asia Foundation (Shenzhen) Wood Industry Co., Ltd. (亞洲創建(深圳)木業有限公司)	Intercompany	**683,827,710.00**	Within 1 year	90.68%	0.00
Shanghai Han's Machinery Co., Ltd. (上海大族機械有限公司)	Intercompany	**33,100,000.00**	Within 1 year	4.39%	0.00
Advanced Intelligent Machine Co., Ltd. (深圳市升宇智能科技有限公司)	Intercompany	**19,415,955.68**	Within 1 year	2.57%	0.00
Han's Laser Technology Industry Group Co., Ltd. (大族激光科技產業集團股份有限公司)	House rental deposit	**4,545,081.54**	3 to 4 years, over 5 years	0.60%	3,659,848.47
Shenzhen Bao'an Sanlian Co., Ltd. (深圳市寶安三聯有限公司)	House rental deposit	**2,784,081.22**	Within 1 year	0.37%	83,522.44
Total		**743,672,828.44**		98.61%	3,743,370.91

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

3. Long-term Equity Investments

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Carrying amount	Book balance	Impairment provision	Carrying amount
Investments in subsidiaries	**1,067,738,354.60**	**132,627,395.47**	**935,110,959.13**	1,059,600,984.44	132,627,395.47	926,973,588.97
Total	**1,067,738,354.60**	**132,627,395.47**	**935,110,959.13**	1,059,600,984.44	132,627,395.47	926,973,588.97

(1) Investments in subsidiaries

Unit: RMB

Investee	Opening balance (carrying amount)	Opening balance of impairment provision	Change for the period				Closing balance (carrying amount)	Closing balance of impairment provision
			Additional contribution	Withdrawn contribution	Impairment provision	Others		
Mason Electronics	230,423,151.18					3,353,757.72	**233,776,908.90**	
Advanced Intelligent	20,082,117.22	2,231,800.00				225,967.68	**20,308,084.90**	**2,231,800.00**
Asia Foundation	431,002,800.00						**431,002,800.00**	
Xinfeng CNC	140,000,000.00						**140,000,000.00**	
Han's Rayleigh Taide	18,500,657.71	130,395,595.47				29,797.98	**18,530,455.69**	**130,395,595.47**
Shanghai HANS	50,702,077.31					74,494.89	**50,776,572.20**	
Han's Microelectronics	29,172,135.55					1,002,101.89	**30,174,237.44**	
HANS CNC SINGAPORE PTE. LTD.	7,090,650.00		3,451,250.00				**10,541,900.00**	
Total	926,973,588.97	132,627,395.47	3,451,250.00			4,686,120.16	**935,110,959.13**	**132,627,395.47**

4. Revenue and operating costs

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal operations	**3,055,466,290.78**	**1,926,329,986.98**	1,689,445,559.92	1,236,130,394.15
Other operations	**409,730,274.86**	**286,940,639.59**	365,053,375.91	277,602,499.48
Total	**3,465,196,565.64**	**2,213,270,626.57**	2,054,498,935.83	1,513,732,893.63

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Revenue and operating costs (Continued)

Breakdown of operating revenues and operating costs:

Unit: RMB

	First half of 2026		First half of 2025	
Category of contract	**Operating revenues**	**Operating costs**	Operating revenues	Operating costs
By type of products				
Including:				
Drilling equipment	**2,335,623,759.76**	**1,471,726,777.13**	1,427,491,079.45	1,052,374,236.26
Photolithography Equipment	**292,363,553.69**	**160,705,730.59**	121,025,336.52	76,070,791.06
Formation Equipment	**379,731,591.55**	**249,541,671.49**	119,450,800.28	89,643,213.52
Testing Equipment	**32,272,999.00**	**27,562,591.06**	20,646,485.26	17,202,331.59
Lamination Equipment	**15,474,386.78**	**16,793,216.71**	—	—
Attachment Equipment	**—**	**—**	831,858.41	839,821.72
Others business	**409,730,274.86**	**286,940,639.59**	365,053,375.91	277,602,499.48
Total	**3,465,196,565.64**	**2,213,270,626.57**	2,054,498,935.83	1,513,732,893.63
By geographical area				
Including:				
Domestic sales	**2,904,947,790.67**	**1,830,959,325.60**	1,819,802,290.53	1,339,746,244.04
Export sales	**560,248,774.97**	**382,311,300.97**	234,696,645.30	173,986,649.59
Total	**3,465,196,565.64**	**2,213,270,626.57**	2,054,498,935.83	1,513,732,893.63

NOTES TO KEY ITEMS OF THE FINANCIAL STATEMENTS OF THE PARENT COMPANY (Continued)

4. Revenue and operating costs (Continued)

Information related to performance obligations:

The Company's contracts with customers for the sale of goods include the performance obligation to transfer specialized PCB production equipment, such as drilling equipment, photolithography equipment and formation equipment. Payment terms vary among different customers and products. For domestic sales of specialized PCB production equipment such as drilling equipment, photolithography equipment and formation equipment, the performance obligation is satisfied upon delivery to customers, completion of equipment installation and commissioning to production-ready status, and signing of the equipment installation and commissioning report by customers. For contracts that do not require the Company to undertake installation and commissioning obligations, the performance obligation is satisfied upon the customer's acknowledgement of receipt. For overseas sales of specialized PCB production equipment such as drilling equipment and testing equipment, the Company arranges customs declaration in accordance with the contract terms, and the performance obligation is satisfied upon obtaining the bill of lading. Where the contract stipulates that the Company is obliged to undertake installation and commissioning, the performance obligation is satisfied upon completion of equipment installation and commissioning to production-ready status, and signing of the equipment installation and commissioning report by customers.

5. Investment Income

Unit: RMB

Items	Amount for the current period	Amount for the previous period
Gain on debt restructuring	**-562,446.00**	26,918.92
Total	**-562,446.00**	26,918.92

SUPPLEMENTARY INFORMATION

1. Non-recurring Gain or Loss Statement of the Period

☑ Applicable ☐ Not applicable

Unit: RMB

Items	Amount	Description
Gain or loss on disposal of non-current assets	88,916.84	Please refer to Note VII.52 to the Financial Report for details
Government grants (except for the government grants closely related to the normal operation of the Company, granted in accordance with an established standard and having an ongoing effect on the Company's profit or loss in compliance with national policies and regulations)	7,319,154.57	Please refer to Note VII.48 to the Financial Report for details
Reversal of impairment allowance on individually assessed receivables	987,632.82	Please refer to Note VII.3 to the Financial Report for details
Gain or loss on debt restructuring	-933,737.40	Please refer to Note VII.49 to the Financial Report for details
Other non-operating income and expenses apart from the aforesaid items	-3,198,818.97	Please refer to Note VII.53 and 54 to the Financial Report for details
Less: Effect of income tax	617,335.41	
Effect of minority interests (after taxation)	65,290.51	
Total	3,580,521.94	—

Details of other gain or loss items that fall within the definition of non-recurring gain or loss:

☐ Applicable ☑ Not applicable

The Company did not have details of other gain or loss items that fall within the definition of non-recurring gain or loss.

SUPPLEMENTARY INFORMATION (Continued)

Explanation on the non-recurring gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure for Companies Offering Their Securities to the Public No.1 — Non-recurring Gains or Losses defined as its recurring gain or loss items

☐ Applicable ☑ Not applicable

2. Return on net assets and earnings per share

Profit for the Reporting Period	Rate of return on net assets on weighted average basis	Earnings per share Basic earnings per share (RMB per share)	Earnings per share Diluted earnings per share (RMB per share)
Net profit attributable to ordinary shareholders of the Company	9.73%	2.06	2.02
Net profit attributable to ordinary shareholders of the Company, net of non-recurring gain or loss	9.69%	2.05	2.03

3. Accounting data difference under accounting standard at home and abroad

(1) Differences of net profit and net assets disclosed in financial reports prepared under IFRS and Chinese accounting standards

☐ Applicable ☑ Not applicable

(2) Differences of net profit and net assets disclosed in financial reports prepared under oversea and Chine accounting standards

☐ Applicable ☑ Not applicable

(3) Reasons for the differences in figures under domestic and foreign accounting standards. The name of the foreign audit institution shall be indicated if the data audited by the foreign audit institution has been regulated differently

☐ Applicable ☑ Not applicable

"A Share(s)"	domestic ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the SZSE and traded in RMB
"Board" or "Board of Directors"	the Board of Directors of the Company
"CG Code"	the Corporate Governance Code in Appendix C1 of the Hong Kong Listing Rules
"China" or "PRC"	the People's Republic of China
"Director(s)"	the director(s) of the Company
"EUR"	Euro, the lawful currency of the Eurozone
"Group"	the Company and its subsidiaries
"H Share(s)"	overseas ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
"Han's Laser"	Han's Laser Technology Industry Group Co., Ltd. (大族激光科技產業集團股份有限公司)
"Han's Microelectronics"	Shenzhen Han's Microelectronics Technology Co., Ltd. (深圳市大族微電子科技有限公司)
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Mason Electronics"	Hong Kong Mason Electronics Co., Ltd. (香港麥遜電子有限公司)
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong/HK"	the Hong Kong Special Administrative Region of the PRC

"Listing Date"	6 February 2026, the date on which the Company was listed and commenced trading on the main board of the Hong Kong Stock Exchange
"Mason Electronics (HK)"	Han's Mason Electronics (HK) Co., Ltd. (大族明信電子(香港)有限公司)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules
"Reporting Period"	the period from 1 January 2026 to 30 June 2026
"RMB" or "Renminbi"	Renminbi, the lawful currency of Chinese Mainland
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"shareholder(s)"	holder(s) of the Share(s) of the Company
"SINGAPORE CNC"	HANS CNC SINGAPORE PTE. LTD.
"Supervisor(s)"	the supervisor(s) of the Company
"Supervisory Committee"	the supervisory committee of the Company
"SZSE"	the Shenzhen Stock Exchange
"THAILAND CNC"	HANS CNC TECHNOLOGY (THAILAND) CO., LTD.
"US$" or "USD"	United States dollars, the lawful currency of the United States
"VIETNAM CNC"	HANS CNC TECHNOLOGY COMPANY LIMITED (VIETNAM)
"We", "Company" or "HANS CNC"	Shenzhen Han's CNC Technology Co., Ltd. (深圳市大族數控科技股份有限公司)
"Xinfeng CNC"	Han's CNC Technology (Xinfeng) Co., Ltd. (大族數控科技(信豐)有限公司)
"%"	per cent

Glossary of Technical Terms

This glossary of technical terms contains explanations of certain technical terms used in this report in connection with the Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"5G"	the fifth generation of mobile communication technology
"ABF"	ajinomoto build-up film
"AI"	artificial intelligence
"AOI"	automated optical inspection
"AVI"	automated visual inspection
"BOM"	the bill of materials
"BT"	Bismaleimide-Triazine Resin
"CCD"	charge-coupled device
"CCL"	copper-clad laminate
"Cavity"	a cavity in a printed circuit board or an embedded cavity
"CO_2"	carbon dioxide
"Core"	the core layer of the substrate
"CoWoS-L"	Chip-on-Wafer-on-Substrate, a 2.5D advanced packaging technology
"CoWoP"	abbreviation for Chip on Wafer on PCB, an innovative packaging technology
"CPO"	abbreviation for Co-packaged optics, a new packaging technology
"CPCA"	China Printed Circuit Association
"CPK"	the process capability index
"DSP"	digital signal processing technology
"ECP"	embedded chip packaging
"EMIB-T"	the enhanced version of the embedded multi-die interconnect bridge technology

Glossary of Technical Terms

"FC-BGA"	flip-chip ball grid array
"Gbps"	gigabits per second, a unit of data transmission bandwidth
"HDI"	high-density interconnect
"LDI"	laser direct imaging
"M9/M9Q"	M9-grade CCL material
"mSAP"	Modified Semi-Additive Process
"NPO"	near-package optics
"PCB"	printed circuit board
"Pitch"	the straight-line distance from center to center between two adjacent pins or pads
"Prismark"	Prismark Partners LLC, a well-known market analysis firm in the field of PCB and its related areas
"PTFE"	polytetrafluoroethylene
"SAP"	semi-additive process
"SerDes"	the abbreviation for SERializer/DESerializer
"UV"	ultraviolet
"μm"	micrometre
"YoY"	Year-over-Year, representing the annual growth rate