



# KTC Partners CPA Limited

Certified Public Accountants (Practising)

中瑞和信會計師事務所有限公司

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUAZHANG TECHNOLOGY HOLDING LIMITED

### Introduction

We were engaged to report on the historical financial information of Baoshan Xingshengtai Paper Co., Ltd (the “**Debtor Company**”) set out on pages II-11 to II-44, which comprises the statements of financial position of the Debtor Company as at 31 December 2023, 2024 and 2025 and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Debtor Company for each of the three years ended 31 December 2023, 2024 and 2025 (the “**Relevant Periods**”), and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-11 to II-44 forms an integral part of this report, which has been prepared for inclusion in the circular of Huazhang Technology Holding Limited (the “**Company**”) dated 3 February 2026 (the “**Circular**”) in connection with the acquisition of the entire equity interest in the Debtor Company (the “**Acquisition**”).

### Administrators' Responsibility for the Historical Financial Information

The administrators' of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the administrators' determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting Accountants' Responsibility

Our responsibility is to conduct our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and to report to you. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for an opinion on the Historical Financial Information.

## **Disclaimer of Opinion on the Historical Financial Information**

We do not express an opinion on the Historical Financial Information. Because of the significance of the matters described in the “Basis for Disclaimer of Opinion” section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an opinion on the Historical Financial Information.

### **Basis for Disclaimer of Opinion**

#### **(a) Limitation of scope — No access to books and records of Debtor Company**

As disclosed in note 1 to the Historical Financial Information, certain parties had petitioned for the bankruptcy restructuring of the Debtor Company on 6 April 2023. The petition was filed with the People’s Republic of China Court of Longyang District on the grounds that the Debtor Company was unable to repay its debts as they fell due. This was due to its assets being substantially encumbered and its shareholders’ equity being insufficient to cover its liabilities, demonstrating significant doubt about its ability to continue as a going concern. The Longyang Court (the “Court”) ruled to accept the petition on the same date.

Subsequently, on 5 June 2023, the Court issued a notice appointing Yunnan Hengjia Assets Liquidation Co., Ltd. as the administrator (the “Administrator”) for the bankruptcy restructuring proceedings of the Debtor Company.

The Administrator informed us that subsequent to its appointment, they discovered that no accounting books and records of the Debtor Company were available, except for the management account of the Debtor Company for the year ended 31 December 2023, and all previous management and accounting personnel of the Debtor Company had been terminated or had resigned. Consequently, no books and records of the Debtor Company was made available to us for the purpose of our audits.

The absence of the Debtor Company’s books and records and lack of access to management and accounting personnel of the Debtor Company due to their resignations constitute a limitation on the scope of our audits. Consequently, we were unable to perform sufficient appropriate audit procedures regarding the Historical Financial Information, both at the overall financial statements level and for the specific items as detailed below.

#### ***1. Lease of property, plant and equipment and investment properties***

HKFRS 16 requires a lessor to classify each lease as either an operating lease or a finance lease. We were informed by the Administrator that the Debtor Company, as a lessor, had entered into a 20-year lease agreement with a related party on 15 November 2019 for its property, plant, and equipment and investment properties. Given that the lease term represented a significant portion of the leased assets’ useful lives, this indicates that the lease might be a finance lease, which would be the case if it transferred substantially all the risks and rewards incidental to ownership of the assets to the related party.

However, the Debtor Company classified and accounted for the lease as an operating lease and continued to recognise the leased assets as property, plant, and equipment and investment properties during the Relevant Periods and recognised the rental income from the lease in accordance with the accounting policy for operating lease.

Due to a lack of access to any supporting document in relation to the lease arrangement and the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence concerning the operating lease classification. Any adjustments found necessary might affect the carrying amounts of the property, plant, and equipment and investment properties of the Debtor Company as at 1 January 2023, 31 December 2023, 2024 and 2025, and the related depreciation charges, impairment loss and rental income recognised during the Relevant Periods.

## ***2. Property, plant and equipment***

HKAS 16 requires that property, plant, and equipment (“PPE”) should be initially recognised at cost and subsequently carried at cost less any accumulated depreciation and impairment losses.

In addition to the scope limitation described in paragraph 1 above regarding the lease classification of the property, plant and equipment, due to the lack of access to the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence about the cost, amount of accumulated depreciation and the net carrying amount of property, plant and equipment as at 1 January 2023, 31 December 2023, 2024 and 2025 and the depreciation charges recognised on property, plant and equipment for the Relevant Periods.

Furthermore, the Administrator informed us that the Debtor Company ceased its production activities in 2019 and subsequently leased all its investment properties and property, plant, and equipment to a related party. The Debtor Company reported losses of RMB22,044,768, RMB19,364,690 and RMB17,165,447 for the years ended 31 December 2023, 2024 and 2025, respectively. These were indications that the property, plant and equipment of the Debtor Company might be impaired as at 31 December 2023, 2024 and 2025, thus necessitating impairment tests to estimate the recoverable amounts of these assets as at these dates to be carried out.

However, we have not been provided with any documentation in relation to any impairment testing of the PPE, including the assessment of the value-in-use or fair value less costs of disposal of the PPE. This constitutes a departure from the requirements of HKAS 36.

In view of the above matters, we were unable to perform sufficient appropriate audit procedures to determine whether the carrying amounts of the PPE were recoverable and whether they were materially misstated as of 31 December 2023, 2024 and 2025, whether depreciation charges recognised in profit or loss in the Relevant Periods were materially misstated and whether any impairment losses or reversals thereof should have been recognised in the Relevant Periods.

### **3. *Investment properties***

The investment properties of the Debtor Company are accounted for using the cost model. Under HKAS 40, investment properties measured using the cost model are required to be carried at depreciated cost, less any accumulated impairment losses after initial recognition. Furthermore, HKAS 40 requires the Debtor Company applying the cost model to disclose the fair value of its investment property.

In addition to the scope limitation described in paragraph 1 above regarding the lease classification of the investment property, due to the lack of access to the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence about the cost, amount of accumulated depreciation and net carrying amount of investment properties under the cost model as at 31 December 2023, 2024 and 2025 and the related depreciation charges recognised on the investment properties for the Relevant Periods in accordance with HKAS 40 *Investment Property*.

In addition, no supporting document was provided to us to satisfy us regarding the accuracy of cost of the leasehold land reported in the statement of financial position and, if any, costs related to the buildings situated on the leasehold land that should have been classified and recognised as investment properties in accordance with HKAS 40 during the Relevant Periods.

Furthermore, the Debtor Company ceased its production activities in 2019 and subsequently leased all its investment properties and PPE to a related party. The Debtor Company reported losses of RMB22,044,768, RMB19,364,690 and RMB17,165,447 for the years ended 31 December 2023, 2024 and 2025, respectively. These were indications that the investment properties of the Debtor Company might be impaired as at 31 December 2023, 2024 and 2025, thus necessitating impairment tests to estimate the recoverable amounts of these assets as at these dates to be carried out.

However, we have not been provided with the documentation in relation to any impairment testing of the investment properties, including the assessment of the value-in-use or fair value less costs of disposal of the investment properties. This constitutes a departure from the requirements of HKAS 36 and HKAS 40.

In view of the above matters, we were unable to perform sufficient appropriate audit procedures to determine whether the carrying amounts of the investment properties were recoverable and whether they were materially misstated as of 31 December 2023, 2024 and 2025, whether depreciation charges recognised in profit or loss in the years ended 31 December 2023, 2024 and 2025 were materially misstated and whether any impairment losses or reversals thereof should have been recognised in the Relevant Periods.

Moreover, the Debtor Company has not determined or disclosed the fair value of its investment properties as at 31 December 2023, 2024 and 2025. This is a departure from the requirements of HKAS 40, which requires that the fair value of investments properties should be determined and disclosed when the cost model of investment properties is used.

#### **4. Lease and other receivables**

Due to the lack of access to the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence in respect of the gross carrying amounts of accuracy of the lease and other receivables of the Debtor Company of RMB25,601,340, RMB33,601,340 and RMB36,556,895, as at 31 December 2023, 2024 and 2025, respectively, and the provision for impairment of lease and other receivables of RMB8,000,000, RMB8,000,000 and RMB2,955,555 recognised in the statement of profit or loss for the years ended 31 December 2023, 2024 and 2025 respectively, in accordance with HKFRS 9 *Financial Instruments*.

#### **5. Bank confirmations**

According to the Administrator, the management of the Debtor Company, including the director/legal representative authorised as bank signatures, had left the Debtor Company. Consequently, we were unable to obtain the necessary authorised signatures from management of the Debtor Company to dispatch the bank confirmation requests.

Due to the lack of books and records of the Debtor Company, we were unable to perform any alternative audit procedures about the existence, accuracy, and valuation of the bank balances; the completeness of liabilities owed to the bank; and the completeness of any charges over the Debtor Company's assets during the Relevant Periods.

We were also unable to satisfy ourselves about the completeness of financial guarantees granted by the Debtor Company to any parties or whether the related expected credit losses in respect of such financial guarantees that should have been recognised during the Relevant Periods were free from material misstatements, as required by HKFRS 9 *Financial Instruments*.

Furthermore, we were also unable to determine whether any provision is required for any pledge of the Debtor Company's assets, as required by HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

**6. Trade and other payables**

Due to the lack of access to the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence in respect of the accuracy and completeness of trade and other payables of the Debtor Company with carrying amounts of RMB528,394,440, RMB529,586,045 and RMB529,951,648, as at 31 December 2023, 2024 and 2025, respectively in accordance with HKFRS 9 *Financial Instruments*.

**7. Contract liabilities**

As at 31 December 2023, 2024 and 2025, included in the statement of financial position are amounts of RMB7,307,211, RMB7,307,211 and RMB7,307,211, respectively recognised as contract liabilities for amounts received in advance for future sales or services. Due to the lack of access to the books and records of the Debtor Company, we have been unable to perform sufficient appropriate audit procedures to obtain sufficient audit evidence in respect of the accuracy and completeness of the contract liabilities of the Debtor Company as at the end of each reporting period and the related disclosures as required by HKFRS 15.

**8. Other taxes payable**

Included in trade and other payables are other taxes payable of RMB6,793,742, RMB7,985,347 and RMB8,350,950 as at 31 December 2023, 2024 and 2025, respectively for which no payment had been made during the Relevant Periods and up to the date of this report.

Up to the date of this report, the Debtor Company is subject to late penalty charges and/or additional surcharges for unpaid taxes. No provision has been made in the Historical Financial Information in respect of any late penalty or surcharge that may be imposed by the relevant local tax authorities.

Due to the lack of access to the books and records of the Debtor Company, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the provision for other taxes and the late penalty or surcharges that should be recorded by the Debtor Company for the Relevant Periods.

**9. Profit or loss items**

During the Relevant Periods, the Debtor Company recognised revenue, other income, net impairment losses on financial assets, provision for claims, administrative expenses and finance costs, net in the statement of profit or loss.

Due to the lack of access to the books and records of the Debtor Company, we were unable to perform sufficient appropriate audit procedures and obtain sufficient and appropriate audit evidence about the classification, occurrence, completeness, accuracy and cut off of the income and expense items recognised for the Relevant Periods and therefore to satisfy ourselves as to whether the income and expense items were free from material misstatements.

#### **10. *Employee benefit expenses***

During the year ended 31 December 2023, the Debtor Company recognised staff costs of RMB615,727 for which no documentation or evidence was provided to us concerning the staff costs incurred and whether any contributions have been made to the defined contribution retirement benefit plans required by the PRC government. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the staff costs recognised were in compliance with HKAS 19 *Employee Benefits* and whether any provisions in respect of defined contribution benefit plans were required.

Furthermore, the Debtor Company is subject to late penalty charges and/or additional surcharges for unpaid defined contribution retirement benefits. However, no provision has been made in the Historical Financial Information in respect of any late penalty or surcharge that may be imposed by the relevant local authorities.

Due to the lack of access to the books and records of the Debtor Company, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the provision for other staff costs and if late penalty or surcharges that should be recorded by the Debtor Company for the Relevant Periods.

#### **11. *Finance costs and charges***

The Debtor Company entered into a finance lease in December 2015 for a term of 3 years for the acquisition of certain plant and machinery. The Debtor Company has defaulted on the repayment of finance lease and recognised defaulted interest in the year ended 31 December 2023 of RMB2,039,040.

Due to the lack of access to the books and records of the Debtor Company, we were unable to perform sufficient appropriate audit procedures to obtain the necessary audit evidence about the completeness and accuracy of finance costs and charges which should have been recognised for the Relevant Periods.

#### **12. *Contingent liabilities and commitments***

Due to the lack of access to the books and records of the Debtor Company, we were unable to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Debtor Company were properly recorded and accounted for and disclosed in compliance with the requirements of applicable accounting standards, including HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and HKFRS 9 *Financial Instruments*.

There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments of the Debtor Company were free from material misstatements.

### ***13. Opening balances and corresponding figures***

Due to the lack of access to the books and records of the Debtor Company, we were unable to obtain sufficient appropriate audit evidence about the carrying amounts of the assets and liabilities of the Debtor Company as at 31 December 2022 which formed the opening balances for the financial year ended 31 December 2023. Consequently, any adjustments to the 31 December 2022 figures that might have been found may have a consequential effect on the results, cash flows, and related disclosures for the year ended 31 December 2023.

There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of the opening balances as of 1 January 2023 and hence, whether any adjustments to the loss, cash flows and related disclosures for the year ended 31 December 2023 were necessary.

### ***14. Other disclosures in the Historical Financial Information***

Due to the lack of access to the books and records of the Debtor Company, we were unable to perform sufficient appropriate audit procedures to obtain sufficient appropriate evidence to satisfy ourselves as to the accuracy and completeness of the disclosures as required by the following:

- (a) HKAS 19 *Employee Benefits* for the staff costs and benefits as disclosed in note 13 to the Historical Financial Information;
- (b) HKFRS 7 *Financial Instruments: Disclosure*: the quantitative and qualitative information of financial instruments required to enable users to evaluate the significance of financial instruments for the Debtor Company's financial position and performance and the nature and extent of risks arising from financial instruments to which the Debtor Company was exposed during the Relevant Periods and at the end of each reporting period, and how the Debtor Company managed those risks; and
- (c) Related Party transactions and related party balances disclosure: The occurrence, accuracy, and completeness of key management personnel compensation, related party transactions during the Relevant Periods, and the existence and completeness of related party balances as at 31 December 2023, 2024 and 2025 as required by HKAS 24 *Related Party Disclosure*.

Any adjustments found to be necessary had we obtained sufficient appropriate audit evidence in respect of the matters described in points 1 to 14 would have had a significant consequential effect on the net liabilities of the Debtor Company as at 31 December 2023, 2024 and 2025, and of its loss, the elements making up the statement of changes in equity and cash flows for the Relevant Periods, and the related disclosures thereof in the Historical Financial Information.

**(b) Limitation of scope — appropriateness of the going concern basis of preparing the Historical Financial Information**

As disclosed in note 2.2 to the Historical Financial Information, the Debtor Company reported a loss of RMB22,044,768, RMB19,364,690 and RMB17,165,447 for the years ended 31 December 2023, 2024 and 2025, respectively. As at 31 December 2025, the Debtor Company's reported net current liabilities position was RMB630,972,492 and its lease liabilities of RMB64,789,397, together with accrued interest of RMB28,926,565, had been defaulted. Furthermore, as at the date of issuance of the Historical Financial Information, the Debtor Company is in the process of adopting a Restructuring Plan.

These events and conditions set out above indicate the existence of material uncertainty which may cast significant doubt on the Debtor Company's ability to continue as a going concern.

Notwithstanding the foregoing, the Historical Financial Information of the Debtor Company has been prepared on a going concern basis, which assumes the successful completion of the proposed restructuring (the "**Restructuring Plan**") of the Debtor Company as disclosed in note 2.2, and that the Debtor Company will therefore be able to meet its financial obligations in full as they fall due in the foreseeable future. The Historical Financial Information for each of the reporting periods do not include any adjustments arising from the liquidation of the Debtor Company.

The Restructuring Plan is dependent on a number of factors, including approval from the relevant parties and successful completion of the Acquisition. We have not been able to perform sufficient appropriate audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the Historical Financial Information because of the lack of sufficient appropriate audit evidence provided to us in relation to the measures for future actions being undertaken under the Restructuring Plan and the assumptions adopted by the Administrator in its going concern assessment which take into account the significant uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Debtor Company. Because of the significance of these matters, we were unable to form an opinion as to whether the use of going concern assumption in the preparation of Historical Financial Information is appropriate.

Should the Debtor Company be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of assets to their recoverable amounts and to provide for further liabilities which might arise. The effects of these adjustments have not been reflected in these Historical Financial Information and we were unable to determine whether such adjustments might have been found necessary.

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

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the underlying Financial Statements have been made.

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

***Dividends***

We refer to note 23 to the Historical Financial Information which states that no dividends have been paid by the Debtor Company in respect of the Relevant Periods.

**No historical financial statements for the Debtor Company**

As at the date of this report, no statutory financial statements have been prepared for the Debtor Company since its date of incorporation.



**KTC Partners CPA Limited**

*Certified Public Accountants (Practising)*

**Chow Yiu Wah, Joseph**

Practising Certificate Number: P04686

Hong Kong, 3 February 2026

## Preparation of Historical Financial Information

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

KTC Partners CPA Limited were engaged to audit the underlying financial statements of the Debtor Company for the Relevant Periods, on which the Historical Financial Information is based.

The Historical Financial Information is presented in Renminbi Yuan ("RMB").

### I HISTORICAL FINANCIAL INFORMATION

#### STATEMENTS OF PROFIT OR LOSS

Year ended 31 December

	<i>Notes</i>	<b>2023</b> <i>RMB</i>	<b>2024</b> <i>RMB</i>	<b>2025</b> <i>RMB</i>
Revenue	8	7,280,000	7,280,000	2,689,555
Impairment loss on lease receivables	9	(8,000,000)	(8,000,000)	(2,955,555)
Administrative expenses		<u>(19,285,733)</u>	<u>(18,644,690)</u>	<u>(16,899,447)</u>
<b>Operating loss</b>		<u>(20,005,733)</u>	<u>(19,364,690)</u>	<u>(17,165,447)</u>
Finance income		5	—	—
Finance cost		<u>(2,039,040)</u>	<u>—</u>	<u>—</u>
<b>Finance costs, net</b>	10	<u>(2,039,035)</u>	<u>—</u>	<u>—</u>
<b>Loss before income tax</b>	11	(22,044,768)	(19,364,690)	(17,165,447)
Income tax expense	12	<u>—</u>	<u>—</u>	<u>—</u>
<b>Loss for the year</b>		<u>(22,044,768)</u>	<u>(19,364,690)</u>	<u>(17,165,447)</u>
Attributable to owners of the parent		<u>(22,044,768)</u>	<u>(19,364,690)</u>	<u>(17,165,447)</u>

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
<b>Loss for the year</b>	<u>(22,044,768)</u>	<u>(19,364,690)</u>	<u>(17,165,447)</u>
<b>Total comprehensive loss for the year</b>	<u>(22,044,768)</u>	<u>(19,364,690)</u>	<u>(17,165,447)</u>
Total comprehensive loss for the year is attributable to:			
— owners of the parent	<u>(22,044,768)</u>	<u>(19,364,690)</u>	<u>(17,165,447)</u>

## STATEMENTS OF FINANCIAL POSITION

As at 31 December

	<i>Notes</i>	<b>2023</b> <i>RMB</i>	<b>2024</b> <i>RMB</i>	<b>2025</b> <i>RMB</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14	109,612,935	91,680,272	75,120,760
Investment properties	15	<u>8,217,493</u>	<u>7,977,161</u>	<u>7,736,829</u>
		<u>117,830,428</u>	<u>99,657,433</u>	<u>82,857,589</u>
<b>Current assets</b>				
Lease and other receivables	16	—	—	—
Bank balances and cash	17	<u>2,419</u>	<u>2,329</u>	<u>2,329</u>
		<u>2,419</u>	<u>2,329</u>	<u>2,329</u>
<b>Total assets</b>		<u><u>117,832,847</u></u>	<u><u>99,659,762</u></u>	<u><u>82,859,918</u></u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	18	528,394,440	529,586,045	529,951,648
Contract liabilities	19	7,307,211	7,307,211	7,307,211
Lease liabilities	20	<u>93,715,962</u>	<u>93,715,962</u>	<u>93,715,962</u>
<b>Total liabilities</b>		<u>629,417,613</u>	<u>630,609,218</u>	<u>630,974,821</u>
<b>Net current liabilities</b>		<u>(629,415,194)</u>	<u>(630,606,889)</u>	<u>(630,972,492)</u>
<b>Net liabilities</b>		<u><u>(511,584,766)</u></u>	<u><u>(530,949,456)</u></u>	<u><u>(548,114,903)</u></u>
<b>EQUITY</b>				
Paid up capital	21	24,900,000	24,900,000	24,900,000
Capital reserve		1,001,000	1,001,000	1,001,000
Accumulated losses		<u>(537,485,766)</u>	<u>(556,850,456)</u>	<u>(574,015,903)</u>
<b>Capital deficiency</b>		<u><u>(511,584,766)</u></u>	<u><u>(530,949,456)</u></u>	<u><u>(548,114,903)</u></u>

## STATEMENTS OF CHANGES IN EQUITY

### Year ended 31 December 2023

	Paid up capital <i>RMB</i>	Capital reserve <i>RMB</i> <i>(note)</i>	Accumulated losses <i>RMB</i>	Total <i>RMB</i>
At 1 January 2023	24,900,000	1,001,000	(515,440,998)	(489,539,998)
Loss and total comprehensive expense for the year	—	—	(22,044,768)	(22,044,768)
At 31 December 2023	<u>24,900,000</u>	<u>1,001,000</u>	<u>(537,485,766)</u>	<u>(511,584,766)</u>

### Year ended 31 December 2024

	Paid up capital <i>RMB</i>	Capital reserve <i>RMB</i> <i>(note)</i>	Accumulated losses <i>RMB</i>	Total <i>RMB</i>
At 1 January 2024	24,900,000	1,001,000	(537,485,766)	(511,584,766)
Loss and total comprehensive expense for the year	—	—	(19,364,690)	(19,364,690)
At 31 December 2024	<u>24,900,000</u>	<u>1,001,000</u>	<u>(556,850,456)</u>	<u>(530,949,456)</u>

### Year ended 31 December 2025

	Paid up capital <i>RMB</i>	Capital reserve <i>RMB</i> <i>(note)</i>	Accumulated losses <i>RMB</i>	Total <i>RMB</i>
At 1 January 2025	24,900,000	1,001,000	(556,850,456)	(530,949,456)
Loss and total comprehensive expense for the year	—	—	(17,165,447)	(17,165,447)
At 31 December 2025	<u>24,900,000</u>	<u>1,001,000</u>	<u>(574,015,903)</u>	<u>(548,114,903)</u>

*Note:* The capital reverse represents the contribution from the shareholder.

## STATEMENTS OF CASH FLOWS

Year ended 31 December

	<i>Notes</i>	<b>2023</b> <i>RMB</i>	<b>2024</b> <i>RMB</i>	<b>2025</b> <i>RMB</i>
<b>Operating activities</b>				
Loss before income tax		(22,044,768)	(19,364,690)	(17,165,447)
Adjustments for:				
Bank interest income	<i>10</i>	(5)	—	—
Finance cost	<i>10</i>	2,039,040	—	—
Impairment loss on lease receivables	<i>9</i>	8,000,000	8,000,000	2,955,555
Depreciation of property, plant and equipment	<i>14</i>	17,958,071	17,932,663	16,559,512
Depreciation of investment properties	<i>15</i>	<u>240,332</u>	<u>240,332</u>	<u>240,332</u>
<b>Operating cash flows before changes in working capital</b>		6,192,670	6,808,305	2,589,952
Decrease in lease and other receivables		(8,000,000)	(8,000,000)	(2,955,555)
Increase in trade and other payables		<u>1,807,331</u>	<u>1,191,605</u>	<u>365,603</u>
<b>Net cash from/(used in) operating activities</b>		<u>1</u>	<u>(90)</u>	<u>—</u>
<b>Net cash from investing activity</b>				
Interest received		<u>5</u>	<u>—</u>	<u>—</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		6	(90)	—
<b>Cash and cash equivalents at beginning of the year</b>		<u>2,413</u>	<u>2,419</u>	<u>2,329</u>
<b>Cash and cash equivalents at the end of the year, represented by bank balances and cash</b>	<i>17</i>	<u><u>2,419</u></u>	<u><u>2,329</u></u>	<u><u>2,329</u></u>

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Baoshan Xingshengtai Paper Co., Ltd (the “**Debtor Company**”) is a private company established in the People’s Republic of China (the “**PRC**”) with limited liability on 22 October 2010. The registered office and principal place of business of the Debtor Company is Wayao Town, Longyang District, Baoshan City, Yunnan Province, the PRC.

During the Relevant Periods, the Debtor Company is principally engaged in the rental of its leasehold land and property, plant and equipment.

On 6 April 2023, three independent third parties petitioned for the bankruptcy restructuring of the Debtor Company for the reason that the assets consisting mainly of plant and machinery of the Debtor Company are encumbered rendering it unable to continue operation or repay its debts as they fall due and the shareholders’ equity was insufficient to cover its debts, showcasing difficulties in continuous business operation. On the same date, the Longyang Court ruled to accept the petition. On 5 June 2023, the Longyang Court issued a notice which stated that Yunnan Hengjia Assets Liquidation Co., Ltd (the “**Administrator**”) was appointed as the administrator of the Debtor Company’s bankruptcy restructuring proceedings.

On 28 July 2025, the Administrator, Zhejiang Huazhang Technology Limited (a wholly-owned subsidiary of the Huazhang Technology Holding Limited (the “**Company**”) (“**Zhejiang Huazhang**”) and the Debtor Company entered into the Restructuring Agreement. Pursuant to the Restructuring Agreement, Zhejiang Huazhang has conditionally agreed to invest a total sum of RMB95,693,842 (the “**Investment Amount**”) into the Debtor Company which will be used to settle the outstanding debts due from the Debtor Company to its creditors that have been recognised, examined and verified by the Administrator as set out in the Restructuring Plan. All the liabilities of the Debtor Company, including trade payables of RMB324,850,280 and lease liabilities of RMB93,715,962 will be fully discharged using the Investment Amount upon completion of the transaction.

Upon satisfaction of all the Conditions Precedent, the Administrator will commence the procedure for the transfer of the entire equity interest in the Debtor Company (including all the assets it held) to Zhejiang Huazhang pursuant to the Restructuring Plan and will complete the transfer within 25 days after the full payment of the Investment Amount by Zhejiang Huazhang pursuant to the Restructuring Agreement. Upon completion of the equity transfer, the Debtor Company will become a wholly-owned subsidiary of the Company.

These Historical Financial Information are presented in Renminbi Yuan (“**RMB**”), which is the same as the functional currency of the Debtor Company.

## **2.1 BASIS OF PREPARATION**

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

All HKFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been consistently applied by the Debtor Company in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention.

## **2.2 GOING CONCERN**

The Debtor Company reported a loss of RMB22,044,768, RMB19,364,690 and RMB17,165,447 for the years ended 31 December 2023, 2024 and 2025, respectively. As at 31 December 2025, the Debtor Company’s reported net current liabilities position was RMB630,972,492 and its lease liabilities of RMB64,789,397, together with accrued interest of RMB28,926,565, had been defaulted. Furthermore, as at the date of issuance of the Historical Financial Information, the Debtor Company is the process of adopting a Restructuring Plan. These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Debtor Company’s ability to continue as a going concern. Therefore, the Debtor Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

In order to improve the Debtor Company’s financial position, the directors of the Company will be implementing various plans and measures, as follows:

- (i) Implementation of the Restructuring Plan per note 1 in order to settle all of the Debtor Company’s outstanding liabilities to its creditors per the scheme of payment as approved by the PRC Courts and the Administrator;
- (ii) Financial support from the Group upon successful implementations of the Restructuring Plan; and
- (iii) Upon completion of the Acquisition, management of the Group will recommence the operations of the Debtor Company which is expected to generate revenues and positive cash flows.

These Historical Financial Information have been prepared on a going concern basis, the validity of which depends upon the successful implementation and outcome of the abovementioned plans and measures to be undertaken by the Debtor Company. The directors of the Company are of the opinion that, taking into account the above plans and measures, the Debtor Company will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from 31 December 2025. The directors of the Company are therefore of the opinion that it is appropriate to prepare the Historic Financial Information on a going concern basis. Should the Debtor Company be unable to continue as a going concern, adjustments would have to be made to the Historical Financial Information to adjust the carrying values of the Debtor Company's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

### **3. NEW AND AMENDMENTS TO HKFRS ACCOUNTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE**

The Debtor Company has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments <sup>3</sup>
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature — Dependent Electricity <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 <sup>3</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>
HKFRS 18	Presentation and Disclosure in Financial Statements <sup>4</sup>
HKFRS 19	Subsidiaries without Public Accountability: Disclosures <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2026.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the Historical Financial Information in the foreseeable future.

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

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The directors of the Company is in the process of assessing the detailed impact of HKFRS 18 on the Debtor Company's Historical Financial Information.

#### **4. MATERIAL ACCOUNTING POLICY INFORMATION**

##### **4.1 Property, plant and equipment**

Property, plant and equipment include machinery and furniture, fittings and equipment. All property, plant and equipment is stated at historical cost less depreciation and impairment (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Debtor Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

- Plant and machinery 3–14 years
- Furniture, fittings and equipment 3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 4.3).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other income and gains, net in the statement of profit or loss.

#### **4.2 Investment properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Debtor Company, is classified as investment property.

Land held under operating leases is classified and accounted for by the Debtor Company as investment property when the rest of the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs that are incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended. After initial recognition, investment property is carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation of investment properties is calculated using the straight line method to allocate their costs over their estimated useful lives of lease term.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Debtor Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

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

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units ("CGU")) and group of CGUs that have synergy effect since the acquisition. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### **4.4 Financial assets**

#### **4.4.1 Classification**

The Debtor Company classifies its financial assets in the measurement category of those to be measured at amortised cost.

The classification depends on the Debtor Company's business model for managing the financial assets and the contractual terms of the cash flows.

#### **4.4.2 Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Debtor Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Debtor Company has transferred substantially all the risks and rewards of ownership.

#### **4.4.3 Measurement**

At initial recognition, the Debtor Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Debtor Company's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income and gains, net using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the profit or loss and presented in other income and gains, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

#### **4.4.4 Impairment**

The Debtor Company assesses on a forward looking basis the expected credit loss (“ECL”) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For lease receivables, the Debtor Company applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 5.1(b) for further details.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### **4.5 Lease and other receivables**

Lease and other receivables are amounts due from customers for rental services performed in the ordinary course of business. If collection of lease and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Lease receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Debtor Company holds the lease receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Other receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method. See Note 16 for further information about the Debtor Company's accounting for lease and other receivables, and Note 5.1(b) for the description of the Debtor Company's impairment policies.

#### **4.6 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand.

#### **4.7 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

#### **4.8 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Debtor Company prior to the end of financial year which are unpaid. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **4.9 Contract liabilities**

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

#### **4.10 Leases**

##### *As lessee*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Debtor Company.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Debtor Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Debtor Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

##### *As lessor*

Lease income from operating leases where the Debtor Company is a lessor is recognised in income on a straight line basis over the lease term (Note 8). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

#### **4.11 Borrowing costs**

All borrowing costs are expensed in the period in which they are incurred.

#### **4.12 Interest income**

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

#### **4.13 Employee benefits — pension obligations**

In accordance with the rules and regulations in the PRC, the Debtor Company has arranged for its PRC employees to join the defined contribution retirement benefit plans organised by the PRC government. The PRC government undertakes to assume the retirement benefit obligations of all existing and future retired employees payable under the plan as set out in Note 13. The assets of this plan are held separately from those of the Debtor Company in an independent fund managed by the PRC government.

The Debtor Company's contributions to the defined contribution retirement benefit plan are charged to the statements of profit or loss as incurred. The Debtor Company has no further payment obligations once the contributions have been paid.

#### **4.14 Current and deferred income tax**

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### **(a) Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Debtor Company operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### **(b) Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Debtor Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss.

## **5. FINANCIAL RISK MANAGEMENT**

### **5.1 Financial risk factors**

The Debtor Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Debtor Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Debtor Company's financial performance.

#### **(a) Market risk**

##### **(i) Foreign exchange risk**

The Debtor Company has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies.

Foreign exchange risk arises when transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Debtor Company operates in the PRC with most of the Debtor Company's transactions denominated and settled in RMB.

**(ii) Cash flow and fair value interest rate risk**

The Debtor Company's operating income and operating cash flows are substantially independent of changes in market interest rates as the Debtor Company has no significant interest-bearing assets and liabilities other than its bank deposits and lease. Bank deposits and lease liabilities at fixed rates expose the Debtor Company to fair value interest rate risk. The Debtor Company has not hedged its cash flow and fair value interest rate risk.

As at 31 December 2025, 2024 and 2023, the Debtor Company has no interest-bearing loans with floating rate.

**(b) Credit risk**

Credit risk arises from lease and other receivables and bank balances. The carrying amounts or the undiscounted nominal amounts, where applicable, of each class of these assets represent the Debtor Company's maximum exposure to credit risk in relation to the corresponding class of assets.

To manage the risk with respect to cash and cash equivalents, they are either placed with or issued by highly reputable financial institutions.

The Debtor Company considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Debtor Company compares the risk of default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- External credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtors' ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtors.

Management performs ongoing credit evaluations of the counterparties. The credit quality of these customers are assessed, which takes into account their financial position, past experience and available forward-looking information.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records, past experience and available forward-looking information.

The Debtor Company applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all lease receivables. To measure the ECL, lease receivables subject to individual evaluation, which are assessed for impairment individually.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL. For other receivables, the impairment provision were determined as the 12-months ECL, as there was no significant increase of credit risk since the initial recognition. The Debtor Company has performed the assessment for other receivables and concluded that no material financial impact exists.

In respect of credit exposures to the tenant, which includes lease receivables and certain tenant-related other receivables, credit risk exposure is minimised by undertaking transactions with a large number of counterparties and conducting credit reviews on prospective tenants. In general, a significant increase in credit risk is presumed if a debtor is past due in making a contractual payment/repayable demanded, and a default on a financial asset is when the counterparty fails to make contractual payments/repayable demanded within 90 days when they past due.

The management regularly reviews the recoverable amount of each long overdue lease receivable on an individual basis to ensure that adequate provision for impairment losses is made for potentially irrecoverable amounts, which uses a lifetime expected loss allowance for lease receivables. The Debtor Company has also incorporated forward-looking information, which takes into account the macroeconomic factors in estimating the expected credit loss. As at 31 December 2025, provision for impairment of RMB21,646,108 (2023 and 2024: RMB10,690,553 and RMB18,690,553 respectively) was made on certain long overdue lease receivables. The Debtor Company has concentration of credit risk as its lease receivables is due from one tenant during the Relevant Periods.

On that basis, the loss allowance as at Relevant Periods was determined as follows for lease receivables:

	<b>Past due</b>		
	<b>Within 1 year</b>	<b>1 year to 2 years</b>	<b>Total</b>
<b>As at 31 December 2025</b>			
Gross amount (RMB)	2,955,555	18,690,553	21,646,108
Expected loss rate	100%	100%	100%
Loss allowance (RMB)	<u>(2,955,555)</u>	<u>(18,690,553)</u>	<u>(21,646,108)</u>
Net carrying amount (RMB)	<u>—</u>	<u>—</u>	<u>—</u>
<b>As at 31 December 2024</b>			
Gross amount (RMB)	8,000,000	10,690,553	18,690,553
Expected loss rate	100%	100%	100%
Loss allowance (RMB)	<u>(8,000,000)</u>	<u>(10,690,553)</u>	<u>(18,690,553)</u>
Net carrying amount (RMB)	<u>—</u>	<u>—</u>	<u>—</u>
<b>As at 31 December 2023</b>			
Gross amount (RMB)	8,000,000	2,690,553	10,690,553
Expected loss rate	100%	100%	100%
Loss allowance (RMB)	<u>(8,000,000)</u>	<u>(2,690,553)</u>	<u>(10,690,553)</u>
Net carrying amount (RMB)	<u>—</u>	<u>—</u>	<u>—</u>

The tables below detail the credit risk exposures of the Debtor Company's financial assets, which are subject to ECL assessment:

	<i>Notes</i>	<b>Internal</b>	<b>12-month or credit rating lifetime ECL</b>	<b>Gross carrying amount RMB</b>
<b>As at 31 December 2025</b>				
<b>Financial assets at amortised cost</b>				
Lease receivables	16	(note i)	Lifetime ECL	21,646,108
Other receivables	16	(note ii)	Lifetime ECL	14,910,787
Bank balances and cash	17	N/A	12-month ECL	2,329
<b>As at 31 December 2024</b>				
<b>Financial assets at amortised cost</b>				
Lease receivables	16	(note i)	Lifetime ECL	18,690,553
Other receivables	16	(note ii)	Lifetime ECL	14,910,787
Bank balances and cash	17	N/A	12-month ECL	2,329
<b>As at 31 December 2023</b>				
<b>Financial assets at amortised cost</b>				
Lease receivables	16	(note i)	Lifetime ECL	10,690,553
Other receivables	16	(note ii)	Lifetime ECL	14,910,787
Bank balances and cash	17	N/A	12-month ECL	2,419

*Notes:*

- (i) The Debtor Company has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Debtor Company assessed these balances are credit-impaired.
- (ii) The Debtor Company that there is evidence indicating these other receivables are credit-impaired.

**(c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The consideration of going concern assessment prepared by the directors of the Company are set out in note 2.2, as the Debtor Company's current liabilities exceeded its current assets by RMB630,972,492 as at 31 December 2025.

All of the Debtor Company's remaining contractual maturity for its financial liabilities are repayable on demand or within one year.

**5.2 Capital risk management**

The Debtor Company's objectives when managing capital are to safeguard the Debtor Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Debtor Company consists of net debt, which includes lease liabilities in note 20, net of cash and cash equivalents and equity attributable to owners of the Debtor Company, comprising issued share capital and reserves.

In order to maintain or adjust the capital structure, the Debtor Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**5.3 Fair value estimation**

The carrying amounts of the Debtor Company's other financial assets (including lease and other receivables and bank balances and cash) and financial liabilities (including trade and other payables and lease liabilities) approximate their fair values.

**6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the Historic Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Debtor Company's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **6.1 Critical accounting estimates**

### **(a) Impairment of lease and other receivables**

For lease and other receivables, the Debtor Company applies ECL model to provide for ECL as prescribed by HKFRS 9, which requires the use of the 12-month or lifetime expected loss allowance. The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Debtor Company uses judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Debtor Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Management reassesses the provision at the end of each reporting period.

### **(b) Impairment of property, plant and equipment and investment properties**

In considering the impairment losses that may be required for the property, plant and equipment and investment properties of the Debtor Company, their recoverable amounts need to be determined. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In arriving at the fair value less cost disposal, management have assessed these assets using the cost method and pricing indexes. The Debtor Company uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount.

## **7. SEGMENT INFORMATION**

The Debtor Company's businesses are operated and managed as one single segment — rental income and no separate segment information was presented for the Relevant Periods. During the Relevant Periods, the Debtor Company principally operated in the PRC and all of its revenue was generated in the PRC. All of its non-current assets were located in the PRC during the Relevant Periods.

Management monitors the results of the Debtor Company's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax. The adjusted loss before income tax is measured consistently with the Debtor Company's loss before income tax except that common administrative expenses, other income, finance cost, net and income tax expense are excluded from such measurement.

Segment assets and liabilities include all assets and liabilities of the Debtor Company are managed on a portfolio basis.

### Geographical information

During the Relevant Periods, the Debtor Company operated within one geographical segment because nearly all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

### Information about major customers

Only one single customer of the Debtor Company during the Relevant Periods.

## 8. REVENUE

	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Rental income	<u>7,280,000</u>	<u>7,280,000</u>	<u>2,689,555</u>

The Debtor Company leases its leasehold land and property, plant and machinery to Baoshan Yuzhi Paper Co., Ltd. (“Baoshan Yuzhi”), a related company under rental agreements ranging from 2020 to 2039 with the an annual fixed payment of RMB8,000,000. However, the leases agreement had been defaulted and terminated by a court order on 14 May 2025 due to the bankruptcy restructuring proceedings. No operating lease commitments incurred since 14 May 2025. Details see note 16(a).

## 9. IMPAIRMENT LOSSES ON LEASE RECEIVABLES

		2023	2024	2025
	<i>Notes</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Impairment losses on — lease receivables	16	<u>8,000,000</u>	<u>8,000,000</u>	<u>2,955,555</u>

## 10. FINANCE COSTS, NET

	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Finance (income)/cost			
— Bank interest income	(5)	—	—
— Lease liabilities — defaulted interest	<u>2,039,040</u>	<u>—</u>	<u>—</u>
	<u>2,039,035</u>	<u>—</u>	<u>—</u>

## 11. LOSS BEFORE INCOME TAX

The Debtor Company's loss before income tax is arrived after charging the following:

	Notes	2023	2024	2025
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Depreciation of property, plant and equipment	14	17,958,071	17,932,663	16,559,512
Depreciation of investment properties	15	240,332	240,332	240,332
Employment benefit expenses	13	615,727	—	—
Other taxes		471,603	471,605	99,603
Other expenses		<u>—</u>	<u>90</u>	<u>—</u>
Included in administrative expenses		<u>19,285,733</u>	<u>18,644,690</u>	<u>16,899,447</u>

## 12. INCOME TAX EXPENSE

PRC enterprise income tax (“EIT”) is provided on the assessable income of the Debtor Company incorporated in the PRC. Pursuant to the PRC Enterprise Income Tax Law (the “EIT Law”), the EIT of companies established in the PRC is unified at 25%, effective from 1 January 2008. The applicable EIT rate of the Debtor Company is 25% according to the EIT Law. A reconciliation of the income tax expense applicable to loss before income tax using the statutory rate is as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Loss before income tax	<u>(22,044,768)</u>	<u>(19,364,690)</u>	<u>(17,165,447)</u>
Tax calculated at the statutory tax rate of 25%	(5,511,192)	(4,841,173)	(4,291,362)
Tax effects of:			
Tax losses and temporary differences for which no deferred tax asset was recognised	<u>5,511,192</u>	<u>4,841,173</u>	<u>4,291,362</u>
Income tax expense for the year	<u>—</u>	<u>—</u>	<u>—</u>

### Deferred tax assets

Unrecognised deferred tax assets arising from:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Deductible temporary differences	25,601,340	33,601,340	36,556,896
Tax losses	<u>74,610,189</u>	<u>47,448,793</u>	<u>61,658,684</u>
At the end of the reporting period	<u>100,211,529</u>	<u>81,050,133</u>	<u>98,215,580</u>

The related deferred tax assets have not been recognised due to uncertainty of their recoverability. Deductible temporary differences have no expiry, while the expiry dates of tax losses at the end of the reporting period was as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Accumulated tax losses			
In PRC expire for five years			
— 2023	—	—	—
— 2024	38,526,086	—	—
— 2025	—	—	—
— 2026	—	—	—
— 2027	22,039,335	22,039,335	22,039,335
— 2028	14,044,768	14,044,768	14,044,768
— 2029	—	11,364,690	11,364,690
— 2030	—	—	14,209,891
	<u>74,610,189</u>	<u>47,448,793</u>	<u>61,658,684</u>

### 13. EMPLOYEE BENEFIT EXPENSE

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Employee benefit expense (including directors' emoluments)			
Wages and salaries	<u>615,727</u>	<u>—</u>	<u>—</u>

The employees of the Debtor Company who work in the PRC are required to participate in pension schemes operated by the local governments. The Debtor Company is required to contribute certain percentage of their payroll costs to the schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the pension schemes. No contribution paid during the Relevant Periods.

There was no forfeited contribution during the Relevant Periods.

## 14. PROPERTY, PLANT AND EQUIPMENT

	<b>Right-of-use assets plant and machinery RMB</b>	<b>Plant and machinery RMB</b>	<b>Furniture, fittings and equipment RMB</b>	<b>Total RMB</b>
<b>Cost</b>				
As at 1 January and 31 December 2023, 2024 and 2025	<u>147,716,856</u>	<u>52,765,496</u>	<u>459,805</u>	<u>200,942,157</u>
<b>Accumulated depreciation</b>				
As at 1 January 2023	61,111,974	11,800,288	458,889	73,371,151
Charge for the year	<u>14,771,686</u>	<u>3,186,306</u>	<u>79</u>	<u>17,958,071</u>
As at 31 December 2023	75,883,660	14,986,594	458,968	91,329,222
Charge for the year	<u>14,771,686</u>	<u>3,160,977</u>	<u>—</u>	<u>17,932,663</u>
As at 31 December 2024	90,655,346	18,147,571	458,968	109,261,885
Charge for the year	<u>14,771,685</u>	<u>1,787,827</u>	<u>—</u>	<u>16,559,512</u>
As at 31 December 2025	<u>105,427,031</u>	<u>19,935,398</u>	<u>458,968</u>	<u>125,821,397</u>
<b>Net carrying amount</b>				
As at 31 December 2025	<u>42,289,825</u>	<u>32,830,098</u>	<u>837</u>	<u>75,120,760</u>
As at 31 December 2024	<u>57,061,510</u>	<u>34,617,925</u>	<u>837</u>	<u>91,680,272</u>
As at 31 December 2023	<u>71,833,196</u>	<u>37,778,902</u>	<u>837</u>	<u>109,612,935</u>

As at 31 December 2025, the right-of-use assets — plant and machinery with net carrying amount of RMB42,289,825 (2023 and 2024: RMB71,833,196 and RMB57,061,510 respectively) have been pledged to a finance leasing company to secure lease liabilities (note 20) granted to the Debtor Company. The lease liabilities had been defaulted since 2019.

All the property, plant and equipment and the investment properties were leased to a related company for generated the rental income.

Details refer to the note 8.

## 15. INVESTMENT PROPERTIES

	<b>Prepaid lease payments RMB</b>		
<b>Cost</b>			
As at 1 January and 31 December 2023, 2024 and 2025			<u>12,016,576</u>
<b>Accumulated depreciation</b>			
As at 1 January 2023			3,558,751
Charge for the year			<u>240,332</u>
As at 31 December 2023			3,799,083
Charge for the year			<u>240,332</u>
As at 31 December 2024			4,039,415
Charge for the year			<u>240,332</u>
As at 31 December 2025			<u>4,279,747</u>
<b>Net carrying amount</b>			
As at 31 December 2025			<u>7,736,829</u>
As at 31 December 2024			<u>7,977,161</u>
As at 31 December 2023			<u>8,217,493</u>
Amount recognised in profit or loss for investment properties included:			
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Rental income	7,280,000	7,280,000	2,689,555
Depreciation	<u>240,332</u>	<u>240,332</u>	<u>240,332</u>

Management have not disclosed the fair value and related disclosures of the investment properties in accordance with HKAS 40.

## 16. LEASE AND OTHER RECEIVABLES

	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Lease receivables ( <i>note a</i> )	10,690,553	18,690,553	21,646,108
Less: provision for impairment of lease receivables	<u>(10,690,553)</u>	<u>(18,690,553)</u>	<u>(21,646,108)</u>
Lease receivables, net	<u>—</u>	<u>—</u>	<u>—</u>
Other receivables ( <i>note c</i> )	14,910,787	14,910,787	14,910,787
Less: provision for impairment of other receivables	<u>(14,910,787)</u>	<u>(14,910,787)</u>	<u>(14,910,787)</u>
Other receivables, net	<u>—</u>	<u>—</u>	<u>—</u>
Total lease and other receivables	<u>—</u>	<u>—</u>	<u>—</u>

- (a) In May 2025, the Administrators filed a claim in the Longyang Court in the PRC for outstanding lease receivables in the amount of RMB21,646,108 and the Longyang Court have issued a court order, received and frozen an amount of RMB10,000,000 in respect of the outstanding lease receivables. As the date of issuance of the Historical Financial Information, the case was pending judgment. The Debtor Company assessed that the lease receivables had other legal cases at the same time, such as Labour Tribunal cases and cases of the PRC Government department and considering the repayment priority, recognised the full impairment of the lease receivables for the Relevant Periods.
- (b) Movements in the Debtor Company's provision for impairment of lease receivables are as follows:

	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Balance at the beginning of the year	2,690,553	10,690,553	18,690,553
Recognised during the year ( <i>Note a</i> )	<u>8,000,000</u>	<u>8,000,000</u>	<u>2,955,555</u>
Balance at the end of the year	<u>10,690,553</u>	<u>18,690,553</u>	<u>21,646,108</u>

- (c) Other receivables at 31 December 2023, 2024 and 2025 consisting mainly of the advances to the independent third party companies and individuals of RMB9,410,210 and RMB5,500,577 which were unsecured, interest free and repayable on demand.

- (d) Movements in the Debtor Company's provision for impairment of other receivables are as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Balance at the beginning and end of the year	<u>14,910,787</u>	<u>14,910,787</u>	<u>14,910,787</u>

#### 17. BANK BALANCES AND CASH

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Cash at bank	2,397	2,307	2,307
Cash on hand	<u>22</u>	<u>22</u>	<u>22</u>
Cash and cash equivalents	<u>2,419</u>	<u>2,329</u>	<u>2,329</u>

The Debtor Company's bank balances and cash are all denominated in RMB.

#### 18. TRADE AND OTHER PAYABLES

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Trade payables <i>note (i)</i>	433,221,857	433,221,857	433,221,857
Accruals	615,727	615,727	615,727
Other taxes payable <i>note (ii)</i>	6,793,742	7,985,347	8,350,950
Other payables <i>note (iii)</i>	<u>87,763,114</u>	<u>87,763,114</u>	<u>87,763,114</u>
	<u>528,394,440</u>	<u>529,586,045</u>	<u>529,951,648</u>

*Notes:*

- (i) At 31 December 2023, 2024 and 2025, trade payables included an amount due to a shareholder of RMB1,370,504, RMB1,370,504 and RMB1,370,504 respectively. The amount is interest-free, unsecured and payable on demand.

The ageing analysis of the trade payables based on the invoice date is as follows:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Up to 3 months	—	—	—
3 months to 6 months	—	—	—
6 months to 1 year	—	—	—
1 year to 2 years	33,219	—	—
Over 2 years	433,188,638	433,221,857	433,221,857
	<u>433,221,857</u>	<u>433,221,857</u>	<u>433,221,857</u>

(ii) Other tax payable mainly includes value added tax payables, urban maintenance and construction tax, education surcharge and property tax etc.

(iii) Other payables comprised:

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Major shareholders	52,000,861	52,000,861	52,000,861
Independent third parties	35,762,253	35,762,253	35,762,253
	<u>87,763,114</u>	<u>87,763,114</u>	<u>87,763,114</u>

The amounts are interest-free, unsecured and payable on demand.

## 19. CONTRACT LIABILITIES

The contract liabilities primarily related to the advanced consideration received from customers. Management have not provided the relevant disclosures as required by HKFRS 15.

## 20. LEASE LIABILITIES

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Principal	64,789,397	64,789,397	64,789,397
Defaulted interest	28,926,565	28,926,565	28,926,565
	<u>93,715,962</u>	<u>93,715,962</u>	<u>93,715,962</u>

Lease liabilities were borrowed from a finance leasing company and secured by the leasing plant and machinery of the Debtor Company, interest bearing at 6.125% to 7.02%, and repayable before 2018.

## 21. PAID UP CAPITAL

	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Paid up capital			
At 1 January and 31 December	<u>24,900,000</u>	<u>24,900,000</u>	<u>24,900,000</u>

The Debtor Company is a company established under the laws of the PRC in Baoshan City, Yunnan Province, the PRC on 22 October 2010 with a registered capital of RMB24,900,000 (fully paid-up).

## 22. RELATED PARTY TRANSACTION

The following is a summary of the significant transactions carried out between the Debtor Company and its related parties in the ordinary course of business and balances arising from related party transactions during the Relevant Periods.

### (a) Name and relationship with related parties

Name of related parties	Relationships
Baoshan Yuzhi Paper Co., Ltd. ("Baoshan Yuzhi")	Controlled by close family members of former director of the Debtor Company

### (b) Transactions with related parties

In addition to the transactions detailed elsewhere in these Historic Financial Information, the Debtor Company had the following transactions with related parties during the Relevant Periods.

	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Rental income	<u>7,280,000</u>	<u>7,280,000</u>	<u>2,689,555</u>

(c) **Balances with related parties**

	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Lease receivables			
— Baoshan Yuzhi	10,690,553	18,690,553	21,646,108
Trade payables			
— Liu Yuedong	1,370,504	1,370,504	1,370,504
Other payables			
— Chen Zhenyu	309,818	309,818	309,818
— Lin Jintao	<u>51,691,043</u>	<u>51,691,043</u>	<u>51,691,043</u>

**23. DIVIDENDS**

No dividends were paid during the Relevant Periods.

The Administrator does not recommend to declare any dividend for the year ended 31 December 2025 (2023 and 2024: nil).

**24. EVENTS AFTER THE REPORTING PERIOD**

(a) **Restructuring**

The Debtor Company, the Administrator and Zhejiang Huazhang entered into a Restructuring Agreement on 28 July 2025. Pursuant to the Restructuring Agreement, Zhejiang Huazhang has agreed to invest a total sum of RMB95,693,842.33 (the “**Investment Amount**”) into the Debtor Company which the Debtor Company will use to settle the outstanding debts due from the Debtor Company to its creditors that have been recognised, examined and verified by the Administrator as set out in the Restructuring Plan.

Upon satisfaction of all the Conditions Precedent, the Administrator will commence the procedure for the transfer of the entire equity interest in the Debtor Company (including all the assets it held) to Zhejiang Huazhang pursuant to the Restructuring Plan and will complete the transfer within 25 days after the full payment of the Investment Amount by Zhejiang Huazhang pursuant to the Restructuring Agreement.

Upon completion of the Restructuring Plan, all the financial liabilities of the Debtor Company would be discharged including trade and other payables of RMB529,951,648, contract liabilities of RMB7,307,211 and lease liabilities of RMB93,715,962 at 31 December 2025 will be fully settled. It is assumed that no liability of the Debtor Company is assumed by the Enlarged Group at date of completion of acquisition of the Debtor Company.

After the Equity Transfer Completion, the Debtor Company will become a wholly-owned subsidiary of the Group.

At 30 June 2025, Zhejiang Huazhang has paid an application fee of RMB10,000,000 and a performance pledge of RMB40,000,000 to the Administrator which will be fully applied to partially satisfy the payment of the Investment Amount. At the date of issuance of the Historical Financial Information, the acquisition was still in progress. Details of the acquisition are disclosed in the announcement of the Company dated 28 July 2025.

**(b) Acquisition of creditor's rights**

On 1 December 2025, the Yunnan Asset Management Company Limited, a company established in the PRC with limited liability and a secured creditor of the Debtor Company (the "Seller") published an auction invitation in the Jingdong Asset Bidding Network Platform at <https://zcpm.jd.com> inviting public bids for the acquisition of the creditor's rights legally held by the Seller in (i) the amount of approximately RMB38,320,000 due from the Debtor Company; and (ii) amount due from Zhaotong Junchi Trading Company Limited with a principal of RMB10,000,000 ("Creditor's Rights"). The Group participated in the public auction and was the highest bidder. On 17 December 2025, Huazhang Holdings (Taizhou) Company Limited (the "Purchaser"), a wholly owned subsidiary of the Company entered into the Debt Transfer Agreement with the Seller for the acquisition of the Creditor's Rights at a consideration of RMB20,000,000, which will be fully settled by the Purchaser within five business days after the date of the Debt Transfer Agreement. Pursuant to the Restructuring Plan, the recognised debt claim of RMB38,320,000 ("Verified Amount") was secured and verified by the Administrator and Court, and in accordance with the Restructuring Plan was entitled to repayment of 50% of the Verified Amount. Details of the acquisition of the Creditor's Rights by way of public auction is disclosed in the announcement of the Company dated 17 December 2025.