

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BEIJING XUNZHONG COMMUNICATION TECHNOLOGY CO., LTD. AND DBS ASIA CAPITAL LIMITED**Introduction**

We report on the historical financial information of Beijing Xunzhong Communication Technology Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages 3 to 80, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2022, 2023 and 2024 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 3 to 80 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2025 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the 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 directors 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 express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of 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, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

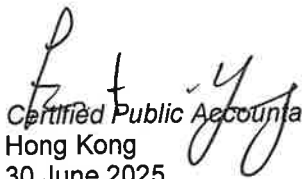
In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022, 2023 and 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

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 as defined on page 3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.


Certified Public Accountants
Hong Kong
30 June 2025

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December		
		2022 RMB'000	2023 RMB'000	2024 RMB'000
REVENUE	5	809,743	915,630	917,606
Cost of sales		(614,358)	(719,986)	(714,613)
Gross profit		195,385	195,644	202,993
Other income and gains	5	26,912	9,849	4,003
Selling expenses		(21,407)	(23,149)	(19,594)
Administrative expenses		(46,999)	(39,712)	(34,079)
Research and development expenses		(45,719)	(40,525)	(38,072)
Impairment losses on financial assets, contract assets and other assets		(13,254)	(6,268)	(46,336)
Other expenses and losses		(187)	(2,396)	(5,188)
Finance costs	7	(5,802)	(8,335)	(12,303)
Share of losses of an associate		(623)	(173)	(22)
PROFIT BEFORE TAX	6	88,306	84,935	51,402
Income tax expenses	10	(13,646)	(8,351)	(760)
PROFIT FOR THE YEAR		<u>74,660</u>	<u>76,584</u>	<u>50,642</u>
Attributable to:				
Owners of the parent		75,972	77,621	53,545
Non-controlling interests		(1,312)	(1,037)	(2,903)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	12	<u>0.85</u>	<u>0.85</u>	<u>0.59</u>

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
PROFIT FOR THE YEAR	<u>74,660</u>	<u>76,584</u>	<u>50,642</u>
OTHER COMPREHENSIVE INCOME			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Equity investment designated at fair value through other comprehensive income:			
Changes in fair value	(657)	(1,516)	(975)
Income tax effect	<u>99</u>	<u>227</u>	<u>146</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(558)</u>	<u>(1,289)</u>	<u>(829)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>74,102</u></u>	<u><u>75,295</u></u>	<u><u>49,813</u></u>
Attributable to:			
Owners of the parent	75,414	76,332	52,716
Non-controlling interests	<u>(1,312)</u>	<u>(1,037)</u>	<u>(2,903)</u>

I **HISTORICAL FINANCIAL INFORMATION** (continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	6,686	4,627	4,182
Right-of-use assets	14(a)	1,363	12,171	7,687
Goodwill	15	5,120	3,894	-
Investment in an associate	16	-	727	-
Equity investment designated at fair value through other comprehensive income	16	2,491	975	-
Deferred tax assets	26	6,757	8,031	13,853
Contract assets	19	223	210	188
Total non-current assets		<u>22,640</u>	<u>30,635</u>	<u>25,910</u>
CURRENT ASSETS				
Inventories	17	3,090	3,072	1,926
Trade receivables	18	550,958	608,610	880,946
Contract assets	19	711	-	-
Prepayments, other receivables and other assets	20	366,102	476,974	567,981
Pledged deposits	21	-	8,573	-
Cash and cash equivalents	21	48,781	76,699	7,286
Total current assets		<u>969,642</u>	<u>1,173,928</u>	<u>1,458,139</u>
CURRENT LIABILITIES				
Trade payables	22	92,195	84,694	202,133
Contract liabilities	23	23,185	53,205	51,225
Other payables and accruals	24	14,722	14,174	75,889
Bank and other borrowings	25	139,199	242,646	290,303
Lease liabilities	14(b)	1,337	5,393	5,716
Tax payable		7,107	1,401	5,462
Total current liabilities		<u>277,745</u>	<u>401,513</u>	<u>630,728</u>
NET CURRENT ASSETS		<u>691,897</u>	<u>772,415</u>	<u>827,411</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>714,537</u>	<u>803,050</u>	<u>853,321</u>
NON-CURRENT LIABILITIES				
Lease liabilities	14(b)	7	8,302	3,460
Bank and other borrowings	25	-	5,005	10,000
Deferred tax liabilities	26	82	-	5
Total non-current liabilities		<u>89</u>	<u>13,307</u>	<u>13,465</u>
Net assets		<u>714,448</u>	<u>789,743</u>	<u>839,856</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	27	91,314	91,314	91,314
Reserves	28	620,580	696,912	749,628
		711,894	788,226	840,942

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Non-controlling interests	<u>2,554</u>	<u>1,517</u>	(<u>1,086</u>)
Total equity	<u><u>714,448</u></u>	<u><u>789,743</u></u>	<u><u>839,856</u></u>

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

	Note	Attributable to owners of the parent					
		Share capital RMB'000	Capital reserve RMB'000	Comprehensive income RMB'000	Reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022		84,694	166,484	(1,574)	42,864	244,969	537,437
Profit for the year		-	-	-	-	75,972	75,972
Other comprehensive loss for the year:							
Changes in fair value of equity investment at fair value through other comprehensive income, net of tax		-	-	(558)	-	-	(558)
Total comprehensive income for the year		-	-	(558)	-	75,972	75,414
Transfer from retained profits		-	-	-	9,705	(9,705)	-
Issuance of ordinary shares	27	6,620	92,423	-	-	-	99,043
At 31 December 2022		91,314	258,907*	(2,132)*	52,569*	311,236*	711,894
						Non-controlling interest RMB'000	Total equity RMB'000
						3,866	541,303
						(1,312)	74,660
						-	(558)
						(1,312)	74,102
						-	-
						-	99,043
						2,554	714,448

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Attributable to owners of the parent

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I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended 31 December 2024

	Attributable to owners of the parent					
	Share capital RMB'000	Capital reserve RMB'000	Capital comprehensive income RMB'000	Reserve funds RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2024	91,314	258,907	(3,421)	59,926	381,500	789,743
Profit for the year	-	-	-	-	53,545	50,642
Other comprehensive loss for the year:						
Changes in fair value of equity investment	-	-	(829)	-	-	(829)
at fair value through other comprehensive income, net of tax	-	-	(829)	-	-	(829)
Total comprehensive income for the year	-	-	(829)	-	53,545	49,813
Transfer from retained profits	-	-	-	2,040	(2,040)	-
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-
	-	-	-	-	300	300
At 31 December 2024	91,314	258,907*	(4,250)*	61,966*	433,005*	839,856

* These reserve accounts comprise the consolidated reserves of RMB620,580,000, RMB696,912,000 and RMB749,628,000 in the consolidated statements of financial position as at 31 December 2022, 2023 and 2024, respectively.

I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2022 RMB'000	2023 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		88,306	84,935	51,402
Adjustments for:				
Finance costs	7	5,802	8,335	12,303
Interest income	5	(80)	(44)	(58)
Impairment of investment in an associate	6	-	-	705
Impairment of trade receivables	6	12,561	6,800	23,941
Impairment of prepayments, other receivables and other assets	6	643	(476)	22,373
Impairment of contract assets	6	50	(56)	22
Loss on disposal of items of property, plant and equipment	6	-	25	3
Impairment of goodwill	6	-	1,226	3,894
Loss/(gain) on revision of a lease term arising from a change in the non-cancellable period of a lease		(83)	(52)	132
Depreciation of property, plant and equipment	6	5,015	3,384	2,089
Amortisation of non-current assets	6	249	-	-
Depreciation of right-of-use assets	6	8,155	5,528	3,975
Share of loss of an associate		623	173	22
		121,241	109,778	120,803
Decrease in inventories		8,842	18	1,146
Decrease/(increase) in contract assets		(433)	780	-
Increase in trade receivables		(153,630)	(64,452)	(296,277)
Increase in prepayments, deposits and other receivables		(84,432)	(110,396)	(113,380)
Increase/(decrease) in trade payables		5,012	(7,501)	117,439
Increase/(decrease) in contract liabilities		3,906	30,020	(1,980)
Increase/(decrease) in other payables and accruals		(2,133)	685	60,389

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I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

		Year ended 31 December		
	Note	2022 RMB'000	2023 RMB'000	2024 RMB'000
Cash used in operations		(101,627)	(41,068)	(111,860)
Interest received		80	44	58
Income tax paid		(15,078)	(15,186)	(2,370)
Net cash outflow from operating activities		(116,625)	(56,210)	(114,172)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(2,251)	(2,584)	(321)
Proceeds from disposal of items of property, plant and equipment		2	1	-
Investment in an associate		(300)	(900)	-
Net cash outflow from investing activities		(2,549)	(3,483)	(321)
CASH FLOWS FROM FINANCING ACTIVITIES				
New borrowings		175,500	302,016	451,000
Repayment of borrowings		(139,000)	(193,500)	(398,370)
Principal portion of lease payments	29(b)	(7,799)	(3,933)	(4,142)
Proceeds from issue of shares, net of issue expenses		99,043	-	-
Interest paid		(5,569)	(8,399)	(12,281)
Capital contribution from a non-controlling shareholder		-	-	300
Decrease/(increase) in pledged deposits		-	(8,573)	8,573
Net cash inflow from financing activities		122,175	87,611	45,080
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS				
		3,001	27,918	(69,413)
Cash and cash equivalents at beginning of year		45,780	48,781	76,699
CASH AND CASH EQUIVALENTS AT END OF YEAR		48,781	76,699	7,286

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I HISTORICAL FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

		Year ended 31 December		
	Note	2022 RMB'000	2023 RMB'000	2024 RMB'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	21	<u>48,781</u>	<u>76,699</u>	<u>7,286</u>
Cash and cash equivalents as stated in the statements of financial position and statements of cash flows				
		<u>48,781</u>	<u>76,699</u>	<u>7,286</u>

I HISTORICAL FINANCIAL INFORMATION (continued)

STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	3,426	1,863	2,247
Right-of-use assets	14(a)	867	10,101	6,734
Investments in subsidiaries	16	94,586	110,038	118,117
Equity investment designated at fair value through other comprehensive income	16	2,491	975	-
Deferred tax assets	26	5,219	5,454	8,984
Contract assets	19	223	210	188
Total non-current assets		<u>106,812</u>	<u>128,641</u>	<u>136,270</u>
CURRENT ASSETS				
Inventories	17	454	1,472	1,408
Trade receivables	18	507,693	453,946	378,782
Prepayments, other receivables and other assets	20	403,454	630,955	853,104
Pledged deposits	21	-	8,573	-
Cash and cash equivalents	21	38,132	38,601	5,323
Total current assets		<u>949,733</u>	<u>1,133,547</u>	<u>1,238,617</u>
CURRENT LIABILITIES				
Trade payables	22	30,149	30,549	31,890
Contract liabilities	23	11,590	17,353	22,738
Other payables and accruals	24	38,509	56,295	138,804
Bank and other borrowings	25	135,195	234,841	234,265
Lease liabilities	14(b)	915	4,027	5,000
Tax payable		7,077	1,375	4,064
Total current liabilities		<u>223,435</u>	<u>344,440</u>	<u>436,761</u>
NET CURRENT ASSETS		<u>726,298</u>	<u>789,107</u>	<u>801,856</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>833,110</u>	<u>917,748</u>	<u>938,126</u>
NON-CURRENT LIABILITIES				
Lease liabilities	14(b)	-	7,357	3,165
Bank and other borrowings	25	-	5,005	10,000
Total non-current liabilities		<u>-</u>	<u>12,362</u>	<u>13,165</u>
Net assets		<u>833,110</u>	<u>905,386</u>	<u>924,961</u>
EQUITY				
Share capital	27	91,314	91,314	91,314
Reserves	28	741,796	814,072	833,647
Total equity		<u>833,110</u>	<u>905,386</u>	<u>924,961</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in People's Republic of China ("PRC"). The registered office of the Company is located at Room 1101, 11/F, Block B Future Land Center, Building 2, Yuan 10, Jiuxianqiao Road B, Jiangtaixiang, Chaoyang District, Beijing, PRC.

During the Relevant Periods, the Company and its subsidiaries are principally engaged in providing cloud-based communication solutions and related services in PRC.

As at the end of the Relevant Periods, the Company had direct interests in its major subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of registration and place of operations	Registered capital	Percentage of equity directly attributable to the Company activities	Principal
Beijing Yunxun Technology Co., Ltd. ("Yunxun Technology") (北京云讯科技有限公司*) ^(a)	PRC/ Chinese Mainland 14 September, 2011	RMB10,000,000	100	Providing cloud communication services
Beijing Zhongmai Communication Technology Co., Ltd. ("Zhongmai Communication") (北京众麦通信技术有限公司*) ^(a)	PRC/ Chinese Mainland 7 February, 2017	RMB10,000,000	100	Providing cloud communication services
Beijing Yunyan Tianchuang Technology Co., Ltd. ("Yunyan Tianchuang") (北京云研天创科技有限公司*) ^(a)	PRC/ Chinese Mainland 30 March, 2017	RMB10,000,000	100	Providing cloud communication services

* The English names of these subsidiaries represent the best efforts made by the management of the Company to translate the Chinese names as they do not have an official English names registered in the PRC.

Notes:

(a) The statutory financial statements of these companies for the years ended 31 December 2022, 2023 and 2024 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Da Hua Certified Public Accountants LLP, certified public accountants registered in the PRC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS accounting standards, which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for an equity investment designated at fair value through other comprehensive income which has been measured at fair value.

The Historical Financial Information has been prepared under the going concern basis notwithstanding the fact that, as at 31 December 2024, the Group recorded cash and cash equivalents amounting to RMB7,286,000 and current bank and other borrowings amounting to RMB290,303,000, respectively. The directors of the Company have reviewed the Group's cash flow projection prepared by management, which cover a period of not less than twelve months from 31 December 2024. In the opinion of the directors of the Company, taking into account (i) as at 31 December 2024, the Group recorded net current assets amounting to RMB827,411,000, including trade receivables with carrying amount of RMB880,946,000, (ii) the Group's financial resources on hand, including available credit facilities, and (iii) the anticipated cash flows to be generated from the Group's operations for the next twelve months from 31 December 2024, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2024. Accordingly, the directors of the Company consider it is appropriate to prepare the Historical Financial Information on a going concern basis.

Basis of consolidation

A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

Amendments to IAS 28 and IFRS 10	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to IAS 21	<i>Lack of Exchangeability²</i>
Publication of IFRS 18	<i>Presentation and Disclosure in Financial Statements⁴</i>
Publication of IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures⁴</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments³</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity³</i>
<i>Annual Improvements to IFRS Accounting Standards — Volume 11</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7³</i>

¹ No mandatory effective date yet determined but available for adoption

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after 1 January 2026

⁴ Effective for annual periods beginning on or after 1 January 2027

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, except for IFRS 18, the Group considers that these standards will not have a significant impact on the Group's financial performance and financial position. IFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace IAS 1 Presentation of Financial Statements. The new IFRS Accounting Standard 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. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made. IFRS 18 will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is not expected to have material impact on the financial performance and financial position the Group but is expected to affect the disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the Group's consolidated financial statements.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associate is included in the consolidated statement of profit or loss and consolidated statement of other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in an associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in associate.

2.3 MATERIAL ACCOUNTING POLICY INFORMATOIN (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Fair value measurement

The Group measures its equity investments designated at fair value through other comprehensive income at fair value at the end of each of the Relevant Periods. 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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvement	20% to 86%
Office equipment	19%
Electronics equipment	19%
Motor vehicles	19%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 5 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.3 MATERIAL ACCOUNTING POLICY INFORMATOIN (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IFRS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.3 MATERIAL ACCOUNTING POLICY INFORMATOIN (continued)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach under certain circumstances as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and bank and other borrowings.

2.3 MATERIAL ACCOUNTING POLICY INFORMATOIN (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within Six months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.3 MATERIAL ACCOUNTING POLICY INFORMATOIN (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Cloud-based communication services

Revenue from cloud-based communication services is generally measured on a usage basis. Revenue is determined by applying the contractual unit price to the monthly usage volume (e.g. volume of messages sent or minutes duration of voice call made) utilised by the customers on the CPaaS and Contact Center SaaS platform developed by the Group, and recognized at point in time when the related services are provided to customers.

The Group also enters into contracts with its customers in relation to provision of certain top-up services (e.g. top-up of stream media and website membership subscription, coupons, and gift cards, etc.). In rendering of such services, judgement is required in determining whether the Group is the principal or agent in transactions with customers. The Group has determined, based on an assessment of the relevant terms and conditions of the contracts as well as the nature of services rendered in the transactions, that when it does not control the specified goods or services before they are transferred to a customer, the Group is an agent in the transaction and revenue is recognized at point in time when the services are rendered and is recognized on a net basis reflecting the margin earned.

Project-based communications solutions

The Group's integrated intelligent solutions primarily follow a project-based pricing model, where customers are generally billed for products and platform development according to agreed-upon payment terms. Revenue derived from integrated intelligent solutions is recognized at point in time when the solutions and related services are rendered and accepted by the customers.

Other communications services and accessories

The provision of contact center outsourcing services is billed monthly mainly based on the number of service staff involved and the performance of the services. The directors of the Company have assessed that provision of contact center outsourcing services represent one single performance obligation, and the revenue is recognised over time because the customers simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.3 MATERIAL ACCOUNTING POLICY INFORMATOIN (continued)

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as property, plant and equipment, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Pension scheme

The Group's employees in Chinese Mainland are required to participate in central pension schemes operated by local municipal governments. These entities are required to contribute certain percentages of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Research and development expenses

All research expenses are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new technologies is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred.

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on the ageing for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 18 and 19 to the Historical Financial Information.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15 to the Historical Financial Information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for 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. Further details of the Group's unrecognised tax losses at the end of each of the Relevant Periods are contained in note 26 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the provision of cloud-based communication solutions and services in PRC. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

All of the Group's revenue derived from customers were located in Chinese Mainland during the Relevant Periods.

(b) Non-current assets

All of the Group's non-current assets were located in Chinese Mainland as at the end of each of the Relevant Periods.

Information about major customers

During the Relevant Periods, the major customers which contributed more than 10% of total revenue of the Group are listed as below:

	Year ended 31 December		
	2022	2023	2024
Percentage of revenue from the major customers to the total revenue			
Customer A	12.34%	*	*
Customer B	11.17%	*	*
Customer C	*	*	11.39%
Customer D	*	*	10.82%

* Represent that the amount of aggregate revenue from such customer is less than 10% of the total revenue for respective year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from contracts with customers is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cloud-based communication services	694,751	850,685	866,051
Project-based communications solutions	20,533	13,761	13,940
Other communications services and accessories	94,459	51,184	37,615
	<u>809,743</u>	<u>915,630</u>	<u>917,606</u>

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Transfer over time	74,933	63,412	49,263
Transfer at a point in time	<u>734,810</u>	<u>852,218</u>	<u>868,343</u>
	<u>809,743</u>	<u>915,630</u>	<u>917,606</u>

5. REVENUE, OTHER INCOME AND GAINS (continued)

The following table shows the amounts of revenue recognised in each of the Relevant Periods that were included in the contract liabilities at the beginning of the respective period:

Year ended 31 December		
2022	2023	2024
RMB'000	RMB'000	RMB'000
19,279	23,185	53,205

Information about the Group's performance obligations is summarised below:

Cloud-based communication services

The performance obligation is generally satisfied at a point in time as services are rendered and payment is generally due within 90 days from the billing date, except for certain new customers where payment in advance is normally required.

Project-based communications solutions

The performance obligation of integrated intelligent solutions is generally satisfied at a point in time as services are rendered and accepted by the customers. Customers are generally billed for products and platform development according to agreed-upon payment terms.

Other communications services and accessories

The performance obligation of contact center outsourcing services is satisfied over time as the customers simultaneously receive and consume the benefits provided by the Group's performance and payment is generally due within 30 days from the billing date. Revenue from the sale of products is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the products, and payment is generally due within 30 days from delivery.

The Group has elected the practical expedient of not to disclose the remaining performance obligations because the performance obligation is part of a contract that has an original expected duration of one year or less.

5. REVENUE, OTHER INCOME AND GAINS (continued)

An analysis of the Group's other income and gains is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
<u>Other income and gains</u>			
Bank interest income	80	44	58
Additional deductible input VAT*	25,800	8,911	-
Government grant**	849	595	3,664
Others	183	299	281
	<u>26,912</u>	<u>9,849</u>	<u>4,003</u>

* Amounts represent additional VAT (value-added-tax) deduction allowed under the PRC tax law, generated from the Group's communication services.

** Various government grants were mainly attributable to the Group's contributions to the district where the Group's primary business operates. There are no unfulfilled conditions or contingencies relating to these government grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		
		2022 RMB'000	2023 RMB'000	2024 RMB'000
Cost of services provided and products sold		614,358	719,986	714,613
Depreciation of property, plant and equipment	13	5,015	3,384	2,089
Depreciation of right-of-use assets	14(a)	8,155	5,528	3,975
Lease payments not included in the measurement of lease liabilities	14(c)	56	88	88
Amortisation of non-current assets		249	-	-
Auditor's remuneration		400	400	400
Employee benefit expense (including directors' and supervisors' remuneration in note 8):				
Salaries, allowances and benefits in kind		56,668	57,510	50,633
Pension scheme contributions (defined contribution scheme)		3,347	3,300	2,930
Impairment of trade receivables	18	12,561	6,800	23,941
Impairment of prepayments, other receivables and other assets, net	20	643	(476)	22,373
Impairment of contract assets, net	19	50	(56)	22
Impairment of goodwill*	15	-	1,226	3,894
Loss on disposal of property, plant and equipment *		-	25	-
Impairment of investment in an associate*		-	-	705
Donations *		50	-	-
Penalties and late fees *		137	1,038	579

* These items are included in "Other expenses and losses" in the consolidated statements of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	286	396	417
Interest on bank and other borrowings	<u>5,516</u>	<u>7,939</u>	<u>11,886</u>
	<u>5,802</u>	<u>8,335</u>	<u>12,303</u>

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

The aggregate amounts of remuneration of the directors and supervisors for the Relevant Periods are as follows:

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Fees	<u>272</u>	<u>308</u>	<u>306</u>
Other emoluments:			
Salaries, allowances and benefits in kind	3,850	4,505	4,506
Performance related bonuses	1,560	2,525	1,662
Pension scheme contributions	<u>156</u>	<u>180</u>	<u>188</u>
	<u>5,566</u>	<u>7,210</u>	<u>6,356</u>
	<u><u>5,838</u></u>	<u><u>7,518</u></u>	<u><u>6,662</u></u>

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Mr. Xiang ligang	102	102	102
Mr. Lu Guanglin*	102	60	-
Ms. Wang Yue*	68	60	-
Mr. Sun Qiang*	-	43	102
Mr. Su Zile*	<u>-</u>	<u>43</u>	<u>102</u>
	<u><u>272</u></u>	<u><u>308</u></u>	<u><u>306</u></u>

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and supervisors

Year ended 31 December 2022

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Piao Shenggen	637	-	40	677
Mr. Wang Peide	522	422	14	958
Mr. Zhang Zhishan	321	180	14	515
Mr. Yue Duanpu	763	8	30	801
	<u>2,243</u>	<u>610</u>	<u>98</u>	<u>2,951</u>
Supervisors:				
Ms. Jiang Hongyan	366	162	14	542
Mr. Guo Dawei	437	421	14	872
Mr. Zhang Wen	804	367	30	1,201
	<u>1,607</u>	<u>950</u>	<u>58</u>	<u>2,615</u>

Year ended 31 December 2023

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Piao Shenggen	638	-	40	678
Mr. Wang Peide	1,006	1,147	20	2,173
Mr. Zhang Zhishan	325	180	20	525
Mr. Yue Duanpu	759	-	30	789
	<u>2,728</u>	<u>1,327</u>	<u>110</u>	<u>4,165</u>
Supervisors:				
Ms. Jiang Hongyan	372	130	20	522
Mr. Guo Dawei	682	847	20	1,549
Mr. Zhang Wen	723	221	30	974
	<u>1,777</u>	<u>1,198</u>	<u>70</u>	<u>3,045</u>

8. DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors and supervisors (continued)

Year ended 31 December 2024

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:				
Mr. Piao Shenggen	683	-	40	723
Mr. Wang Peide	742	696	20	1,458
Mr. Zhang Zhishan	358	180	20	558
Mr. Yue Duanpu	794	-	30	824
Ms.Chen Jing**	244	49	8	301
	<u>2,821</u>	<u>925</u>	<u>118</u>	<u>3,864</u>
Supervisors:				
Ms. Jiang Hongyan	392	83	20	495
Mr. Guo Dawei	589	510	20	1,119
Mr. Zhang Wen	704	144	30	878
	<u>1,685</u>	<u>737</u>	<u>70</u>	<u>2,492</u>

* Mr. Lu Guanglin and Ms. Wang Yue resigned on 9 September 2023 and Mr. Sun Qiang and Mr. Su Zile were appointed as independent non-executive directors of the Company on 11 September 2023.

** Ms.Chen Jing was appointed as executive director of the Company on 21 June 2024.

There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

Included in the five highest paid employees during the years ended 31 December 2022, 2023 and 2024 were three, three and three directors or supervisors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two, two and two highest paid employees who are neither a director nor supervisors of the Company for the years ended 31 December 2022, 2023 and 2024, respectively, are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	1,335	1,089	1,435
Performance related bonuses	652	680	330
Pension scheme contributions	46	50	50
	<u>2,033</u>	<u>1,819</u>	<u>1,815</u>

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees Year ended 31 December		
	2022	2023	2024
Nil to HK\$1,000,000	1	1	2
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>1</u>	<u>-</u>
	<u>2</u>	<u>2</u>	<u>2</u>

10. INCOME TAX

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the entities which operate in Chinese Mainland are subject to corporate income tax ("CIT") at a rate of 25% on the taxable income. During the Relevant Periods, the Company and certain subsidiaries of the Company was entitled to a preferential tax rate of 15% because it was accredited as a "High and New Technology Enterprise". In addition, certain subsidiaries operating in Chinese Mainland were entitled to preferential tax rates of 2.5% to 5% during the Relevant Periods, because they were regarded as "small-scaled minimal profit enterprises" during the corresponding period.

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Current tax charged for the year	15,493	9,337	6,708
Under/(Over) provision in prior years	991	143	(277)
Deferred tax charged for the year (note 26)	(2,838)	(1,129)	(5,671)
Total tax charged for the year	<u>13,646</u>	<u>8,351</u>	<u>760</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the PRC in which the Company's operating subsidiaries are registered to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Profit before tax	<u>88,306</u>	<u>84,935</u>	<u>51,402</u>
Tax at the statutory tax rate	22,077	21,234	12,851
Lower tax rates enacted by relevant authorities	(11,103)	(8,280)	(6,643)
Adjustment recognised in the year for current tax of prior years	991	143	(277)
Expenses not deductible for income tax purposes	532	537	317
Temporary differences and tax losses not recognised	7,040	7,236	5,260
Additional deductible allowance for research and development expenses	(5,783)	(6,689)	(4,832)
Tax losses utilised from previous periods	(108)	(5,830)	(5,916)
Tax charge at the Group's effective rate	<u>13,646</u>	<u>8,351</u>	<u>760</u>

11. DIVIDENDS

No dividends have been declared or paid by the Company in respect of the Relevant Periods.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods.

	Year ended 31 December		
	2022	2023	2024
<u>Earnings</u> (RMB'000)			
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	<u>75,972</u>	<u>77,621</u>	<u>53,545</u>
<u>Shares</u>			
Weighted average number of ordinary shares in issue used in the basic earnings per share calculation	<u>89,659,253</u>	<u>91,314,291</u>	<u>91,314,291</u>

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvement RMB'000	Office equipment RMB'000	Electronics equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2022					
At 1 January 2022:					
Cost	10,755	777	20,148	799	32,479
Accumulated depreciation and impairment	(5,495)	(419)	(18,425)	(177)	(24,516)
Net carrying amount	<u>5,260</u>	<u>358</u>	<u>1,723</u>	<u>622</u>	<u>7,963</u>
At 1 January 2022, net of accumulated depreciation and impairment	5,260	358	1,723	622	7,963
Additions	2,037	180	1,526	-	3,743
Disposals/write-off	-	-	(5)	-	(5)
Depreciation provided during the year	(4,208)	(128)	(527)	(152)	(5,015)
At 31 December 2022, net of accumulated depreciation and impairment	<u>3,089</u>	<u>410</u>	<u>2,717</u>	<u>470</u>	<u>6,686</u>
At 31 December 2022:					
Cost	12,792	957	21,638	799	36,186
Accumulated depreciation and impairment	(9,703)	(547)	(18,921)	(329)	(29,500)
Net carrying amount	<u>3,089</u>	<u>410</u>	<u>2,717</u>	<u>470</u>	<u>6,686</u>

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2023

	Leasehold improvement RMB'000	Office equipment RMB'000	Electronics equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2023:					
Cost	12,792	957	21,638	799	36,186
Accumulated depreciation and impairment	(9,703)	(547)	(18,921)	(329)	(29,500)
Net carrying amount	<u>3,089</u>	<u>410</u>	<u>2,717</u>	<u>470</u>	<u>6,686</u>
At 1 January 2023, net of accumulated depreciation and impairment	3,089	410	2,717	470	6,686
Additions	1,249	83	61	-	1,393
Disposals/write-off	-	(51)	(17)	-	(68)
Depreciation provided during the year	(2,652)	(115)	(465)	(152)	(3,384)
At 31 December 2023, net of accumulated depreciation and impairment	<u>1,686</u>	<u>327</u>	<u>2,296</u>	<u>318</u>	<u>4,627</u>
At 31 December 2023:					
Cost	14,041	960	21,589	799	37,389
Accumulated depreciation and impairment	(12,355)	(633)	(19,293)	(481)	(32,762)
Net carrying amount	<u>1,686</u>	<u>327</u>	<u>2,296</u>	<u>318</u>	<u>4,627</u>

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2024

	Leasehold improvement RMB'000	Office equipment RMB'000	Electronics equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2024:					
Cost	14,041	960	21,589	799	37,389
Accumulated depreciation and impairment	(12,355)	(633)	(19,293)	(481)	(32,762)
Net carrying amount	<u>1,686</u>	<u>327</u>	<u>2,296</u>	<u>318</u>	<u>4,627</u>
At 1 January 2024, net of accumulated depreciation and impairment	1,686	327	2,296	318	4,627
Additions	1,438	114	94	-	1,646
Disposals/write-off	-	(2)	-	-	(2)
Depreciation provided during the year	(1,421)	(123)	(394)	(151)	(2,089)
At 31 December 2024, net of accumulated depreciation and impairment	<u>1,703</u>	<u>316</u>	<u>1,996</u>	<u>167</u>	<u>4,182</u>
At 31 December 2024:					
Cost	15,479	1,024	21,683	799	38,985
Accumulated depreciation and impairment	(13,776)	(708)	(19,687)	(632)	(34,803)
Net carrying amount	<u>1,703</u>	<u>316</u>	<u>1,996</u>	<u>167</u>	<u>4,182</u>

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Leasehold improvement RMB'000	Office equipment RMB'000	Electronics equipment RMB'000	Total RMB'000
31 December 2022				
At 1 January 2022:				
Cost	10,544	441	19,367	30,352
Accumulated depreciation and impairment	(5,463)	(304)	(18,010)	(23,777)
Net carrying amount	<u>5,081</u>	<u>137</u>	<u>1,357</u>	<u>6,575</u>
At 1 January 2022, net of accumulated depreciation and impairment	5,081	137	1,357	6,575
Additions	333	129	434	896
Disposals/write-off	-	-	(2)	(2)
Depreciation provided during the year	(3,698)	(60)	(285)	(4,043)
At 31 December 2022, net of accumulated depreciation and impairment	<u>1,716</u>	<u>206</u>	<u>1,504</u>	<u>3,426</u>
At 31 December 2022:				
Cost	10,877	570	19,769	31,216
Accumulated depreciation and impairment	(9,161)	(364)	(18,265)	(27,790)
Net carrying amount	<u>1,716</u>	<u>206</u>	<u>1,504</u>	<u>3,426</u>
31 December 2023				
	Leasehold improvement RMB'000	Office equipment RMB'000	Electronics equipment RMB'000	Total RMB'000
At 1 January 2023:				
Cost	10,877	570	19,769	31,216
Accumulated depreciation and impairment	(9,161)	(364)	(18,265)	(27,790)
Net carrying amount	<u>1,716</u>	<u>206</u>	<u>1,504</u>	<u>3,426</u>
At 1 January 2023, net of accumulated depreciation and impairment	1,716	206	1,504	3,426
Additions	733	1	43	777
Disposals/write-off	-	(1)	(14)	(15)
Depreciation provided during the year	(2,094)	(55)	(176)	(2,325)
At 31 December 2023, net of accumulated depreciation and impairment	<u>355</u>	<u>151</u>	<u>1,357</u>	<u>1,863</u>

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvement RMB'000	Office equipment RMB'000	Electronics equipment RMB'000	Total RMB'000
At 31 December 2023:				
Cost	11,610	569	19,705	31,884
Accumulated depreciation and impairment	(11,255)	(418)	(18,348)	(30,021)
Net carrying amount	<u>355</u>	<u>151</u>	<u>1,357</u>	<u>1,863</u>
	Leasehold improvements RMB'000	Office equipment RMB'000	Electronics equipment RMB'000	Total RMB'000
31 December 2024				
At 1 January 2024:				
Cost	11,610	569	19,705	31,884
Accumulated depreciation and impairment	(11,255)	(418)	(18,348)	(30,021)
Net carrying amount	<u>355</u>	<u>151</u>	<u>1,357</u>	<u>1,863</u>
At 1 January 2024, net of accumulated depreciation and impairment	355	151	1,357	1,863
Additions	1,096	111	81	1,288
Disposals/write-off	-	(2)	-	(2)
Depreciation provided during the year	(700)	(61)	(141)	(902)
At 31 December 2024, net of accumulated depreciation and impairment	<u>751</u>	<u>199</u>	<u>1,297</u>	<u>2,247</u>
At 31 December 2024:				
Cost	12,706	630	19,786	33,122
Accumulated depreciation and impairment	(11,955)	(431)	(18,489)	(30,875)
Net carrying amount	<u>751</u>	<u>199</u>	<u>1,297</u>	<u>2,247</u>

14. LEASES

The Group as a lessee

The Group has certain lease contracts for buildings for its office. Leases of buildings generally have lease terms between two years and five years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of right-of-use assets for buildings and the movements during the Relevant Periods are as follows:

The Group

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at beginning of year	11,043	1,363	12,171
Additions	65	20,536	451
Depreciation charge	(8,155)	(5,528)	(3,975)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(1,590)	(4,200)	(960)
Carrying amount at end of year	<u>1,363</u>	<u>12,171</u>	<u>7,687</u>

The Company

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at beginning of year	6,866	867	10,101
Additions	-	14,218	-
Depreciation charge	(4,424)	(3,090)	(3,367)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(1,575)	(1,894)	-
Carrying amount at end of year	<u>867</u>	<u>10,101</u>	<u>6,734</u>

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at beginning of year	10,751	1,344	13,695
New leases	65	20,536	451
Accretion of interest recognised during the year	286	396	417
Payments	(8,085)	(4,329)	(4,559)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(1,673)	(4,252)	(828)
Carrying amount at end of year	<u>1,344</u>	<u>13,695</u>	<u>9,176</u>
Analysed into:			
Current portion	1,337	5,393	5,716
Non-current portion	<u>7</u>	<u>8,302</u>	<u>3,460</u>

The Company

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Carrying amount at beginning of year	6,830	915	11,384
New leases	-	14,218	-
Accretion of interest recognised during the year	208	234	407
Payments	(4,450)	(2,028)	(3,626)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(1,673)	(1,955)	-
Carrying amount at end of year	<u>915</u>	<u>11,384</u>	<u>8,165</u>
Analysed into:			
Current portion	915	4,027	5,000
Non-current portion	<u>-</u>	<u>7,357</u>	<u>3,165</u>

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

14. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	286	396	417
Depreciation charge of right-of-use assets	8,155	5,528	3,975
Expense relating to short-term leases	56	88	88
Total amount recognised in profit or loss	<u>8,497</u>	<u>6,012</u>	<u>4,480</u>

The Company

	Year ended 31 December		
	2022	2023	2024
		RMB'000	RMB'000
Interest on lease liabilities	208	234	407
Depreciation charge of right-of-use assets	4,424	3,090	3,367
Expense relating to short-term leases	50	31	10
Total amount recognised in profit or loss	<u>4,682</u>	<u>3,355</u>	<u>3,784</u>

(d) The total cash outflow for leases is disclosed in note 29(b) to the Historical Financial Information.

15. GOODWILL

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of year:			
Cost	5,975	5,975	5,975
Accumulated impairment	(855)	(855)	(2,081)
Net carrying amount	<u>5,120</u>	<u>5,120</u>	<u>3,894</u>
At beginning of year, net of accumulated impairment	5,120	5,120	3,894
Impairment	<u>-</u>	<u>(1,226)</u>	<u>(3,894)</u>
At end of year, net of accumulated impairment	<u>5,120</u>	<u>3,894</u>	<u>-</u>
At end of year:			
Cost	5,975	5,975	5,975
Accumulated impairment	(855)	(2,081)	(5,975)
Net carrying amount	<u>5,120</u>	<u>3,894</u>	<u>-</u>

Impairment testing of goodwill

Goodwill acquired through business combinations is mainly allocated to the following cash-generating unit for impairment testing:

- Huali Daxing cash-generating unit ("CGU")

The carrying amount of goodwill allocated to the cash-generating unit is as follows:

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Carrying amount of goodwill	<u>5,120</u>	<u>3,894</u>	<u>-</u>

Assumptions were used in the value in use calculation of this cash-generating unit for the Relevant Periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant unit.

15. GOODWILL (continued)

Impairment testing of goodwill

The main criteria used to determine the value in use are summarised in the following table:

	31 December 2022	31 December 2023	31 December 2024
Pre-tax discount rate	12.19%	12.83%	12.83%
Perpetual growth rate	0.00%	0.00%	0.00%

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

Due to unfavourable market condition, the recoverable amount of the CGU was lower than the carrying amount (before impairment) as at 31 December 2023 and 2024, resulting in an impairment loss on goodwill of RMB1,226,000 and RMB3,894,000 charged to profit or loss for the years ended 31 December 2023 and 2024, respectively.

Details of the headroom measured by the excess of the recoverable amount over the carrying amount, as well as the changes of the assumptions used in the impairment review would have, in isolation, led to the CGU's recoverable amount to be equal to its carrying value are as follows:

	31 December 2022	31 December 2023*	31 December 2024*
Headroom (RMB'000)	2,913	Nil	Nil
Change in gross margin	(8.8%)	N/A	N/A
Change in discount rate	2.2%	N/A	N/A

* As goodwill impairment was made in 2023 and 2024, nil headroom is disclosed.

Based on the sensitivity analysis, the directors of the Company considers it reasonably possible that a 10% decrease in budgeted gross margin would result in an additional impairment loss on goodwill of RMB200,000, RMB1,547,000 and nil; and 1 percentage point increase in discount rate would result in an additional impairment loss on goodwill of nil, RMB620,000 and nil, for the years ended 31 December 2022, 2023 and 2024, respectively.

16. UNLISTED EQUITY INVESTMENTS/INVESTMENTS IN SUBSIDIARIES

Unlisted equity investments

The Group

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Equity investment designated at fair value through other comprehensive income (Note a)	2,491	975	-
Investment in an associate (Note b)	-	727	-

The Company

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Equity investment designated at fair value through other comprehensive income (Note a)	2,491	975	-

16. UNLISTED EQUITY INVESTMENTS (continued)

Note a: The investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

Note b: The investment in the associate is considered immaterial to the Group and is accounted for using the equity method. In 2022 the Group has discontinued the recognition of its share of losses of the associate because the share of losses of the associate exceeded the Group's investment in the associate and the Group has no obligation to take up further losses incurred by the associate. The amount of the Group's unrecognised share of losses for year ended 31 December 2022 was RMB95,000.

Investments in subsidiaries

The Company

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Investments, at cost	94,586	110,038	125,803
Impairment	<u>-</u>	<u>-</u>	<u>(7,686)</u>
Net carrying amount	<u>94,586</u>	<u>110,038</u>	<u>118,117</u>

Particulars of the Company's subsidiaries as at the end of the Relevant Periods are set out in note 1 to the Historical Financial Information. Due to unfavourable market condition, the recoverable amount of the Company's investment in a subsidiary was lower than the carrying amount (before impairment) as at 31 December 2024, resulting in an impairment loss of RMB7,686,000 charged to profit or loss for the year ended 31 December 2024.

The Company's balances with the subsidiaries are given in note 20 and 24 to the Historical Financial Information. The balances with subsidiaries are unsecured, interest-free and repayable on demand.

17. INVENTORIES

The Group

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Finished goods	1,932	2,097	1,033
Contract costs	<u>1,158</u>	<u>975</u>	<u>893</u>
	<u>3,090</u>	<u>3,072</u>	<u>1,926</u>

The Company

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Finished goods	212	725	737
Contract costs	<u>242</u>	<u>747</u>	<u>671</u>
	<u>454</u>	<u>1,472</u>	<u>1,408</u>

Contract costs represent the costs incurred to fulfil certain contracts with customers and will be amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the timing of transfer to the customers of the services to which the contract costs relate.

18. TRADE RECEIVABLES

The Group

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Trade receivables	588,661	653,109	949,386
Impairment	(37,703)	(44,499)	(68,440)
	<u>550,958</u>	<u>608,610</u>	<u>880,946</u>

The Company

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Trade receivables	538,110	483,655	408,499
Impairment	(30,417)	(29,709)	(29,717)
	<u>507,693</u>	<u>453,946</u>	<u>378,782</u>

The Group's trading terms with its customers are mainly on credit, except for small-sized customers, where payment in advance is normally required. The credit period is generally 30 days to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are settled in accordance with the terms of the respective contracts. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the billing date and net of loss allowance, is as follows:

The Group

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Within 3 months	445,118	397,832	453,595
4-6 months	82,793	142,513	130,595
7-12 months	5,129	53,404	259,749
1 to 2 years	17,562	14,557	35,873
2 to 3 years	306	179	1,122
Over 3 years	50	125	12
	<u>550,958</u>	<u>608,610</u>	<u>880,946</u>

The Company

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Within 3 months	417,736	276,925	310,285
4-6 months	72,851	115,920	30,530
7-12 months	1,503	49,796	13,618
1 to 2 years	15,490	11,248	23,631
2 to 3 years	69	21	717
Over 3 years	44	36	1
	<u>507,693</u>	<u>453,946</u>	<u>378,782</u>

18. TRADE RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

The Group

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of year	25,142	37,703	44,499
Impairment losses (note 6)	12,561	6,800	23,941
Amount written off as uncollectible	-	(4)	-
At end of year	<u>37,703</u>	<u>44,499</u>	<u>68,440</u>

The Company

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of year	20,155	30,417	29,709
Impairment losses	<u>10,262</u>	<u>(708)</u>	<u>8</u>
At end of year	<u>30,417</u>	<u>29,709</u>	<u>29,717</u>

The increase in the loss allowance during the Relevant Periods was in line with the increase in the gross amount of trade receivables of the Group.

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on the ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

18. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

The Group

	Ageing				Total
	Within 1 year	1 to 2 year	2 to 3 years	Over 3 years	
As at 31 December 2022:					
Expected credit loss rate	1.62%	46.08%	94.37%	99.43%	6.40%
Gross carrying amount (RMB'000)	541,832	32,568	5,436	8,825	588,661
Expected credit losses (RMB'000)	8,792	15,006	5,130	8,775	37,703
As at 31 December 2023:					
Expected credit loss rate	2.07%	48.83%	95.99%	99.10%	6.81%
Gross carrying amount (RMB'000)	606,313	28,448	4,466	13,882	653,109
Expected credit losses (RMB'000)	12,564	13,891	4,287	13,757	44,499
As at 31 December 2024:					
Expected credit loss rate	2.49%	38.57%	88.31%	99.92%	7.21%
Gross carrying amount (RMB'000)	865,521	58,394	9,602	15,869	949,386
Expected credit losses (RMB'000)	21,582	22,521	8,480	15,857	68,440

The Company

	Ageing				Total
	Within 1 year	1 to 2 year	2 to 3 years	Over 3 years	
As at 31 December 2022:					
Expected credit loss rate	2.29%	46.07%	94.33%	99.03%	5.65%
Gross carrying amount (RMB'000)	503,612	28,725	1,218	4,555	538,110
Expected credit losses (RMB'000)	11,522	13,235	1,149	4,511	30,417
As at 31 December 2023:					
Expected credit loss rate	2.69%	48.82%	98.37%	99.35%	6.14%
Gross carrying amount (RMB'000)	454,881	21,978	1,289	5,507	483,655
Expected credit losses (RMB'000)	12,240	10,730	1,268	5,471	29,709
As at 31 December 2024:					
Expected credit loss rate	2.06%	32.84%	87.30%	99.98%	7.27%
Gross carrying amount (RMB'000)	361,896	35,184	5,645	5,774	408,499
Expected credit losses (RMB'000)	7,463	11,553	4,928	5,773	29,717

19. CONTRACT ASSETS

The Group

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Contract assets	1,012	232	232
Impairment	(78)	(22)	(44)
	<u>934</u>	<u>210</u>	<u>188</u>

The Company

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Contract assets	234	232	232
Impairment	(11)	(22)	(44)
	<u>223</u>	<u>210</u>	<u>188</u>

For certain customers, the Group allows a percentage of the contracted amount (the retention money) generally to be settled within 12 months, as agreed between the Group and the respective customers on a case by case basis, subsequent to the fulfilment of certain conditions including normal operation of the product within warranty period as stipulated in the respective sales contracts. Contract assets are recognised for revenue earned from the sale of products as the receipt of consideration is conditional on the successful expiry of warranty period. Upon the expiry of the warranty period, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets of the Group as at end of each of the Relevant Periods is as follows:

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Within 1 year	711	-	-
2 to 3 years	<u>223</u>	<u>210</u>	<u>188</u>
	<u>934</u>	<u>210</u>	<u>188</u>

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Prepayments	345,697	452,055	512,482
Deposits	7,372	6,296	6,497
Other receivables	712	685	54,839
Prepaid corporate income tax	14	-	5
Prepaid value added tax	14,711	19,866	9,464
Others	-	-	8,995
	<u>368,506</u>	<u>478,902</u>	<u>592,282</u>
Impairment	(2,404)	(1,928)	(24,301)
	<u>366,102</u>	<u>476,974</u>	<u>567,981</u>

The Company

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Prepayments	316,900	295,427	304,397
Deposits	4,999	4,652	5,026
Other receivables	227	156	54,174
Due from subsidiaries	69,963	316,321	498,311
Prepaid value added tax	13,170	15,743	5,393
Others	-	-	8,995
	<u>405,259</u>	<u>632,299</u>	<u>876,296</u>
Impairment	(1,805)	(1,344)	(23,192)
	<u>403,454</u>	<u>630,955</u>	<u>853,104</u>

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

The Group applies an expected credit loss model to evaluate the credit losses for financial assets included in prepayments, other receivables and other assets. The movements in the loss allowance for impairment of financial assets included in prepayments, other receivables and other assets are as follows:

The Group

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of year	1,761	2,404	1,928
Impairment losses (note 6)	<u>643</u>	<u>(476)</u>	<u>22,373</u>
At end of year	<u><u>2,404</u></u>	<u><u>1,928</u></u>	<u><u>24,301</u></u>

The Company

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of year	1,417	1,805	1,344
Impairment losses	<u>388</u>	<u>(461)</u>	<u>21,848</u>
At end of year	<u><u>1,805</u></u>	<u><u>1,344</u></u>	<u><u>23,192</u></u>

21. CASH AND CASH EQUIVALENTS

The Group

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Cash and bank balances	48,763	85,263	7,285
Deposits held at licensed payment platforms	<u>18</u>	<u>9</u>	<u>1</u>
	<u>48,781</u>	<u>85,272</u>	<u>7,286</u>
Less: Pledged deposits for bank borrowings	<u>-</u>	<u>(8,573)</u>	<u>-</u>
Cash and cash equivalents	<u>48,781</u>	<u>76,699</u>	<u>7,286</u>

The Company

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Cash and bank balances	38,132	47,167	5,322
Deposits held at licensed payment platforms	<u>-</u>	<u>7</u>	<u>1</u>
	<u>38,132</u>	<u>47,174</u>	<u>5,323</u>
Less: Pledged deposits for bank borrowings	<u>-</u>	<u>(8,573)</u>	<u>-</u>
Cash and cash equivalents	<u>38,132</u>	<u>38,601</u>	<u>5,323</u>

At the end of each of the Relevant Periods, all of the Group's cash and bank balances were denominated in RMB. The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the billing date, is as follows:

The Group

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Within one year	71,526	59,502	172,815
One to two years	11,693	13,478	11,016
Two to three years	8,130	4,180	8,006
Over three years	846	7,534	10,296
	<u>92,195</u>	<u>84,694</u>	<u>202,133</u>

The Company

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Within one year	19,314	17,391	19,274
One to two years	2,725	5,852	3,933
Two to three years	7,542	674	1,377
Over three years	568	6,632	7,306
	<u>30,149</u>	<u>30,549</u>	<u>31,890</u>

The trade payables are non-interest-bearing and are normally settled in 30 days to 90 days.

23. CONTRACT LIABILITIES

An analysis of contract liabilities arising from short-term advances received from customers is as follows:

The Group

	1 January 2022 RMB'000	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Service fee received in advance	<u>19,279</u>	<u>23,185</u>	<u>53,205</u>	<u>51,225</u>

The contract liabilities represent the advance consideration received from customers before the Group transfers the related goods or services.

The Company

	1 January 2022 RMB'000	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Service fee received in advance	<u>7,075</u>	<u>11,590</u>	<u>17,353</u>	<u>22,738</u>

24. OTHER PAYABLES AND ACCRUALS

The Group

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Payroll payables	5,166	5,059	7,765
Other tax payables	4,253	7,377	11,319
Deferred income	278	-	-
Other payables	5,025	1,738	56,805
	<u>14,722</u>	<u>14,174</u>	<u>75,889</u>

The Company

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Payroll payables	1,669	1,689	2,233
Other tax payables	1,696	1,587	1,960
Deferred income	278	-	-
Other payables	4,441	711	55,294
Due to subsidiaries	<u>30,425</u>	<u>52,308</u>	<u>79,317</u>
	<u>38,509</u>	<u>56,295</u>	<u>138,804</u>

Other payables are non-interest-bearing and have an average term within one year.

25. BANK AND OTHER BORROWINGS

The Group

	31 December 2022			31 December 2023			31 December 2024		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank borrowings, unsecured	2.55-5.66	2023	<u>139,199</u>						
Current									
Bank borrowings, secured	2.48	2024	28,572	2.48	2024	28,572	-	-	-
Bank borrowings, unsecured	2.55-5.50	2024	213,078	2.55-5.50	2024	213,078	2.55-4.80	2025	255,303
Other borrowing, unsecured	4.32	2024	996	4.32	2024	996	0.00	2025	35,000
			<u>242,646</u>						<u>290,303</u>
Non-current									
Bank borrowings, unsecured	3.95	2026	<u>5,005</u>	3.95	2026	<u>5,005</u>	3.40-3.95	2026-2027	<u>10,000</u>
			<u>247,651</u>						<u>300,303</u>

The Company

	31 December 2022			31 December 2023			31 December 2024		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank borrowings, unsecured	2.55-5.66	2023	<u>135,195</u>						
Current									
Bank borrowings, secured	2.48	2024	28,572	2.48	2024	28,572	-	-	-
Bank borrowings, unsecured	2.55-5.50	2024	206,269	2.55-5.50	2024	206,269	2.55-4.50	2025	214,265
Other borrowing, unsecured	-	-	-	-	-	-	0.00	2025	20,000
			<u>234,841</u>						<u>234,265</u>
Non-current									
Bank borrowings, unsecured	3.95	2026	<u>5,005</u>	3.95	2026	<u>5,005</u>	3.40-3.95	2026-2027	<u>10,000</u>
			<u>239,846</u>						<u>244,265</u>

25. BANK AND OTHER BORROWINGS (continued)

All borrowings are denominated in RMB. Certain of the Group's bank and other borrowings with principal amount of RMB28,570,000 are secured by the pledge of bank deposits with carrying amount of RMB8,573,000 as at 31 December 2023.

In addition, certain of the Group's bank and other borrowings are guaranteed by the shareholders or financing institutions as follows:

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Bank borrowings principal amount (i)	120,500	191,000	207,000
Bank borrowings principal amount (ii)	17,000	15,000	18,000
Bank borrowings principal amount (iii)	1,000	1,800	-

- (i) These borrowings are guaranteed by Mr. Piao Shenggen.
- (ii) These borrowings are guaranteed by certain third-party financing guarantee companies, and by Mr. Piao Shenggen.
- (iii) These borrowings are guaranteed by certain shareholders other than Mr. Piao Shenggen.
- (iv) The directors confirm that the guarantee provided by Mr. Piao Shenggen as of 31 December 2024 will not be released on or before the listing date.

26. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the Relevant Periods are as follows:

Deferred tax assets

The Group

	Impairment of assets RMB'000	Lease liabilities RMB'000	Fair value change of equity investment at fair value through other com- prehensive income RMB'000	Tax losses and others RMB'000	Total RMB'000
At 1 January 2022	3,956	1,341	278	-	5,575
Deferred tax credited/(charged) to:					
profit or loss (note 10)	2,196	(1,179)	-	220	1,237
other comprehensive income	-	-	99	-	99
At 31 December 2022 and 1 January 2023	6,152	162	377	220	6,911
Deferred tax credited/(charged) to:					
profit or loss (note 10)	(33)	2,126	-	833	2,926
other comprehensive income	-	-	227	-	227
At 31 December 2023 and 1 January 2024	6,119	2,288	604	1,053	10,064
Deferred tax credited/(charged) to:					
profit or loss (note 10)	5,724	(811)	-	(27)	4,886
other comprehensive income	-	-	146	-	146
At 31 December 2024	11,843	1,477	750	1,026	15,096

26. DEFERRED TAX (continued)

The movements in deferred tax assets/(liabilities) during the Relevant Periods are as follows:

Deferred tax assets

The Company

	Impairment of assets RMB'000	Lease liabilities RMB'000	Fair value change of equity investment at fair value through other com- prehensive income RMB'000	Tax losses and others RMB'000	Total RMB'000
At 1 January 2022	3,236	1,051	278	-	4,565
Deferred tax credited/(charged) to:					
profit or loss	1,599	(914)	-	-	685
other comprehensive income	-	-	99	-	99
At 31 December 2022 and 1 January 2023	4,835	137	377	-	5,349
Deferred tax credited/(charged) to:					
profit or loss	(177)	1,570	-	-	1,393
other comprehensive income	-	-	227	-	227
At 31 December 2023 and 1 January 2024	4,658	1,707	604	-	6,969
Deferred tax credited/(charged) to:					
profit or loss	3,286	(483)	-	76	2,879
other comprehensive income	-	-	146	-	146
At 31 December 2024	<u>7,944</u>	<u>1,224</u>	<u>750</u>	<u>76</u>	<u>9,994</u>

26. DEFERRED TAX (continued)

Deferred tax liabilities arising from right-of-use assets

The Group

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of year	1,837	236	2,033
Deferred tax charged/(credited) to profit or loss (note 10)	(1,601)	1,797	(785)
At end of year	<u>236</u>	<u>2,033</u>	<u>1,248</u>

The Company

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of year	1,030	130	1,515
Deferred tax charged/(credited) to profit or loss	(900)	1,385	(505)
At end of year	<u>130</u>	<u>1,515</u>	<u>1,010</u>

26. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	6,757	8,031	13,853
Net deferred tax liabilities recognised in the consolidated statement of financial position	(82)	-	(5)
Net deferred tax asset	<u>6,675</u>	<u>8,031</u>	<u>13,848</u>

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000	
Tax losses	147,529	145,832	116,169	
Deductible temporary differences	<u> </u>	<u>3,533</u>	<u>9,753</u>	8,847
	<u>151,062</u>	<u>155,585</u>	<u>125,016</u>	

Generally, tax losses arising in Chinese Mainland will expire in one to five years for offsetting against future taxable profits. Deferred tax assets for certain subsidiaries have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. SHARE CAPITAL

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Issued and fully paid	<u>91,314</u>	<u>91,314</u>	<u>91,314</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2022	84,694,139	84,694
New issue (Note)	<u>6,620,152</u>	<u>6,620</u>
At 31 December 2022 and 2023, and 2024	<u>91,314,291</u>	<u>91,314</u>

Note:

In 2022, the Company issued 6,620,152 ordinary shares for a total consideration, before issue expenses, of RMB99,898,000. The net consideration of RMB99,043,000 after the share issue expenses was credited to the Company's share capital and capital reserve of RMB6,620,000 and RMB92,423,000, respectively.

28. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Capital reserve

The capital reserve mainly represents the amount paid by shareholders for capital injection in excess of the nominal value of the share issued.

(b) Reserve fund

In accordance with the PRC Company Law and the articles of association of the Company's subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus funds until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of these subsidiaries, the statutory surplus funds may be used either to offset losses, or to be converted to increase the share capital of the subsidiaries provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

The Company

	Capital reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2022	167,001	(1,574)	42,864	344,588	552,879
Profit for the year	-	-	-	97,052	97,052
Other comprehensive loss for the year	-	(558)	-	-	(558)
Transfer from retained profits	-	-	9,705	(9,705)	-
Issue of shares	<u>92,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92,423</u>
At 31 December 2022 and 1 January 2023	259,424	(2,132)	52,569	431,935	741,796
Profit for the year	-	-	-	73,565	73,565
Other comprehensive loss for the year	-	(1,289)	-	-	(1,289)
Transfer from retained profits	<u>-</u>	<u>-</u>	<u>7,357</u>	<u>(7,357)</u>	<u>-</u>
At 31 December 2023 and 1 January 2024	259,424	(3,421)	59,926	498,143	814,072
Profit for the year	-	-	-	20,404	20,404
Other comprehensive loss for the year	-	(829)	-	-	(829)
Transfer from retained profits	<u>-</u>	<u>-</u>	<u>2,040</u>	<u>(2,040)</u>	<u>-</u>
At 31 December 2024	<u>259,424</u>	<u>(4,250)</u>	<u>61,966</u>	<u>516,507</u>	<u>833,647</u>

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2022, 2023 and 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB65,000, RMB20,536,000 and 451,000, respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

Lease liabilities

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of year	10,751	1,344	13,695
Changes from financing cash flows	(8,085)	(4,329)	(4,559)
New leases	65	20,536	451
Interest expenses	286	396	417
Revision of a lease term arising from a change in the non-cancellable period of a lease	(1,673)	(4,252)	(828)
At end of year	<u>1,344</u>	<u>13,695</u>	<u>9,176</u>

Bank and other borrowings

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of year	102,466	139,199	247,651
Interest expense	5,516	7,939	11,886
Changes from financing cash flows	<u>31,217</u>	<u>100,513</u>	<u>40,766</u>
At end of year	<u>139,199</u>	<u>247,651</u>	<u>300,303</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Within operating activities	56	88	88
Within financing activities	<u>8,085</u>	<u>4,329</u>	<u>4,559</u>
	<u>8,141</u>	<u>4,417</u>	<u>4,647</u>

30. COMMITMENTS

At the end of each of the Relevant Periods, the Group did not have any material capital commitment and the Group, as a lessee, had no lease contracts that have not yet commenced as at the end of each of the Relevant Periods.

31. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
Provision of services to an associate	<u>94</u>	<u>-</u>	<u>-</u>
Purchase of call operation services from an associate	<u>-</u>	<u>187</u>	<u>-</u>

- (b) Outstanding balances with related parties:

Prepayments and other receivables

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Due from an associate	<u>585</u>	<u>555</u>	<u>-</u>

The transactions with the associate were made in accordance with the terms and conditions mutually agreed by the parties involved. The balances with the associate are of trade in nature, unsecured, interest-free and payable on demand.

31. RELATED PARTY TRANSACTIONS(continued)**(c) Compensation of key management personnel of the Group**

	Year ended 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Short term employee benefits	6,750	7,812	7,006
Post-employment benefits	<u>193</u>	<u>210</u>	<u>218</u>
Total compensation paid to key management personnel	<u><u>6,943</u></u>	<u><u>8,022</u></u>	<u><u>7,224</u></u>

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

	Financial assets at fair value through other comprehensive income -equity investment RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
As at 31 December 2022:			
Equity investment designated at fair value through other comprehensive income	2,491	-	2,491
Trade receivables	-	550,958	550,958
Financial assets included in prepayments, other receivables and other assets	-	5,680	5,680
Cash and cash equivalents	-	48,781	48,781
	<u>2,491</u>	<u>605,419</u>	<u>607,910</u>
As at 31 December 2023:			
Equity investment designated at fair value through other comprehensive income	975	-	975
Trade receivables	-	608,610	608,610
Financial assets included in prepayments, other receivables and other assets	-	5,053	5,053
Pledged deposits	-	8,573	8,573
Cash and cash equivalents	-	76,699	76,699
	<u>975</u>	<u>698,935</u>	<u>699,910</u>
As at 31 December 2024:			
Trade receivables	-	880,946	880,946
Financial assets included in prepayments, other receivables and other assets	-	37,350	37,350
Cash and cash equivalents	-	7,286	7,286
	<u>-</u>	<u>925,582</u>	<u>925,582</u>

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows: (continued)

Financial liabilities

	Financial liabilities at amortised cost		
	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Trade payables	92,195	84,694	202,133
Financial liabilities included in other payables and accruals	5,025	1,738	56,805
Bank and other borrowings	139,199	247,651	300,303
Lease liabilities	<u>1,344</u>	<u>13,695</u>	<u>9,176</u>
	<u>237,763</u>	<u>347,778</u>	<u>568,417</u>

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, bank and other borrowings, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's senior management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the senior management.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The following methods and assumptions were used to estimate the fair values:

The fair values of unlisted equity investments designated at fair value through other comprehensive income has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry and listing status, and to calculate an appropriate price multiple, such as price to sales ("P/S") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022, 2023 and 2024:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/S multiple of peers	<u>31 December</u> 2022: 7.30 2023: 6.87	<u>31 December</u> 2022: 5.0% increase/decrease in multiple would result in increase/decrease in fair value by RMB125,000 2023: 5.0% increase/decrease in multiple would result in increase/decrease in fair value by RMB49,000

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

Equity investment designated at fair value through other comprehensive income:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2022	<u>-</u>	<u>-</u>	<u>2,491</u>	<u>2,491</u>
As at 31 December 2023	<u>-</u>	<u>-</u>	<u>975</u>	<u>975</u>
As at 31 December 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	Year ended 31 December		
	2022 RMB'000	2023 RMB'000	2024 RMB'000
At beginning of year	3,148	2,491	975
Total loss recognised in other comprehensive income	<u>(657)</u>	<u>(1,516)</u>	<u>(975)</u>
At end of year	<u>2,491</u>	<u>975</u>	<u>-</u>

The Group did not have any financial liabilities measured at fair value as at the end of each of the Relevant Periods.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, bank and other borrowings and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables *	-	-	-	588,661	588,661
Contract assets	-	-	-	1,012	1,012
Financial assets included in prepayments, other receivables and other assets					
- Normal **	7,936	-	-	-	7,936
- Doubtful **	-	-	148	-	148
Cash and cash equivalents	48,781	-	-	-	48,781
	<u>56,717</u>	<u>-</u>	<u>148</u>	<u>589,673</u>	<u>646,538</u>

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables *	-	-	-	653,109	653,109
Contract assets *	-	-	-	232	232
Financial assets included in prepayments, other receivables and other assets					
- Normal **	6,806	-	-	-	6,806
- Doubtful **	-	-	175	-	175
Pledged deposits	8,573	-	-	-	8,573
Cash and cash equivalents	76,699	-	-	-	76,699
	<u>92,078</u>	<u>-</u>	<u>175</u>	<u>653,341</u>	<u>745,594</u>

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade receivables *	-	-	-	949,386	949,386
Contract assets *	-	-	-	232	232
Financial assets included in prepayments, other receivables and other assets					
- Normal **	7,035	-	-	-	7,035
- Doubtful **	-	-	54,301	-	54,301
Cash and cash equivalents	7,286	-	-	-	7,286
	<u>14,321</u>	<u>-</u>	<u>54,301</u>	<u>949,618</u>	<u>1,018,240</u>

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 18 and 19 to the Historical Financial Information, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and contract assets are disclosed in notes 18 and 19 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

As at 31 December 2022

	On demand or less than one year RMB'000	One to five years RMB'000	Total RMB'000
Trade payables	92,195	-	92,195
Financial liabilities included in other payables and accruals	5,025	-	5,025
Bank and other borrowings	142,232	-	142,232
Lease liabilities	1,339	7	1,346
	<u>240,791</u>	<u>7</u>	<u>240,798</u>

As at 31 December 2023

	On demand or less than one year RMB'000	One to five years RMB'000	Total RMB'000
Trade payables	84,694	-	84,694
Financial liabilities included in other payables and accruals	1,738	-	1,738
Bank and other borrowings	247,168	5,347	252,515
Lease liabilities	6,078	8,420	14,498
	<u>339,678</u>	<u>13,767</u>	<u>353,445</u>

As at 31 December 2024

	On demand or less than one year RMB'000	One to five years RMB'000	Total RMB'000
Trade payables	202,133	-	202,133
Financial liabilities included in other payables and accruals	56,805	-	56,805
Bank and other borrowings	295,169	10,479	305,648
Lease liabilities	6,457	4,134	10,591
	<u>560,564</u>	<u>14,613</u>	<u>575,177</u>

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The effective interest rates and terms of repayment of the bank borrowings of the Group are disclosed in note 25 to the Historical Financial Information. If the related interest rate had been 100 basis points higher/lower, the profit before income tax for the years ended 31 December 2022, 2023 and 2024 would have been RMB1,208,000, RMB1,929,000 and RMB2,736,850 lower/higher, respectively.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is bank and other borrowings divided by total equity. The Group's policy is to maintain the gearing ratio as low as possible. At the end of each of the Relevant Periods, the gearing ratios are as follows:

	31 December 2022 RMB'000	31 December 2023 RMB'000	31 December 2024 RMB'000
Bank and other borrowings	139,199	247,651	300,303
Total equity	<u>714,448</u>	<u>789,743</u>	<u>839,856</u>
Gearing ratio *	<u>19%</u>	<u>31%</u>	<u>36%</u>

35. CONTINGENT LIABILITIES/EVENTS AFTER THE RELAVANT PERIODS

In addition to the transactions and events detailed in the paragraph headed "Legal Proceedings" in the section headed "Business" in this Prospectus, the Group had no material contingent liabilities as at 31 December 2024 and had no material subsequent events after the Relevant Periods.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2024.