ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CLOUD FACTORY TECHNOLOGY HOLDINGS LIMITED AND SPDB INTERNATIONAL CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Cloud Factory Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-53, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 2022, and the six months ended 30 June 2023 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 2022 and 30 June 2023, and the statements of financial position of the Company as at 31 December 2021, 2022 and 30 June 2023, and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-53 forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [[Publish Date]] (the "[REDACTED]") in connection with the [REDACTED] 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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 as at 31 December 2020, 2021, 2022, and 30 June 2023 and the Company as at 31 December 2021, 2022, and 30 June 2023, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Comparative Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

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 I-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

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

[●]
Certified Public Accountants

Hong Kong
[***[Publish Date]***]

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.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Notes	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
REVENUE	*6*	276,064	464,276	548,753	265,322	301,862
Cost of sales		(222,072)	(407,840)	(479,810)	(229,961)	(254,091)
Gross profit		53,992	56,436	68,943	35,361	47,771
Other income and gains	*6*	283	3,476	476	194	738
Selling and distribution expenses		(2,662)	(3,567)	(5,087)	(2,277)	(3,161)
Administrative expenses		(9,137)	(22,229)	(29,880)	(14,007)	(17,645)
Research and development expenses		(10,569)	(17,024)	(23,574)	(13,290)	(8,805)
Impairment losses on financial assets		(160)	114	(465)	479	(1,961)
Other expenses		(207)	(183)	(388)	(167)	(5)
Finance costs	*8*	(1,969)	(2,290)	(2,362)	(1,093)	(1,861)
PROFIT BEFORE TAX	*7*	29,571	14,733	7,663	5,200	15,071
Income tax expense	*11*	(4,186)	(2,048)	371	(190)	(1,885)
PROFIT FOR THE YEAR/ PERIOD		25,385	12,685	8,034	5,010	13,186
Attributable to:						
Owners of the parent		25,385	12,685	8,034	5,010	12,899
Non-controlling interests		—	—	—	—	287
		25,385	12,685	8,034	5,010	13,186
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD		25,385	12,685	8,034	5,010	13,186
Attributable to:						
Owners of the parent		25,385	12,685	8,034	5,010	12,899
Non-controlling interests		—	—	—	—	287
		25,385	12,685	8,034	5,010	13,186
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)						
— For profit for the year/period	*13*	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
		2020	2021	2022	2023
	Notes	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	2,322	12,508	14,234	19,252
Right-of-use assets	*15*	587	184	215	1,553
Other intangible assets	*16*	14	32	308	267
Deferred tax assets	*17*	744	632	1,167	1,140
Other non-current assets	*18*	—	—	—	18,950
Total non-current assets		3,667	13,356	15,924	41,162
CURRENT ASSETS					
Trade receivables	*19*	81,666	97,581	115,066	180,278
Prepayments, other receivables and other assets	*20*	2,423	10,321	19,777	47,355
Tax recoverable		160	440	273	270
Amounts due from related parties	*31*	84,411	84,231	84,251	—
Cash and cash equivalents	*21*	897	47,006	77,986	61,251
Total current assets		169,557	239,579	297,353	289,154
CURRENT LIABILITIES					
Trade payables	*22*	80,288	151,931	171,303	146,642
Other payables and accruals	*23*	8,542	15,344	24,921	22,128
Contract liabilities	*24*	2,212	133	1,849	98
Amounts due to related parties	*31*	2,247	—	—	—
Interest-bearing bank and other borrowings	*25*	47,549	42,083	67,013	102,101
Lease liabilities	*15*	618	—	192	728
Tax payable		4,810	5,801	2,322	4,065
Total current liabilities		146,266	215,292	267,600	275,762
NET CURRENT ASSETS		23,291	24,287	29,753	13,392
TOTAL ASSETS LESS CURRENT LIABILITIES		26,958	37,643	45,677	54,554
NON-CURRENT LIABILITIES					
Lease liabilities	*15*	—	—	—	691
Total non-current liabilities		—	—	—	691
Net assets		26,958	37,643	45,677	53,863

	Notes	As at 31 December 2020 (RMB'000)	As at 31 December 2021 (RMB'000)	As at 31 December 2022 (RMB'000)	As at 30 June 2023 (RMB'000)
EQUITY					
Equity attributable to owners of the parent					
Share capital	*26*	—	—	—	—
Reserves	*27*	26,958	37,643	45,677	53,114
		26,958	37,643	45,677	53,114
Non-controlling interests		—	—	—	749
Total equity		26,958	37,643	45,677	53,863

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent						
	Share capital	Merger reserve	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	Total Equity
	(RMB'000) (note 26)	(RMB'000) (note 27)	(RMB'000) (note 27)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
As at 1 January 2020	—	9,000	2,417	156	11,573	—	11,573
Total comprehensive income for the year	—	—	—	25,385	25,385	—	25,385
Appropriations to statutory surplus reserve	—	—	2,571	(2,571)	—	—	—
Dividends paid to the then shareholders *(Note 12)*	—	—	—	(10,000)	(10,000)	—	(10,000)
As at 31 December 2020 and 1 January 2021	—	9,000	4,988	12,970	26,958	—	26,958
Total comprehensive income for the year	—	—	—	12,685	12,685	—	12,685
Appropriations to statutory surplus reserve	—	—	1,256	(1,256)	—	—	—
Dividends paid to the then shareholders *(Note 12)*	—	—	—	(2,000)	(2,000)	—	(2,000)
As at 31 December 2021 and 1 January 2022	—	9,000	6,244	22,399	37,643	—	37,643
Total comprehensive income for the year	—	—	—	8,034	8,034	—	8,034
Appropriations to statutory surplus reserve	—	—	1,039	(1,039)	—	—	—
Dividends paid to the then shareholders *(Note 12)*	—	—	—	—	—	—	—
As at 31 December 2022 and 1 January 2023	—	9,000	7,283	29,394	45,677	—	45,677

	Attributable to owners of the parent						
	Share capital	Merger reserve	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	Total Equity
	(RMB'000) (note 26)	(RMB'000) (note 27)	(RMB'000) (note 27)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total comprehensive income for the period	—	—	—	12,899	12,899	287	13,186
Capital contribution from the equity holder of subsidiaries *(Note 26)*	—	24,538	—	—	24,538	462	25,000
Dividends paid to the then shareholders *(Note 12)*	—	—	—	(30,000)	(30,000)	—	(30,000)
As at 30 June 2023	—	33,538	7,283	12,293	53,114	749	53,863
As at 1 January 2022	—	9,000	6,244	22,399	37,643	—	37,643
Total comprehensive income for the period (unaudited)	—	—	—	5,010	5,010	—	5,010
As at 30 June 2022 (unaudited)	—	9,000	6,244	27,409	42,653	—	42,653

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Notes	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		29,571	14,733	7,663	5,200	15,071
Adjustments for:						
Depreciation of items of property, plant and equipment	*14*	927	965	1,703	856	1,141
Depreciation of right-of-use assets	*15*	333	403	177	85	223
Amortisation of intangible assets	*16*	49	13	78	11	94
Impairment losses on trade receivables and financial assets		160	(114)	465	(479)	1,961
Finance costs	*8*	1,969	2,290	2,362	1,093	1,861
Finance and investment income	*6*	(11)	(44)	(91)	(53)	(115)
Interest income from other receivables and long-term receivables	*6*	—	—	—	—	(232)
Loss/(gain) on disposal of items of property, plant and equipment		37	57	(168)	(78)	(38)
Gain on disposal of items of right-of-use assets		—	—	(48)	(48)	—
		33,035	18,303	12,141	6,587	19,966
Increase in trade receivables		(31,170)	(15,805)	(17,969)	(3,654)	(66,994)
Decrease/(increase) in prepayments, other receivables and other assets		32	(4,817)	(7,881)	(1,293)	(20,027)
Increase/(decrease) in trade payables		19,084	71,643	19,372	(40,495)	(24,661)
Increase/(decrease) in contract liabilities		2,011	(2,079)	1,716	(55)	(1,751)
Increase/(decrease) in other payables and accruals		900	2,220	12,563	7,622	(651)
Cash generated from/(used in) operations		23,892	69,465	19,942	(31,288)	(94,118)
Interest received		10	39	88	53	115
Tax paid		(940)	(1,225)	(3,476)	(3,502)	(112)
Net cash flows from/(used in) operating activities		22,962	68,279	16,554	(34,737)	(94,115)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(1,762)	(5,677)	(8,269)	(6,492)	(8,735)
Additions to other intangible assets		(17)	(31)	(234)	—	(173)
Investment income from financial products		1	5	3	—	—
Advances to third parties		(290)	—	—	—	—
Repayment of advances to third parties		3,000	290	—	—	—
Advances of long term receivables		—	—	—	—	(76,492)
Repayment of long term receivables		—	—	—	—	51,800
Disposal of property, plant and equipment		146	63	1,111	920	112
Net cash flows from/(used in) investing activities		1,078	(5,350)	(7,389)	(5,572)	(33,488)

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Note	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contribution from the equity holder of subsidiaries		—	—	—	—	25,000
New bank loans		53,989	62,000	99,000	47,000	132,000
Repayment of bank loans		(29,883)	(67,489)	(74,000)	(42,083)	(97,000)
Interest paid		(1,908)	(2,239)	(2,419)	(981)	(1,747)
Dividends paid to the then shareholders		(10,000)	(2,000)	—	—	(30,000)
Payment of lease liabilities		(380)	(646)	(190)	(95)	(360)
Payment of [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Advances from third parties		2,000	—	—	—	—
Repayment of advances from third parties		—	(2,000)	—	—	—
Advances from controlling shareholder	*31*	77,509	22,166	—	—	—
Repayment from controlling shareholder	*31*	—	—	—	—	84,251
Advances to controlling shareholder	*31*	(107,820)	(21,986)	(20)	(20)	—
Advances from other related parties	*31*	10,000	—	1,500	1,500	—
Repayment of advances from other related parties	*31*	(17,264)	(2,247)	(1,500)	—	—
Net cash flows (used in)/from financing activities		(23,757)	(16,820)	21,815	4,861	110,868
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		283	46,109	30,980	(35,448)	(16,735)
Cash and cash equivalents at beginning of year/period		614	897	47,006	47,006	77,986
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		897	47,006	77,986	11,558	61,251
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the statements of cash flows		897	47,006	77,986	11,558	61,251

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		As at 30 June
		2021	2022	2023
	Note	(RMB)	(RMB)	(RMB)
NON-CURRENT ASSETS				
Investments in subsidiaries		—	636	636
Total non-current assets		—	636	636
CURRENT ASSETS				
Amounts due from related parties		64	—	—
Total current assets		64	—	—
CURRENT LIABILITIES				
Amounts due to related parties		—	572	572
Total current liabilities		—	572	572
NET CURRENT ASSETS/(LIABILITIES)		64	(572)	(572)
TOTAL ASSETS LESS CURRENT LIABILITIES		64	64	64
Net assets		64	64	64
EQUITY				
Share capital	*26*	64	64	64
Total equity		64	64	64

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 10 December 2021. The registered office of the Company is 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands.

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the provision of Internet Data Centre (IDC) solution services, edge computing services, and Information Communications Technology (ICT) services and other services in the People's Republic of China.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "History and Reorganisation — Reorganisation" in the [REDACTED]. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name	*Notes*	Place and date of incorporation/registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Cloud Factory (BVI) Limited	(b)	British Virgin Islands 10 January 2022	US$100	100%	—	Investment holding
雲工場香港有限公司 Cloud Factory Hong Kong Limited	(b)	Hong Kong 19 January 2022	HK$10,000	—	100%	Investment holding
無錫靈境雲信息技術有限公司 Wuxi Lingjing Cloud Information Technology Co., Ltd.	(b)	PRC/Mainland China 17 May 2022	RMB8,000,000	—	98.61%	Provision of technical support and consultation in relation to the Contractual Arrangements
江蘇雲工場信息技術有限公司 Jiangsu Cloud Factory Information Technology Co., Ltd.	(a)	PRC/ Mainland China 11 December 2015	RMB20,000,000	—	100%	Provision of IDC Solution Services, Edge Computing Service and ICT Services and Other Services
江蘇意如信息科技有限公司 Jiangsu Yiru Information Technology Co., Ltd.	(a)	PRC/ Mainland China 29 October 2013	RMB10,000,000	—	100%	Provision of IDC Solution Services, Edge Computing Service and ICT Services and Other Services
青島雲睿天信息技術有限公司 Qingdao Yunruitian Technology Co., Ltd.	(b)	PRC/ Mainland China 29 January 2016	RMB10,000,000	—	100%	Provision of IDC Solution Services

Name	Notes	Place and date of incorporation/registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
山東典雅信息技術有限公司 Shandong Dianya Information Technology Co., Ltd.	(b)	PRC/ Mainland China 20 July 2018	RMB10,000,000	—	100%	Provision of IDC Solution Services, Edge Computing Service and ICT Services and Other Services
無錫市顯凱信息技術有限公司 Wuxi Xiankai Information Technology Co., Ltd.	(b)	PRC/ Mainland China 22 May 2020	RMB5,242,272	—	100%	Provision of ICT services and other services
上海驍江信息技術有限公司 Shanghai Xiaojiang Information Technology Co., Ltd.	(b)	PRC/ Mainland China 26 April 2021	RMB10,000,000	—	100%	Provision of ICT services and other services

The English names of these subsidiaries registered in the PRC represent the best efforts made by management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

Notes:

(a) The statutory financial statements of these entities for the two years ended 31 December 2020, 2021 and 2022 prepared in accordance with generally accepted accounting principles in the PRC (PRC GAAP) and regulations were audited by Wuxi Tai' Hu Certified Public Accountants (無錫太湖會計師事務所有限責任公司), a certified public accounting firm registered in the PRC.

(b) No audited financial statements have been prepared and issued for these entities since the date of their respective incorporation, as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation, or have not commenced business.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the section headed "History and Reorganisation" in the [REDACTED], the Company became the holding company of the companies now comprising the Group on 28 March 2023. The companies now comprising the Group has been under the common control of the controlling shareholder before and after the Group Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the six months ended 30 June 2022 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder's perspective. No adjustments are made to reflect fair value, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and businesses held by parties other than the controlling shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), 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 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information consistently throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 28 and IFRS 10	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 3]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]

1 Effective for annual periods beginning on or after 1 January 2024
2 No mandatory effective date yet determined but available for adoption
3 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.

The Group is in the process of making an assessment of the impact of these new or revised IFRSs upon initial application. So far, the Group considers that these standards will not have a significant impact on the Group's financial performance and financial position.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Fair Value Measurement

The Group measures certain financial instruments at fair value through profit or loss at the end of each reporting period. 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 reporting period.

Impairment of Non-financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), 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 profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period 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 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.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, 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 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:

Buildings	5%–19%
Leasehold improvements	33%
Electronic equipment	19%–32%
Furniture and fixtures	19%
Motor vehicles	24%

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 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.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible Assets (other than Goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products 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. Product development expenditure which does not meet these criteria is expensed when incurred.

Development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the asset are put into commercial production.

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:

Office premises	24–36 months

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.

(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 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 and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets 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 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.

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

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 profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

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 statement 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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.

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 each reporting date, 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. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, 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 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 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 considered estimated loss rate based on historical observable default rates and study of each specific customer's default and recovery data from external credit-rating agency, 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 payables, or loans and borrowings, 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, an amount due to related parties and interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (payables, loans and borrowings)

After initial recognition, payables, interest-bearing loans 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 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 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 profit or loss.

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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 effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period 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 profit or loss.

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 the reporting period, 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 the reporting period 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

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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, 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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 reporting period 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 reporting period 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 the reporting period.

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.

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, 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 profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue Recognition

Revenue from contracts with customers

The Group is engaged in the business of providing IDC solution services, edge computing services and ICT services and other services.

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.

Provision of IDC solution services

Revenue from the provision of IDC solution services is recognised over the scheduled period because the customer simultaneously receives and consumes the benefits provided by the Group. For contracts where considerations are fixed, the related revenues are recognised on a straight-line basis based on the contract price. For contracts where considerations are based on the usage of the IDC solution services, the related revenues are recognised based on the consumption of high-speed internet access bandwidth resources at the predetermined rate when the services are rendered throughout the contact term.

Provision of edge computing services

Edge computing services include content delivery network services and other edge functionality which has been traditionally delivered by hardware-centric appliances. The nature of the performance obligation is a single performance obligation to be ready to provide integrated services throughout the contract period. Revenue from the provision of edge computing services is recognised over the scheduled period because the customer simultaneously receives and consumes the benefits provided by the Group. For contracts where considerations are fixed, the related revenues are recognised on a straight-line basis based on the contract price which is fixed. For contracts where considerations are based on the usage of the edge computing services, the related revenues are recognised based on the consumption of high-speed internet access bandwidth resources at the predetermined rate as the services are rendered throughout the contact term.

Provision of ICT services and other services

Revenue from ICT services is primarily generated through the provision of customer-fit information communications technology solution to our clients, system development and maintenance, consultation services and provision of cloud computing hardware resources. And revenue from other services is primarily generated through the provision of network acceleration service, text messaging service, call service and WeChat corporate mini-application development service to our enterprise clients. Revenue is recognised at a point in time when the control of the customer-fit product is transferred to the customer or the service is accepted by the customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument of the net carrying amount of the financial asset.

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).

Employee Benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing Cost

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.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the notes to the Historical Financial Information.

Foreign Currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. 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 reporting period. Differences arising on settlement or translation of monetary items are recognised in 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Principal or agent when recognising revenue

Determining whether revenue of the Group should be reported "gross" or "net" is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal and records revenue on a gross basis if the Group obtains control of any one of the following: (i) a good or another asset from the other party that it then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf; or (iii) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer. Otherwise, the Group records revenue at the net amounts as commissions.

The Group concludes that it usually acts as a principal in providing IDC services, edge computing services, and ICT services as (i) the Group is primarily responsible for the fulfilment of the customers' contracts by ensuring the stability and quality of services; (ii) the Group combines the good or service from the other party with other goods or services in providing the specified good or service to the customer; (iii) the Group sets up service prices independently. The Group also acts as an agent under certain IDC services, ICT services and other services contracts when the group does not have control over these services and products.

Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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

The Group uses estimated loss rate to calculate ECLs for trade receivables. The estimated loss rate is initially based on historical observable default rates over expected life of the debts and study of each specific customer's default and recovery data from external credit-rating agency, and is adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. For instance, if forecast economic conditions (i.e., gross domestic product and consumer price index) are expected to deteriorate over the next year leading to an increased number of defaults in the TMT sector, the historical default rates are adjusted. At each reporting date, 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, study of other corporates' default and recovery data, 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 is disclosed in note 19 to the financial statements.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

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. The carrying values of deferred tax assets relating to recognised tax losses as at 31 December 2020, 2021, 2022 and the six months ended 30 June 2023 were RMB302,000, RMB177,000 and RMB406,000 and RMB91,000 respectively. The amounts of deferred tax assets in respect of tax losses not recognised were nil, RMB7,000, RMB65,000 and RMB90,000 respectively. Further details are contained in note 17 to the Historical Financial Information.

5. OPERATING SEGMENT INFORMATION

The Group is principally a provider of IDC solution services, edge computing services, and ICT solution services and other services in Mainland China.

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment. Since this is the only reportable operating segment of the Group, no further operating segment analysis is presented.

Geographical Information

During the Relevant Periods, all of the Group's revenue was derived from customers located in Mainland China and all of the Group's non-current assets were located in Mainland China, and therefore no further geographical segment information is presented in accordance with IFRS 8 Operating Segments.

Information about Major Customers

Revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for each of the Relevant Periods is as follows: (* Less than 10% of the Group's revenue)

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000) (unaudited)**	**(RMB'000)**
Customer A	72,862	N/A*	N/A*	N/A*	N/A*
Customer B	68,079	133,409	112,615	55,018	50,760
Customer F	N/A*	56,859	N/A*	N/A*	N/A*
Customer H	N/A*	77,640	59,306	39,796	N/A*
Customer J	—	N/A*	99,881	47,920	62,863
Customer K	—	N/A*	82,347	N/A*	107,414
Customer I	N/A*	N/A*	71,243	35,872	N/A*
Customer G	N/A*	N/A*	N/A*	40,123	N/A*
	140,941	267,908	425,392	218,729	221,037

6. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000) (unaudited)**	**(RMB'000)**
Revenue from contracts with customers	276,064	464,276	548,753	265,322	301,862

Revenue from contracts with customers

(a) ***Disaggregated revenue information***

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000) (unaudited)**	**(RMB'000)**
Types of goods or services					
IDC services	249,251	437,232	538,662	261,240	295,007
Edge computing services	—	—	5,202	—	5,285
ICT services and other services	26,813	27,044	4,889	4,082	1,570
Total revenue from contracts with customers	276,064	464,276	548,753	265,322	301,862
Geographical market					
Mainland China	276,064	464,276	548,753	265,322	301,862
Timing of revenue recognition					
Services transferred over time	249,251	437,232	543,864	261,240	300,292
Services transferred at a point in time	26,813	27,044	4,889	4,082	1,570
	276,064	464,276	548,753	265,322	301,862

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 each of the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Revenue recognised that was included in contract liabilities at the beginning of the reporting year/period					
IDC services	201	769	133	62	1,849
Edge computing services	—	—	—	—	—
ICT services and other services	—	1,443	—	—	—
	201	2,212	133	62	1,849

(b) ***Performance obligations***

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

Provision of IDC solution services and edge computing services

For the provision of IDC solution services and edge computing services, the performance obligation is satisfied over time when the services are rendered. The payment is generally due within 10 to 60 days after receipt of invoice.

Provision of ICT services and other services

For the provision of ICT services and other services, revenue is recognised at a point in time. The performance obligation is satisfied upon acceptance of services by the customers. The timing of payment varies from contract to contract.

All provisions of services are satisfied within one year or less.

Other Income and Gains

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Government grants	244	3,427	169	15	353
Bank interest and investment income	11	44	91	53	115
Interest income from other receivables and long-term receivables	—	—	—	—	232
Gain on disposal of items of property, plant and equipment	—	—	168	78	38
Gain on disposal of items of right-of-use assets	—	—	48	48	—
Others	28	5	—	—	—
	283	3,476	476	194	738

7. PROFIT BEFORE TAX

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

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Notes	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Cost of services provided*		222,072	407,840	479,810	229,961	253,916
Depreciation of property, plant and equipment	*14*	927	965	1,703	856	1,141
Depreciation of right-of-use assets	*15*	333	403	177	85	223
Amortisation of intangible assets	*16*	49	13	78	11	94
Expense relating to short-term leases	*15*	139	96	263	120	38
Auditor's remuneration		58	109	238	246	281
Bank interest and investment income	*6*	(11)	(44)	(91)	(53)	(115)
Interest income from other receivables and long-term receivables	*6*	—	—	—	—	(232)
Loss/(gain) on disposal of items of property, plant and equipment		37	57	(168)	(78)	(38)
Gain on disposal of items of right-of-use assets	*6*	—	—	(48)	(48)	—
Impairment losses recognised/ (reversed) for financial assets	*18/19/ 20*	160	(114)	465	(479)	1,961
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Employee benefit expense (including directors' and chief executive's remuneration in note 9):						
— Wages and salaries		6,392	9,590	20,342	8,533	9,746
— Pension scheme contributions and social welfare		417	1,322	2,539	1,200	1,350

* *Cost of services provided do not include depreciation of property, plant and equipment, depreciation of right-of-use assets and amortisation of intangible assets.*

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Interest on loans and borrowings	1,938	2,262	2,349	1,087	1,835
Interest on lease liabilities	31	28	13	6	26
	1,969	2,290	2,362	1,093	1,861

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Sun Tao, Mr. Ji Lijun and Mr. Jiang Yanqiu were redesigned as executive directors of the Company on 26 May 2023. Ms. Yu Yihua was appointed as executive directors of the Company on 26 May 2023. On 26 May 2023, Ms. Zhao Hong, Mr. Cui Qi and Mr. Ip Mun Lam were proposed to be appointed as independent non-executive directors and their appointments shall become effective upon the [REDACTED] and commencement of trading of the Shares on the Stock Exchange.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Fees	—	—	—	—	—
Salaries, allowances and benefits in kind	1,017	3,750	6,251	2,867	2,761
Pension scheme contributions	114	269	377	189	199
	1,131	4,019	6,628	3,056	2,960

(A) Independent Non-executive Directors

There was no emolument payable to the independent non-executive directors during the Relevant Periods.

(B) Executive Directors

	Year ended 31 December 2020		
	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	(RMB'000)	(RMB'000)	(RMB'000)
Executive directors:			
Mr. Sun Tao	164	29	193
Ms. Yu Yihua	191	18	209
Mr. Ji Lijun	189	30	219
Mr. Jiang Yanqiu	473	37	510
	1,017	114	1,131

	Year ended 31 December 2021		
	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	(RMB'000)	(RMB'000)	(RMB'000)
Executive directors:			
Mr. Sun Tao	1,765	55	1,820
Ms. Yu Yihua	288	64	352
Mr. Ji Lijun	507	63	570
Mr. Jiang Yanqiu	1,190	87	1,277
	3,750	269	4,019

	Year ended 31 December 2022		
	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	(RMB'000)	(RMB'000)	(RMB'000)
Executive directors:			
Mr. Sun Tao	3,942	96	4,038
Ms. Yu Yihua	349	89	438
Mr. Ji Lijun	515	96	611
Mr. Jiang Yanqiu	1,445	96	1,541
	6,251	377	6,628

	Six months ended 30 June 2022 (unaudited)		
	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	(RMB'000)	(RMB'000)	(RMB'000)
Executive directors:			
Mr. Sun Tao	1,900	48	1,948
Ms. Yu Yihua	173	45	218
Mr. Ji Lijun	254	48	302
Mr. Jiang Yanqiu	540	48	588
	2,867	189	3,056

	Six months ended 30 June 2023		
	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	(RMB'000)	(RMB'000)	(RMB'000)
Executive directors:			
Mr. Sun Tao	1,700	50	1,750
Ms. Yu Yihua	183	49	232
Mr. Ji Lijun	374	50	424
Mr. Jiang Yanqiu	504	50	554
	2,761	199	2,960

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2020, 2021, 2022, and the six months ended 30 June 2022 (unaudited) and 30 June 2023 included 1, 3, 2, 2 and 3 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remaining 4, 2 3, 3 and 2 highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Salaries, allowances and benefits in Kind	1,083	716	4,712	1,437	1,132
Pension scheme contributions	66	161	275	141	109
	1,149	877	4,987	1,578	1,241

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

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
				(unaudited)	
Nil to HK$1,000,000	4	2	1	3	2
HK$1,000,001 to HK$2,000,000	—	—	1	—	—
HK$2,000,001 to HK$3,000,000	—	—	—	—	—
HK$3,000,001 to HK$4,000,000	—	—	1	—	—
	4	2	3	3	2

11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

Pursuant to the Corporate Income Tax of the PRC and the respective regulations (the "CIT Law"), the Company's subsidiaries which operate in Mainland China are subject to income tax at a rate of 25% on their respective taxable income.

According to the CIT Law and its relevant regulations issued in 2019, entities that are qualified as small low-profit enterprise are entitled to a preferential income tax rate of 5% (for taxable income less than RMB1,000,000) or 10% (for taxable income ranging from RMB1,000,000 to RMB3,000,000). Qingdao Yunruitian Technology Co., Ltd., Wuxi Xiankai Information Technology Co., Ltd., Shanghai Xiaojiang Information Technology Co., Ltd. and Wuxi Lingjing Cloud Co., Ltd were qualified as small low-profit enterprises and were entitled to a preferential income tax rate ranging from 5% to 10% for the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023. Jiangsu Yiru Information Technology Co., Ltd., was entitled to a preferential income tax rate ranging from 5% to 10% for the years ended 31 December 2020, 2021, 2022, and Shandong Dianya Information Technology Co., Ltd. was entitled to a preferential income tax rate ranging from 5% to 10% for six months ended 30 June 2023.

Jiangsu Cloud Factory Information Technology Co., Ltd. ("Yungongchang") was accredited as a "High-and-New Technology Enterprise" ("HNTE") in 2018 and 2021 and the certifications were valid for three years for each time. Yungongchang is entitled to a preferential income tax rate of 15% during the Relevant Periods.

	Year ended 31 December			**Six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000) (unaudited)**	**(RMB'000)**
Current	3,870	1,936	164	254	1,858
Deferred *(note 17)*	316	112	(535)	(64)	27
Total tax charge for the year/period	4,186	2,048	(371)	190	1,885

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000) (unaudited)**	**(RMB'000)**
Profit before tax	29,571	14,733	7,663	5,200	15,071
Tax at the statutory tax rate	7,393	3,683	1,916	1,300	3,768
Lower tax rate enacted by local authority	(2,379)	(1,280)	(826)	(501)	(1,614)
Additional deduction of research and development expenses	(1,164)	(1,590)	(2,627)	(1,262)	(1,282)
Tax losses and deductible temporary differences not recognised	—	7	65	31	90
Expenses not deductible for tax	336	1,228	1,101	622	926
Use of tax deductible losses from prior periods	—	—	—	—	(3)
Tax charge/(credit) at the Group's effective rate	4,186	2,048	(371)	190	1,885

12. DIVIDENDS

No dividend has been declared and paid by the Company in respect of the Relevant Periods and six months ended 30 June 2022.

Jiangsu Cloud Factory Information Technology Co., Ltd. made distributions to the then shareholders in the amounts of RMB10,000,000, RMB2,000,000, Nil, Nil and RMB30,000,000 for the years ended 31 December 2020, 2021, 2022, the six months ended 30 June 2022 (unaudited) and 30 June 2023, respectively before the date of incorporation of the Group.

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

The Company became the holding company of the companies now comprising the Group on 28 March 2023 due to the Reorganisation and the basis of presentation of the results of the Group for the Relevant Periods and the six months ended 30 June 2022 as disclosed in note 2.1 to the Historical Financial Information.

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the company's issuance of 1 million ordinary shares, with a par value of USD0.00001 per share, the payment has not yet been made after the Reorganisation.

14. PROPERTY, PLANT AND EQUIPMENT

31 December 2020

	Buildings	Leasehold improvements	Electronic equipment	Furniture and fixtures	Motor vehicles	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2020:						
Cost	—	322	2,592	266	883	4,063
Accumulated depreciation	—	(270)	(1,700)	(128)	(295)	(2,393)
Net carrying amount	—	52	892	138	588	1,670
At 1 January 2020, net of accumulated depreciation	—	52	892	138	588	1,670
Additions	—	—	236	16	1,510	1,762
Disposals	—	—	(8)	—	(175)	(183)
Depreciation provided during the year	—	(52)	(529)	(50)	(296)	(927)
At 31 December 2020, net of accumulated depreciation	—	—	591	104	1,627	2,322
At 31 December 2020:						
Cost	—	278	2,765	282	1,823	5,148
Accumulated depreciation	—	(278)	(2,174)	(178)	(196)	(2,826)
Net carrying amount	—	—	591	104	1,627	2,322

31 December 2021

	Buildings	Leasehold improvements	Electronic equipment	Furniture and fixtures	Motor vehicles	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2021:						
Cost	—	278	2,765	282	1,823	5,148
Accumulated depreciation	—	(278)	(2,174)	(178)	(196)	(2,826)
Net carrying amount	—	—	591	104	1,627	2,322
At 1 January 2021, net of accumulated depreciation	—	—	591	104	1,627	2,322
Additions	10,583	—	296	19	373	11,271
Disposals	—	—	(119)	(1)	—	(120)
Depreciation provided during the year	—	—	(392)	(55)	(518)	(965)
At 31 December 2021, net of accumulated depreciation	10,583	—	376	67	1,482	12,508
At 31 December 2021:						
Cost	10,583	—	1,430	158	2,196	14,367
Accumulated depreciation	—	—	(1,054)	(91)	(714)	(1,859)
Net carrying amount	10,583	—	376	67	1,482	12,508

31 December 2022

	Buildings	Leasehold improvements	Electronic equipment	Furniture and fixtures	Motor vehicles	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2022:						
Cost	10,583	—	1,430	158	2,196	14,367
Accumulated depreciation	—	—	(1,054)	(91)	(714)	(1,859)
Net carrying amount	10,583	—	376	67	1,482	12,508
At 1 January 2022, net of accumulated depreciation	10,583	—	376	67	1,482	12,508
Additions	—	—	210	130	4,032	4,372
Disposals	—	—	(5)	—	(938)	(943)
Depreciation provided during the year	(542)	—	(240)	(44)	(877)	(1,703)
At 31 December 2022, net of accumulated depreciation	10,041	—	341	153	3,699	14,234
At 31 December 2022:						
Cost	10,583	—	767	288	4,474	16,112
Accumulated depreciation	(542)	—	(426)	(135)	(775)	(1,878)
Net carrying amount	10,041	—	341	153	3,699	14,234

30 June 2023

	Buildings	Leasehold improvements	Electronic equipment	Furniture and fixtures	Motor vehicles	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2023:						
Cost	10,583	—	767	288	4,474	16,112
Accumulated depreciation	(542)	—	(426)	(135)	(775)	(1,878)
Net carrying amount	10,041	—	341	153	3,699	14,234
At 1 January 2023, net of accumulated depreciation	10,041	—	341	153	3,699	14,234
Additions	—	165	5,376	8	684	6,233
Disposals	—	—	—	—	(74)	(74)
Depreciation provided during the period	(272)	—	(281)	(26)	(562)	(1,141)
At 30 June 2023, net of accumulated depreciation	9,769	165	5,436	135	3,747	19,252
At 30 June 2023:						
Cost	10,583	165	6,144	296	4,922	22,110
Accumulated depreciation	(814)	—	(708)	(161)	(1,175)	(2,858)
Net carrying amount	9,769	165	5,436	135	3,747	19,252

15. LEASES

The Group as A Lessee

The Group has lease contracts for office premises used in its operation. Leases of office premises generally have lease terms between 24 and 36 months.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during each of the Relevant Periods are as follows:

Office premises	As at 31 December 2020 (RMB'000)	As at 31 December 2021 (RMB'000)	As at 31 December 2022 (RMB'000)	As at 30 June 2023 (RMB'000)
Carrying amount at the beginning of the year/period	252	587	184	215
Additions	668	—	369	1,561
Disposals	—	—	(161)	—
Depreciation provided during the year/period	(333)	(403)	(177)	(223)
Carrying amount at the end of the year/period	587	184	215	1,553

(b) *Lease liabilities*

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

	As at 31 December 2020 (RMB'000)	As at 31 December 2021 (RMB'000)	As at 31 December 2022 (RMB'000)	As at 30 June 2023 (RMB'000)
Carrying amount at the beginning of the year/period	299	618	—	192
Additions	668	—	369	1,561
Interest during the year/period	31	28	13	26
Payments during the year/period	(380)	(646)	(190)	(360)
Carrying amount at the end of the year/period	618	—	192	1,419
Analysed into:				
Current portion	618	—	192	728
Non-current portion	—	—	—	691

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

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000) (unaudited)**	**(RMB'000)**
Interest on lease liabilities	31	28	13	6	26
Depreciation charge of right-of-use assets	333	403	177	85	223
Expense relating to short-term leases *(note 7)*	139	96	263	120	38
Total amount recognised in profit or loss	503	527	453	211	287

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

16. OTHER INTANGIBLE ASSETS

31 December 2020

	Software
	(RMB'000)
At 1 January 2020:	
Cost	433
Accumulated amortisation	(387)
Net carrying amount	46
At 1 January 2020, net of accumulated amortisation	46
Additions	17
Amortisation provided during the year	(49)
At 31 December 2020, net of accumulated amortisation	14
At 31 December 2020:	
Cost	450
Accumulated amortisation	(436)
Net carrying amount	14

31 December 2021

	Software
	(RMB'000)
At 1 January 2021:	
Cost	450
Accumulated amortisation	(436)
Net carrying amount	14
At 1 January 2021, net of accumulated amortisation	14
Additions	31
Amortisation provided during the year	(13)
At 31 December 2021, net of accumulated amortisation	32
At 31 December 2021:	
Cost	481
Accumulated amortisation	(449)
Net carrying amount	32

31 December 2022

	Software
	(RMB'000)
At 1 January 2022:	
Cost	481
Accumulated amortisation	(449)
Net carrying amount	32
At 1 January 2022, net of accumulated amortisation	32
Additions	354
Amortisation provided during the year	(78)
At 31 December 2022, net of accumulated amortisation	308
At 31 December 2022:	
Cost	835
Accumulated amortisation	(527)
Net carrying amount	308

30 June 2023

	Software
	(RMB'000)
At 1 January 2023:	
Cost	835
Accumulated amortisation	(527)
Net carrying amount	308
At 1 January 2023, net of accumulated amortisation	308
Additions	53
Amortisation provided during the period	(94)
At 30 June 2023,net of accumulated amortisation	267
At 30 June 2023:	
Cost	888
Accumulated amortisation	(621)
Net carrying amount	267

17. DEFERRED TAX

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

Deferred tax assets

	Lease liabilities	Impairment of financial assets	Loss available for offsetting against future profits	Unpaid employee benefits	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2020:	45	279	667	107	1,098
Deferred tax credited/(charged) to profit or loss during the year *(note 11)*	48	19	(365)	32	(266)
At 31 December 2020 and 1 January 2021	93	298	302	139	832
Deferred tax credited/(charged) to profit or loss during the year *(note 11)*	(93)	(23)	(125)	69	(172)
At 31 December 2021 and 1 January 2022	—	275	177	208	660
Deferred tax credited to profit or loss during the year *(note 11)*	29	60	229	221	539
At 31 December 2022 and 1 January 2023	29	335	406	429	1,199
Deferred tax credited to profit or loss during the period *(note 11)*	150	270	(315)	45	150
At 30 June 2023:	179	605	91	474	1,349

Deferred tax liabilities

	Right of use assets
	(RMB'000)
At 1 January 2020:	38
Deferred tax charged to profit or loss during the year *(note 11)*	50
At 31 December 2020 and 1 January 2021	88
Deferred tax credited to profit or loss during the year *(note 11)*	(60)
At 31 December 2021 and 1 January 2022	28
Deferred tax charged to profit or loss during the year *(note 11)*	4
At 31 December 2022 and 1 January 2023	32
Deferred tax charged to profit or loss during the period *(note 11)*	177
At 30 June 2023:	209

For presentation purposes, certain deferred tax assets and liabilities amounting to RMB88,000, RMB28,000, RMB32,000 and RMB209,000 have been offset in the consolidated statements of financial position as at 31 December 2020, 2021, 2022, and 30 June 2023 respectively. The following is an analysis of the deferred tax balances for financial reporting purposes:

	Year ended 31 December			Six months ended 30 June
	2020	**2021**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Net deferred tax assets recognised in the consolidated statements of financial position	744	632	1,167	1,140

Pursuant to the CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 (unaudited) and 30 June 2023, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. At the end of each of the Relevant Periods, the directors of the Company, based on the Group's operation and expansion plan, estimated that part of the retained earnings of the PRC subsidiaries would be retained in Mainland China for use in future operations and investments. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with unremitted earnings in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB12,970,000, RMB22,399,000 and RMB29,394,000, RMB27,409,000 and RMB12,293,000, as at 31 December 2020, 2021, 2022, the six months ended 30 June 2022 (unaudited) and 30 June 2023, respectively.

There are deferred tax assets in respect of tax losses amounting to nil, RMB7,000, RMB65,000, RMB31,000 and RMB90,000 that have not been recognised as at 31 December 2020, 2021 and, 2022 and the six months ended 30 June 2022 (unaudited) and 30 June 2023, respectively.

18. OTHER NON-CURRENT ASSETS

	Six months ended 30 June 2023
	(RMB'000)
Long-term receivables	19,086
Less: Impairment	(136)
At the end of the period	18,950

The movements in the loss allowance for impairment of other non-current assets are as follows:

	Six months ended 30 June 2023
	(RMB'000)
At the beginning of the period	—
Impairment losses recognised	136
At the end of the period	136

19. TRADE RECEIVABLES

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade receivables	83,535	99,340	117,309	184,303
Impairment	(1,869)	(1,759)	(2,243)	(4,025)
At the end of the year/period	81,666	97,581	115,066	180,278

The Group's trading terms with its customers are mainly on credit, except for small customers of IDC solution, where payment in advance is normally required. The credit periods are generally 10 to 60 days after receipt of invoice for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. As at the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 20%, 30%, 37%, 50% and 66%, 77%, 81%, 89% of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at [●], certain of the Group's trade receivables with net carrying amounts of approximately RMB24,556,000, RMB26,831,000, RMB20,650,000 and RMB8,530,000 were pledged to secure general banking facilities granted to the Group, respectively (note 25).

An aging analysis of the trade receivables as at the end of the reporting period, based on the record date and net of loss allowance, is as follows:

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within 1 year	81,666	95,498	114,616	180,202
1 to 2 years	—	2,083	450	76
	81,666	97,581	115,066	180,278

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

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At the beginning of the year/period	1,611	1,869	1,759	2,243
Impairment losses recognised/(reversed)	292	(110)	484	1,782
Amount written off as uncollectible	(34)	—	—	—
At the end of the year/period	1,869	1,759	2,243	4,025

An impairment analysis is performed at the end of each Relevant Periods using estimated loss rate to measure expected credit losses. The estimated loss rates are based on historical observable default rates over expected life of the debts, study of each specific customer's credit-rating from external agency and default and recovery data for different credit-rating from external agency, and are adjusted for forward-looking information (for example, forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the end of each Relevant Periods about past events, current conditions, and forecasts of future economic conditions.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

Set out below is the information about the credit risk exposure on the Group's trade receivables using estimated loss rate:

As at 31 December 2020:

	Trade receivables ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	2.24%	—	—	2.24%
Gross carrying amount	83,535	—	—	83,535
Expected credit losses	1,869	—	—	1,869

As at 31 December 2021:

	Trade receivables ageing			
	Within 1 year	1 to 2 years	2 to 3 years	Total
Expected credit loss rate	1.74%	3.12%	—	1.77%
Gross carrying amount	97,190	2,150	—	99,340
Expected credit losses	1,692	67	—	1,759

As at 31 December 2022:

	Trade receivables ageing			
	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Total**
Expected credit loss rate	1.91%	3.23%	—	1.91%
Gross carrying amount	116,844	465	—	117,309
Expected credit losses	2,228	15	—	2,243

As at 30 June 2023:

	Trade receivables ageing			
	Within 1 year	**1 to 2 years**	**2 to 3 years**	**Total**
Expected credit loss rate	1.98%	3.80%	100.00%	2.18%
Gross carrying amount	183,837	79	387	184,303
Expected credit losses	3,641	3	387	4,025

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December			**As at 30 June**
	2020	**2021**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Other receivables	290	—	—	5,852
Value-added tax	989	2,461	2,619	—
Deposits	156	1,301	204	259
Prepayment	900	3,823	12,922	35,490
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	114	229	159	182
	2,449	10,343	19,780	47,401
Less: Impairment	(26)	(22)	(3)	(46)
	2,423	10,321	19,777	47,355

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment except for the other receivables as of 30 June 2023.

The movements in provision for impairment of receivables are as follows:

	Year ended 31 December			Six months ended 30 June
	2020	**2021**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
At the beginning of the year/period	158	26	22	3
Impairment losses (reversed)/recognised	(132)	(4)	(19)	43
At the end of the year/period	26	22	3	46

An impairment analysis is performed at the end of each of the Relevant Periods using estimated loss rate to measure expected credit losses. As at the end of each of the Relevant Periods, financial assets included in prepayments, other receivables and other assets are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition, and thus the Group has assessed the expected credit losses under the 12-month expected credit loss method.

21. CASH AND CASH EQUIVALENTS

	Year ended 31 December			Six months ended 30 June
	2020	**2021**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Cash and bank balances	897	47,006	77,986	61,251

All cash and bank balances are denominated in RMB.

The RMB is not freely convertible into other currencies, however, under Mainland China'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 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 record date, is as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within 1 year	77,994	151,915	171,055	146,524
1 to 2 years	2,294	16	248	118
	80,288	151,931	171,303	146,642

The trade payables are non-interest-bearing and are normally settled within 90 to 150 days.

23. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Other tax payable	4,672	5,130	10,724	7,230
Payroll and welfare payable	1,870	3,177	7,772	5,531
Other payables	2,000	7,037	6,425	9,367
	8,542	15,344	24,921	22,128

Other payables are unsecured, non-interest-bearing and repayable on demand.

24. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Contract liabilities	2,212	133	1,849	98

Contract liabilities of the Group mainly arise from the advance payments made by customers while the services are yet to be provided.

The expected timing of recognition of revenue at the end of the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)

Expected to be satisfied within 1 year	2,212	133	1,849	98

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2020			31 December 2021			31 December 2022			30 June 2023		
	Effective Interest rate	Maturity	RMB'000	Effective Interest rate	Maturity	RMB'000	Effective Interest rate	Maturity	RMB'000	Effective Interest rate	Maturity	RMB'000
Current												
Bank borrowings — secured	3.80%–4.55%	2021	42,713	3.90%–4.85%	2022	42,083	3.80%–4.50%	2023	67,013	3.25%–3.90%	2024	22,021
Bank borrowings -unsecured	—	—	—	—	—	—	—	—	—	3.30%–4.50%	2024	80,080
Other borrowings — secured	8.64%–12.60%	2021	4,836	—	—	—	—	—	—	—	—	—
Total			47,549			42,083			67,013			102,101

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Analysed into:				
Bank borrowings repayable:				
Within 1 year	42,713	42,083	67,013	102,101
Other borrowings repayable:				
Within 1 year	4,836	—	—	—
	47,549	42,083	67,013	102,101

The Group's borrowings are denominated in RMB.

All of the interests of the Group's borrowings are fixed.

Certain of the Group's bank borrowings are secured by the pledges of the following assets with net carrying values at the end of each of the Relevant Periods as follows:

		Year ended 31 December			Six months ended 30 June
		2020	2021	2022	2023
	Note	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade receivables	*19*	24,556	26,831	20,650	8,530

The Group's bank borrowings were secured by the pledges of patent rights with a net carrying value of zero at the end of each of the Relevant Periods.

As at 31 December 2020, Mrs Qiu Yaya and the Controlling Shareholder, Mr Sun Tao had guaranteed certain of the Group's bank borrowings up to RMB49,500,000.

As at 31 December 2021, Mr Fu Chao had guaranteed certain of the Group's bank borrowings up to RMB10,000,000.

As at 31 December 2021 and 2022, the Controlling Shareholder, Mr Sun Tao, had guaranteed certain of the Group's bank borrowings up to RMB45,000,000 and RMB55,000,000, respectively.

As at 31 December 2020, the Controlling Shareholder, Mr Sun Tao, had guaranteed certain of the Group's other borrowings up to RMB3,000,000.

As at 31 December 2020, Mr Fu Chao had guaranteed certain of the Group's other borrowings up to RMB5,000,000.

26. SHARE CAPITAL

	As at 31 December		As at 30 June
	2021	2022	2023
	(RMB)	(RMB)	(RMB)
Issued			
1,000,000 (31 December 2021 and 2022: 100) ordinary shares	64	64	64

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

	Number of shares in issue	Share capital
		(RMB)
At 10 December 2021(date of incorporation) *(Note (a))*	100	64
At 31 December 2021 and 2022	100	64
Share subdivision *(Note (b))*	999,900	—
At 30 June 2023	1,000,000	64

Notes:

(a) On 10 December 2021, the Company was incorporated as an exempted company with limited liability incorporated in the Cayman Islands with authorised share capital of US$50,000 divided into 500,000 ordinary shares of US$0.1 each. On the date of incorporation, a total of 100 shares were issued at para mounting US$10. There was no authorised and issued capital presented as at 31 December 2020 since the Company was not yet incorporated as at those dates.

(b) On 9 March 2023, pursuant to the written resolutions passed by then Shareholder, each of the issued and unissued shares of a par value of US$0.1 in the share capital of the Company was subdivided into 10,000 Shares of a par value of US$0.00001 each. As a result, the authorised share capital of the Company shall be US$50,000 divided into 5,000,000,000 Shares of a par value of US$0.00001 each.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2020, 2021, 2022, the six months ended 30 June 2022 (unaudited) and 30 June 2023 are presented in the consolidated statements of changes in equity.

Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under PRC GAAP, to the statutory surplus reserve 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 the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital, provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

Merger reserve

Merger reserve represents the difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital and share premium of PRC subsidiaries being acquired pursuant to the Group Reorganisation. The merger reserve of the Group as of 1 January 2020 represents the capital contribution from the then equity holders of the Group's subsidiaries.

On 3 April 2023, Hainan Yunzhi Huifu Venture Capital Partnership reached an agreement with the company, the controlling shareholder and Wuxi Lingjing Cloud Information Technology Co., Ltd. Hainan Yunzhi Huifu Venture Capital Partnership invested RMB25,000,000 in Wuxi Lingjing Cloud Information Technology Co., Ltd., accounting 1.39% share after investment. RMB24,538,000 was recognized in merger reserve, and the remaining amounting to RMB462,000 was recognized in non-controlling interest.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB668,000, nil, RMB369,000 and RMB1,561,000 for the years ended the six months ended 30 June 2023 respectively, in respect of lease arrangements for office buildings.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Due to related parties	Lease liabilities	Total liabilities from financing activities
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
At 1 January 2020	23,413	9,511	299	33,223
Cash flows (used in)/from financing activities	24,106	(7,264)	(380)	16,462
New operating leases	—	—	668	668
Accrual of interest	30	—	31	61
At 31 December 2020	47,549	2,247	618	50,414
Cash flows used in financing activities	(5,489)	(2,247)	(646)	(8,382)
Accrual of interest	23	—	28	51
At 31 December 2021	42,083	—	—	42,083
Cash flows (used in)/from financing activities	25,000	—	(190)	24,810
New operating leases	—	—	369	369
Accrual/(reversal of accrual) of interest	(70)	—	13	(57)
At 31 December 2022	67,013	—	192	67,205
Cash flows (used in)/from financing activities	35,000	—	(360)	34,640
New operating leases	—	—	1,561	1,561
Accrual of interest	88	—	26	114
At 30 June 2023	102,101	—	1,419	103,520

(c) Total cash outflow for leases

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

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Within operating activities	114	109	105	35	12
Within financing activities	380	646	190	95	360
	494	755	295	130	372

29. COMMITMENTS

As at [●], neither the Group nor the Company had any significant commitments.

30. CONTINGENCIES

On 25 September 2015, Mr. Sun Tao signed an undertaking whereby he had to undertake to Company Z, details are set out in the paragraph headed "Sun Undertaking" in the section headed "Relationship with controlling shareholders" in the [REDACTED]. The management and PRC legal adviser are of the view that Mr. Sun Tao's investment in and operation of IDC Solution Services in the Group will not be considered as a breach of the "Sun Undertaking". Should Company Z file a claim alleging Mr. Sun Tao's breach of the "Sun Undertaking", the possibility of the court ruling in favour of Company Z is low. And the management and PRC legal adviser are of the view that there will be no material impacts on operation, development and expansion of Group's business or Mr. Sun Tao in the unlikely event that a breach is alleged. As of June 30, 2023, there have been no lawsuits related to this event.

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

(a) Name and relationship of related parties

Name of Related Party	Relationship with the Group
Mr Sun Tao	Controlling Shareholder and executive management
Mr Jiang Yanqiu	Executive management and key management personnel of the Company
Mr Ji Lijun	Executive management and key management personnel of the Company
Ms Yu Yihua	Executive management and key management personnel of the Company
Mr Cai Yuxuan *(note (i))*	Key management personnel of the Company
Ms Zhou Xin	Key management personnel of the Company
Mr Fu Chao *(note (ii))*	Key management personnel of the Company
Mr Zhu Wentao	Key management personnel of the Company
江蘇瀚舉投資有限公司 ("Jiangsu Hanju Investment Co., Ltd")	Company controlled by the Controlling Shareholder

(i) Mr Cai Yuxuan resigned from the Group in December 2022 and was not a related party after resignation.

(ii) Mr Fu Chao resigned from the Group in August 2022 and was not a related party after resignation.

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000) (unaudited)**	**(RMB'000)**
Advances from related parties:					
Companies controlled by the Controlling Shareholder	10,000	—	—	—	—
Controlling Shareholder	77,509	22,166	—	—	—
Key management personnel of the Company	—	—	1,500	1,500	—
	87,509	22,166	1,500	1,500	—
Repayments from related parties:					
Controlling Shareholder	—	—	—	—	84,251
Advances to related parties:					
Controlling Shareholder	107,820	21,986	20	20	—
Repayment of advances from related parties:					
Companies controlled by the Controlling Shareholder	17,264	2,247	—	—	—
Key management personnel of the Company	—	—	1,500	—	—
	17,264	2,247	1,500	—	—

These transactions were interest-free and had no fixed terms of repayment.

(c) Other transactions with related parties

As at [●], Controlling shareholder and key management personnel of the Group have guaranteed certain of the Group's bank and other borrowings up to RMB57,500,000, RMB55,000,000, RMB55,000,000, and Nil, respectively.

(d) Outstanding balances with related parties

	Year ended 31 December			Six months ended 30 June
	2020	**2021**	**2022**	**2023**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Due from related parties				
Non-trade-related:				
Controlling Shareholder	84,411	84,231	84,251	—

	Year ended 31 December			Six months ended 30 June
	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Due to related parties				
Non-trade-related:				
Companies controlled by the Controlling Shareholder	2,247	—	—	—

The outstanding balances with related parties are unsecured, interest-free and have no fixed terms of repayment.

As of 30 May 2023, the balance of amount due from related parties RMB84.3 million had been fully settled.

(e) Compensation of key management personnel of the Group

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Short-term employee benefits	1,706	4,657	10,888	4,280	3,646
Pension scheme contributions	201	481	687	358	297
Total compensation paid to key management personnel	1,907	5,138	11,575	4,638	3,943

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

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:

31 December 2020

Financial assets

	Financial assets at amortised cost
	(RMB'000)
Trade receivables *(note 19)*	81,666
Financial assets included in prepayments and other receivables	420
Due from related parties *(note 31)*	84,411
Cash and cash equivalents *(note 21)*	897
	167,394

Financial liabilities

	Financial liabilities at amortised cost
	(RMB'000)
Trade payables *(note 22)*	80,288
Financial liabilities included in other payables and accruals	2,000
Due to related parties *(note 31)*	2,247
Interest-bearing bank and other borrowings *(note 25)*	47,549
	132,084

31 December 2021

Financial assets

	Financial assets at amortised cost
	(RMB'000)
Trade receivables *(note 19)*	97,581
Financial assets included in prepayments and other receivables	1,279
Due from related parties *(note 31)*	84,231
Cash and cash equivalents *(note 21)*	47,006
	230,097

Financial liabilities

	Financial liabilities at amortised cost
	(RMB'000)
Trade payables *(note 22)*	151,931
Financial liabilities included in other payables and accruals	7,037
Interest-bearing bank and other borrowings *(note 25)*	42,083
	201,051

31 December 2022

Financial assets

	Financial assets at amortised cost
	(RMB'000)
Trade receivables *(note 19)*	115,066
Financial assets included in prepayments and other receivables	201
Due from related parties *(note 31)*	84,251
Cash and cash equivalents *(note 21)*	77,986
	277,504

Financial liabilities

	Financial liabilities at amortised cost
	(RMB'000)
Trade payables *(note 22)*	171,303
Financial liabilities included in other payables and accruals	6,425
Interest-bearing bank and other borrowings *(note 25)*	67,013
	244,741

30 June 2023

Financial assets

	Financial assets at amortised cost
	(RMB'000)
Trade receivables *(note 19)*	180,278
Financial assets included in prepayments and other receivables *(note 20)*	6,065
Cash and cash equivalents *(note 21)*	61,251
Financial assets included in other non-current assets *(note 18)*	18,950
	266,544

Financial liabilities

	Financial liabilities at amortised cost
	(RMB'000)
Trade payables *(note 22)*	146,642
Financial liabilities included in other payables and accruals *(note 23)*	9,367
Interest-bearing bank and other borrowings *(note 25)*	102,101
	258,110

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank and other borrowings and lease liabilities. The main purpose of these financial instruments is to support the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group has no long-term debt obligations with a floating interest rate. The Group does not use derivative financial instruments to hedge interest rate risk.

(b) Credit risk

The Group trades only with recognised and creditworthy third parties who primarily operate in internet and technology industries. 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 and concentrations are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. Further quantitative data in respect of the Group's exposure to credit risk arising from other non-current assets, trade receivables and financial assets included in prepayments, other receivables and other assets are disclosed in notes 18, 19 and 20 to the financial statements, respectively.

Set out below is the information about the Group's trade receivables divided into external credit rating:

As at 31 December 2020:

	Trade receivables credit rating			
	A	**Baa**	**Unrated**	**Total**
Expected credit loss rate	0.08%	0.13%	3.47%	2.24%
Gross carrying amount	25,864	4,556	53,115	83,535
Expected credit losses	20	6	1,843	1,869

As at 31 December 2021:

	Trade receivables credit rating			
	A	**Baa**	**Unrated**	**Total**
Expected credit loss rate	0.07%	0.25%	3.10%	1.77%
Gross carrying amount	43,223	400	55,717	99,340
Expected credit losses	30	1	1,728	1,759

As at 31 December 2022:

	Trade receivables credit rating			
	A	**Baa**	**Unrated**	**Total**
Expected credit loss rate	0.10%	0.15%	3.23%	1.91%
Gross carrying amount	40,338	9,210	67,761	117,309
Expected credit losses	40	14	2,189	2,243

As at 30 June 2023:

	Trade receivables credit rating			
	A	**Baa**	**Unrated**	**Total**
Expected credit loss rate	0.09%	0.18%	3.29%	2.18%
Gross carrying amount	62,743	1,120	120,440	184,303
Expected credit losses	56	2	3,967	4,025

Maximum exposure and year-end staging

The table below shows 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 as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
As at 31 December 2020					
Trade receivables*	—	—	—	83,535	83,535
Due from related parties	84,411	—	—	—	84,411
Financial assets included in prepayments, other receivables and other assets					
— Normal**	446	—	—	—	446
Cash and cash equivalents — Not yet past due	897	—	—	—	897
	85,754	—	—	83,535	169,289
As at 31 December 2021					
Trade receivables*	—	—	—	99,340	99,340
Due from related parties	84,231	—	—	—	84,231
Financial assets included in prepayments, other receivables and other assets					
— Normal**	1,301	—	—	—	1,301
Cash and cash equivalents — Not yet past due	47,006	—	—	—	47,006
	132,538	—	—	99,340	231,878
As at 31 December 2022					
Trade receivables*	—	—	—	117,309	117,309
Due from related parties	84,251	—	—	—	84,251
Financial assets included in prepayments, other receivables and other assets	204	—	—	—	204
— Normal**	77,986	—	—	—	77,986
Cash and cash equivalents — Not yet past due	162,441	—	—	117,309	279,750

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
As at 30 June 2023					
Trade receivables*	—	—	—	184,303	184,303
Financial assets included in prepayments, other receivables and other assets					
— Normal**	6,111	—	—	—	6,111
Cash and cash equivalents-Not yet past due	61,251	—	—	—	61,251
Financial assets included in other non-current assets *(note 18)*	18,950	—	—	—	18,950
	86,312	—	—	184,303	270,615

* For trade receivables to which the Group applies the simplified approach for impairment information based on the estimated loss rate are disclosed in note 19 to the Historical Financial Information.

** 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 are disclosed in note 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. As at the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 20%, 30%, 37%, 50% and 66%, 77%, 81%, 89% of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings. Cash flows are closely monitored on an ongoing basis.

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

	On demand (RMB'000)	Within 1 year (RMB'000)	Over 1 year (RMB'000)	Total (RMB'000)
As at 31 December 2020				
Trade payables	80,288	—	—	80,288
Other payables	2,000	—	—	2,000
Due to related parties	2,247	—	—	2,247
Lease liabilities	—	646	—	646
Interest-bearing bank and other borrowings	—	48,080	—	48,080
	84,535	48,726	—	133,261
As at 31 December 2021				
Trade payables	151,931	—	—	151,931
Other payables	7,037	—	—	7,037
Interest-bearing bank and other borrowings	—	42,541	—	42,541
	158,968	42,541	—	201,509
As at 31 December 2022				
Trade payables	171,303	—	—	171,303
Other payables	6,425	—	—	6,425
Lease liabilities	—	199	—	199
Interest-bearing bank and other borrowings	—	68,407	—	68,407
	177,728	68,606	—	246,334
As at 30 June 2023				
Trade payables	146,642	—	—	146,642
Other payables	9,367	—	—	9,367
Lease liabilities	—	755	767	1,522
Interest-bearing bank and other borrowings	—	104,659	—	104,659
	156,009	105,414	767	262,190

(d) 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.