

The following is the text of a report set out on pages I-1 to I-94, received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BAIWANG CO., LTD. AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Baiwang Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages I-4 to I-94, which comprises the consolidated statements of financial position of the Group as at December 31, 2021, 2022 and 2023, the statements of financial position of the Company as at December 31, 2021, 2022 and 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2023 (the “Track Record Period”) and a summary of 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-94 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company 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 (the “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.

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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' judgment, 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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, 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 Group's financial position as at December 31, 2021, 2022 and 2023, of the Company's financial position as at December 31, 2021, 2022 and 2023, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

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

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which states that no dividend was declared or paid by the Company or its subsidiaries in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
[REDACTED]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (the “IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | NOTES | Year ended December 31, | | |
|---|-------|-------------------------|------------------|------------------|
| | | 2021 | 2022 | 2023 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Revenue | 7 | 453,763 | 525,765 | 712,996 |
| Cost of sales | 11 | <u>(237,600)</u> | <u>(311,475)</u> | <u>(430,965)</u> |
| Gross profit | | 216,163 | 214,290 | 282,031 |
| Other income | 8 | 2,700 | 9,875 | 4,035 |
| Impairment losses under expected credit loss model, net of reversal | 9 | (1,751) | (1,217) | (5,823) |
| Other gains and losses | 10 | (1,301) | (2,330) | (1,375) |
| Research and development expenses | 11 | (137,777) | (144,281) | (187,956) |
| Administrative expenses | 11 | (137,091) | (73,504) | (169,090) |
| [REDACTED] | 11 | (6,366) | (16,307) | (24,107) |
| Distribution and selling expenses | 11 | <u>(132,725)</u> | <u>(98,876)</u> | <u>(202,821)</u> |
| Operating loss | | (198,148) | (112,350) | (305,106) |
| Finance income | 12 | 10,583 | 10,314 | 6,879 |
| Finance costs | 13 | (243) | (1,567) | (1,022) |
| Fair value changes of financial assets and liabilities at fair value through profit or loss (the “FVTPL”) | 14 | (265,523) | (53,491) | (55,895) |
| Share of results of associates and joint ventures | | <u>4,958</u> | <u>1,069</u> | <u>(4,030)</u> |
| Loss before tax | | (448,373) | (156,025) | (359,174) |
| Income tax expenses | 15 | <u>–</u> | <u>(199)</u> | <u>(116)</u> |
| Loss and total comprehensive expense for the year | | <u>(448,373)</u> | <u>(156,224)</u> | <u>(359,290)</u> |
| Attributable to: | | | | |
| Owners of the Company | | (446,938) | (153,501) | (357,980) |
| Non-controlling interests | | <u>(1,435)</u> | <u>(2,723)</u> | <u>(1,310)</u> |
| | | <u>(448,373)</u> | <u>(156,224)</u> | <u>(359,290)</u> |
| Loss per share attributable to owners of the Company | | | | |
| – Basic and diluted (RMB) | 17 | <u>(3.19)</u> | <u>(1.10)</u> | <u>(2.56)</u> |

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | NOTES | As at December 31, | | |
|--|-------|-----------------------|---------------------------|---------------------------|
| | | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Non-current assets | | | | |
| Property, plant and equipment | 20 | 8,042 | 8,703 | 9,949 |
| Right-of-use assets | 21 | 36,408 | 24,609 | 15,103 |
| Intangible assets | 22 | 7,644 | 6,961 | 6,502 |
| Investments in associates | 23 | 75,171 | 87,027 | 88,378 |
| Investments in joint ventures | 24 | 9,739 | 10,845 | 2,792 |
| Deposits paid for investment in an associate | 23 | 5,200 | – | – |
| Financial assets at FVTPL | 25 | 19,440 | 39,487 | 32,434 |
| Contract costs | 29 | 36,471 | 38,088 | 38,181 |
| Contract assets | 32 | 1,239 | 161 | 257 |
| Long-term bank deposits | 30 | 103,027 | 106,427 | – |
| Prepayments | | 671 | – | – |
| | | <u>303,052</u> | <u>322,308</u> | <u>193,596</u> |
| Current assets | | | | |
| Inventories | 27 | 8,972 | 10,992 | 3,681 |
| Contract costs | 29 | 18,245 | 42,026 | 47,104 |
| Contract assets | 32 | 68,836 | 77,891 | 70,459 |
| Trade and other receivables, deposits and prepayments | 28 | 78,332 | 85,188 | 104,428 |
| Amounts due from related parties | 42 | 19,260 | 3,631 | 17,336 |
| Financial assets at FVTPL | 25 | 218,856 | 400,900 | 268,230 |
| Restricted bank deposits | 30 | 515 | 103 | 2,177 |
| Short-term bank deposits with maturity over three months | 30 | 104,785 | 80,472 | 109,827 |
| Cash and cash equivalents | 30 | 505,006 | 237,206 | 335,031 |
| | | <u>1,022,807</u> | <u>938,409</u> | <u>958,273</u> |
| Current liabilities | | | | |
| Lease liabilities | 21 | 10,312 | 18,442 | 14,611 |
| Trade and other payables | 31 | 140,465 | 136,919 | 178,086 |
| Tax liabilities | | – | 31 | 60 |
| Contract liabilities | 32 | 130,631 | 165,476 | 122,744 |
| Financial liabilities at FVTPL | 33 | 216,650 | 2,151,922 | 2,212,629 |
| Amounts due to related parties | 42 | 14,020 | 11,052 | 24,043 |
| | | <u>512,078</u> | <u>2,483,842</u> | <u>2,552,173</u> |
| Net current assets (liabilities) | | <u>510,729</u> | <u>(1,545,433)</u> | <u>(1,593,900)</u> |
| Total assets less current liabilities | | <u><u>813,781</u></u> | <u><u>(1,223,125)</u></u> | <u><u>(1,400,304)</u></u> |

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| | | As at December 31, | | |
|---|--------------|---------------------------|---------------------------|---------------------------|
| | <i>NOTES</i> | 2021 | 2022 | 2023 |
| | | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Capital and reserves | | | | |
| Share capital | 34 | 140,000 | 140,000 | 140,000 |
| Reserves | | <u>(1,226,267)</u> | <u>(1,369,299)</u> | <u>(1,536,215)</u> |
| Deficits attributable to owners of the | | | | |
| Company | | (1,086,267) | (1,229,299) | (1,396,215) |
| Non-controlling interests | | <u>(1,435)</u> | <u>(4,158)</u> | <u>(5,468)</u> |
| Total deficits | | <u>(1,087,702)</u> | <u>(1,233,457)</u> | <u>(1,401,683)</u> |
| Non-current liabilities | | | | |
| Lease liabilities | 21 | 25,364 | 7,354 | 1,379 |
| Financial liabilities at FVTPL | 33 | 1,876,119 | 2,830 | – |
| Deferred tax liabilities | 26 | <u>–</u> | <u>148</u> | <u>–</u> |
| | | <u>1,901,483</u> | <u>10,332</u> | <u>1,379</u> |
| Total deficits and non-current liabilities | | <u><u>813,781</u></u> | <u><u>(1,223,125)</u></u> | <u><u>(1,400,304)</u></u> |

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | | As at December 31, | | |
|--|--------------|---------------------------|--------------------|--------------------|
| | <i>NOTES</i> | 2021 | 2022 | 2023 |
| | | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Non-current assets | | | | |
| Property, plant and equipment | 20 | 8,039 | 8,675 | 9,602 |
| Right-of-use assets | 21 | 36,408 | 24,609 | 13,096 |
| Intangible assets | 22 | 7,638 | 6,957 | 6,499 |
| Investment in subsidiaries | 44 | 83,017 | 103,017 | 103,017 |
| Investments in associates | 23 | 74,144 | 74,169 | 75,029 |
| Investments in joint ventures | 24 | 9,739 | 10,845 | – |
| Financial assets at FVTPL | 25 | 19,440 | 19,443 | 18,431 |
| Contract costs | 29 | 36,471 | 38,088 | 38,181 |
| Contract assets | 32 | 1,239 | 161 | 257 |
| Long-term bank deposits | 30 | 103,027 | 106,427 | – |
| Prepayments | | 671 | – | – |
| | | <u>379,833</u> | <u>392,391</u> | <u>264,112</u> |
| Current assets | | | | |
| Inventories | 27 | 9,000 | 10,992 | 3,681 |
| Contract costs | 29 | 18,245 | 42,026 | 47,104 |
| Contract assets | 32 | 56,775 | 61,072 | 66,355 |
| Trade and other receivables, deposits and prepayments | 28 | 47,723 | 61,036 | 74,358 |
| Amounts due from related parties | 42 | 189,826 | 97,934 | 138,147 |
| Financial assets at FVTPL | 25 | 218,856 | 400,900 | 268,230 |
| Restricted bank deposits | 30 | 515 | 103 | 2,177 |
| Short-term bank deposits with maturity over three months | 30 | 84,535 | 80,472 | 109,827 |
| Cash and cash equivalents | 30 | 377,807 | 158,369 | 286,604 |
| | | <u>1,003,282</u> | <u>912,904</u> | <u>996,483</u> |
| Current liabilities | | | | |
| Lease liabilities | 21 | 10,312 | 18,442 | 13,752 |
| Trade and other payables | 31 | 94,184 | 101,419 | 137,892 |
| Contract liabilities | 32 | 122,571 | 156,899 | 118,403 |
| Financial liabilities at FVTPL | 33 | 216,650 | 2,151,922 | 2,212,629 |
| Amounts due to related parties | 42 | 59,643 | 39,621 | 72,044 |
| | | <u>503,360</u> | <u>2,468,303</u> | <u>2,554,720</u> |
| Net current assets (liabilities) | | <u>499,922</u> | <u>(1,555,399)</u> | <u>(1,558,237)</u> |
| Total assets less current liabilities | | <u>879,755</u> | <u>(1,163,008)</u> | <u>(1,294,125)</u> |

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| | | As at December 31, | | |
|---|--------------|---------------------------|---------------------------|---------------------------|
| | <i>NOTES</i> | 2021 | 2022 | 2023 |
| | | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Capital and reserves | | | | |
| Share capital | 34 | 140,000 | 140,000 | 140,000 |
| Reserves | 35 | <u>(1,161,728)</u> | <u>(1,310,362)</u> | <u>(1,434,399)</u> |
| Total deficits | | <u>(1,021,728)</u> | <u>(1,170,362)</u> | <u>(1,294,399)</u> |
| Non-current liabilities | | | | |
| Lease liabilities | 21 | 25,364 | 7,354 | 274 |
| Financial liabilities at FVTPL | 33 | <u>1,876,119</u> | <u>–</u> | <u>–</u> |
| | | <u>1,901,483</u> | <u>7,354</u> | <u>274</u> |
| Total deficits and non-current liabilities | | <u><u>879,755</u></u> | <u><u>(1,163,008)</u></u> | <u><u>(1,294,125)</u></u> |

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | | Total equity RMB'000 |
|---|---------------------------------------|-----------------------------|---|-------------------------------|---------------------|--------------------------------------|-------------------------|
| | Share capital RMB'000 | Capital reserves RMB'000 | Share-based payments reserves RMB'000 (Note 36) | Accumulated losses RMB'000 | Subtotal RMB'000 | Non-controlling interests RMB'000 | |
| As at January 1, 2021 | 140,000 | 337,438 | 8,343 | (1,286,528) | (800,747) | - | (800,747) |
| Loss and total comprehensive expense for the year | - | - | - | (446,938) | (446,938) | (1,435) | (448,373) |
| Recognition of share-based payment expenses | - | 118,606 | 42,812 | - | 161,418 | - | 161,418 |
| As at December 31, 2021 | 140,000 | 456,044 | 51,155 | (1,733,466) | (1,086,267) | (1,435) | (1,087,702) |
| Loss and total comprehensive expense for the year | - | - | - | (153,501) | (153,501) | (2,723) | (156,224) |
| Recognition of share-based payment expenses | - | - | 10,469 | - | 10,469 | - | 10,469 |
| As at December 31, 2022 | 140,000 | 456,044 | 61,624 | (1,886,967) | (1,229,299) | (4,158) | (1,233,457) |
| Loss and total comprehensive expense for the year | - | - | - | (357,980) | (357,980) | (1,310) | (359,290) |
| Recognition of share-based payment expenses | - | 114,126 | 76,938 | - | 191,064 | - | 191,064 |
| Forfeiture of share-based payment expenses | - | - | (8,343) | 8,343 | - | - | - |
| As at December 31, 2023 | 140,000 | 570,170 | 130,219 | (2,236,604) | (1,396,215) | (5,468) | (1,401,683) |

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CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended December 31, | | |
|---|--------------------------------|------------------------|------------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| OPERATING ACTIVITIES | | | |
| Loss before tax | (448,373) | (156,025) | (359,174) |
| Adjustments for: | | | |
| Share of results of associates and joint ventures | (4,958) | (1,069) | 4,030 |
| Share-based payment expenses | 161,418 | 10,469 | 191,064 |
| Depreciation of property, plant and equipment | 5,611 | 3,453 | 3,763 |
| Amortization of intangible assets | 952 | 1,019 | 1,521 |
| Depreciation of right-of-use assets | 10,139 | 12,463 | 13,198 |
| Loss on disposal of property, plant and equipment | 6 | 30 | 31 |
| Gain on early termination of a lease | – | – | (4) |
| Finance costs | 243 | 1,567 | 1,022 |
| Impairment losses under expected credit loss model, net of reversal | 1,751 | 1,217 | 5,823 |
| Interest income | (6,063) | (3,872) | (3,400) |
| Gain on partial disposal of investment in an associate | (1,613) | – | – |
| Gain on disposal of a joint venture | – | – | (137) |
| Fair value changes of financial assets and liabilities at FVTPL | 265,523 | 53,491 | 55,895 |
| | <u> </u> | <u> </u> | <u> </u> |
| Operating cash flows before movements in working capital | <u>(15,364)</u> | <u>(77,257)</u> | <u>(86,368)</u> |
| Decrease (increase) in inventories | 4,524 | (1,991) | 7,311 |
| Increase in trade and other receivables, deposits and prepayments | (21,065) | (5,598) | (15,117) |
| (Increase) decrease in amounts due from related parties | (16,273) | 18,538 | (15,003) |
| (Decrease) increase in amounts due to related parties | (15,498) | (2,968) | 12,991 |
| Increase in contract costs | (4,662) | (25,398) | (5,171) |
| (Increase) decrease in contract assets | (4,801) | (8,172) | 3,827 |
| Increase (decrease) in contract liabilities | 25,814 | 34,845 | (42,732) |
| Increase in trade and other payables | 33,336 | 3,745 | 41,167 |
| | <u> </u> | <u> </u> | <u> </u> |
| Cash used in operations | (13,989) | (64,256) | (99,095) |
| Income taxes paid | – | (20) | (235) |
| | <u> </u> | <u> </u> | <u> </u> |
| NET CASH USED IN OPERATING ACTIVITIES | <u><u>(13,989)</u></u> | <u><u>(64,276)</u></u> | <u><u>(99,330)</u></u> |

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| | Year ended December 31, | | |
|--|-------------------------|-----------------------|-----------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | (2,120) | (4,144) | (5,040) |
| Purchases of intangible assets | (2,724) | (336) | (1,062) |
| Purchases of wealth management products | (594,000) | (1,400,000) | (747,000) |
| Redemption of wealth management products | 584,000 | 1,210,000 | 830,000 |
| Placement of term deposits | (150,000) | (80,000) | – |
| Withdrawal of term deposits | 30,000 | 100,000 | 80,000 |
| Deposits paid for investment in an associate | (5,200) | (5,000) | – |
| Investments in associates | (21,836) | (11,922) | (3,053) |
| Investments in joint ventures | – | – | (4,951) |
| Proceeds on disposal of a joint venture | – | – | 10,813 |
| Payments for associates with preferential rights investments and the arrangement/right to receive additional shares at nominal consideration | (34,015) | (16,623) | – |
| Interest of term deposits and wealth management products | 5,668 | 17,809 | 59,177 |
| Acquisition of a subsidiary | 119 | – | – |
| Placement of restricted bank deposits | (86) | (103) | (2,177) |
| Withdrawal of restricted bank deposits | 418 | 515 | 103 |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES | <u>(189,776)</u> | <u>(189,804)</u> | <u>216,810</u> |
| FINANCING ACTIVITIES | | | |
| Prepayments of share issued costs | (671) | (1,706) | (5,139) |
| Issue of shares with preferential rights | 443,507 | – | – |
| Repayments of lease liabilities | (7,167) | (12,014) | (14,516) |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | <u>435,669</u> | <u>(13,720)</u> | <u>(19,655)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | <u>231,904</u> | <u>(267,800)</u> | <u>97,825</u> |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | <u>273,102</u> | <u>505,006</u> | <u>237,206</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | <u><u>505,006</u></u> | <u><u>237,206</u></u> | <u><u>335,031</u></u> |

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Baiwang Co., Ltd. was incorporated in Beijing, People’s Republic of China (the “PRC”) on May 4, 2015 as a joint stock company with limited liability under the Company Law (PRC, 2013 Revision). The registered office and principal place of business of the Company is 14/F & 15/F, Building 1, Division 1, No. 81 Beiqing Road, Haidian District, Beijing, the PRC.

The Group is principally engaged in the provision of cloud-based software-as-a-service (the “SaaS”) solutions and on-premises solutions for financial and tax compliance management, data-driven analytics services as well as other enterprise needs, in the PRC. Ms. Chen Jie, Ningbo Xiu’an Enterprise Management Partnership (Limited Partnership) 寧波修安企業管理合夥企業(有限合夥) (“Ningbo Xiu’an”) (formerly known as Ningbo Xiu’an Equity Investment Partnership (Limited Partnership) (寧波修安股權投資合夥企業(有限合夥))) and Tianjin Duoying Technology Center (Limited Partnership) (天津多盈科技中心(有限合夥)) (“Tianjin Duoying”) are controlling shareholders of the Company.

The Historical Financial Information is presented in the currency of RMB, which is also the functional currency of the Group.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information had been prepared based on the accounting policies set out in Note 4 which conform with IFRSs. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance (the “Companies Ordinance”).

As at December 31, 2023, the Group and the Company had net current liabilities of RMB1,593,900,000 and RMB1,558,237,000 and net liabilities of RMB1,401,683,000 and RMB1,294,399,000, respectively. The net current liabilities and net liabilities primarily arise from the shares with preferential rights (the “Shares with Preferential Rights”) amounting to RMB2,212,629,000 as at December 31, 2023, of which the key terms are detailed in Note 33. As disclosed in Note 33, in June 2023, the Company and the holders of the Shares with Preferential Rights have entered into a supplemental agreement, and the directors of the Company (the “Directors”) are of the view that the Company is not required to return the investment funds in relations to the Shares with Preferential Rights on or before December 31, 2024 and as a result, the Shares with Preferential Rights are not expected to be redeemed within twelve months since December 31, 2023. The Directors have represented to us that, based on past experience and recent communication with the holders of the Shares with Preferential Rights and the controlling shareholder of the Company, they believe these shareholders will continue to provide financial support to the Group beyond 2024 should the listing process take longer time to complete than currently expected.

Based on the working capital forecast of the Group for the next twelve months, taking into account the financial resources available to the Group, including bank deposits, cash and cash equivalents and wealth management products issued by banks on hand amounting to RMB713,088,000 as at December 31, 2023 and the annual operating cash outflow during the Track Record Period, and the expected continuous financial support from the holders of shares with preferential rights as required/necessary, the Directors believe that the Group will have sufficient cash resources to satisfy its future working capital in the next twelve months from the date of this report. Accordingly, the Directors consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

3. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Historical Financial Information, the Group has consistently applied the accounting policies which conform with IFRSs that are effective for the accounting period beginning on January 1, 2023 throughout the Track Record Period.

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New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective.

| | |
|----------------------------------|---|
| Amendments to IFRS 10 and IAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹ |
| Amendments to IFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> ² |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i> ² |
| Amendments to IAS 1 | <i>Non-current Liabilities with Covenants</i> ² |
| Amendments to IAS 7 and IFRS 7 | <i>Supplier Finance Arrangements</i> ² |
| Amendments to IAS 21 | <i>Lack of Exchangeability</i> ³ |
| Amendments to IFRS 9 and IFRS 7 | <i>Amendments to the Classification and Measurement of Financial Instruments</i> ⁴ |
| IFRS 18 | <i>Presentation and Disclosure in Financial Statements</i> ⁵ |

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after January 1, 2024

³ Effective for annual periods beginning on or after January 1, 2025

⁴ Effective for annual periods beginning on or after January 1, 2026

⁵ Effective for annual periods beginning on or after January 1, 2027

The Directors anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as disclosed in the accounting policies set out below.

4.1 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

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Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less identified impairment loss, if any.

4.2 Business combinations or asset acquisitions

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standard Committee’s Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases are new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

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Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognized amounts of the acquiree’s identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

4.3 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

For investments in associates or joint ventures in the form of ordinary shares and without any preferential rights (and other shares that are substantively the same as ordinary shares), the results and assets and liabilities of associates and joint ventures are incorporated in these Historical Financial Information using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group’s share of result of an associate or joint venture exceeds the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Financial interests in associates that are not in the form of ordinary shares or with preferential rights which change the substance of the ordinary shares are accounted for in accordance with IFRS 9.

An investment in an associate or a joint venture in the form of ordinary shares and without any preferential rights (and other shares that are substantively the same as ordinary shares) is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Historical Financial Information only to the extent of interests in the associate or joint venture that are not related to the Group.

4.4 Revenue from contracts with customers

The Group recognizes revenue when performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Unearned revenue awards to customers related to unsatisfied performance obligations at the end of the period, is included in contract liabilities in the Group’s consolidated statements of financial position.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group’s performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognizes revenue in the amount to which the Group has the right to invoice.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent). The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party. Except for supply chain collaboration solutions included in cloud financial and tax digitalization solutions, the Group considers itself the principal and recognize revenue on a gross basis. For supply chain collaboration solutions, the Group considers itself as an agent and recognize revenue on a net basis.

Recognition of revenue from specific major sources of revenue

The Group derives revenue from its cloud-based and on-premises solutions for financial and tax digitalization solutions, data-driven analytics services and other enterprise needs.

Cloud financial and tax digitalization solutions

The Group provides tax invoice compliance management solutions and financial and tax management solutions to its customers through its cloud-based platforms.

i. tax invoice compliance management solutions and financial and tax management solutions

The Group provides cloud-based financial and tax compliance management solutions in relation to the value-added tax (the “VAT”) through its cloud-based platforms separately or in combination, with products and services including SaaS subscription services, implementation services, supporting hardware devices and software sales as well as associated maintenance and support services. The transaction price is the price after discount if any, and is a fixed amount upon signing the contract. The products cannot be returned unless significant problems are found, which rarely happens.

The SaaS subscription services grant customers the right to access the software functionality in a hosted environment controlled by the Group during the contractual term where the customers do not take possession of the software. The SaaS subscription services, together with the implementation services, if engaged, are highly interdependent and interrelated with each other and represent multiple inputs to a combined output that is transferred to the customers. Accordingly, the SaaS subscription services and the implementation services are accounted for as a single performance obligation. Revenue from subscriptions services and implementation services is recognized ratably beyond the initial contractual period when those future goods or services are transferred over the expected customers’ life, primarily based on anticipated renewal period and the estimated life of such services demand.

For the contracts that the customers pay by usage, the revenue is recognized based on the usage report on monthly basis. The performance obligation of such services is satisfied over time as the customers simultaneously receive and consume the benefits. For financial and tax management solutions contracts which customers pay by usage, they are billed based on the number of service instances provided at fixed rate. The Group has a right to invoice in an amount that corresponds directly with the value of the Group’s performance completed to date. Revenue from the provision of financial and tax management solutions is recognized in an amount to which the Group has a right to invoice.

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Supporting hardware devices and software purchased from third parties and sold in combination with the solutions are accounted for as separate performance obligations because they have standalone functionality and are capable of being distinct. The revenue is recognized at a point in time when the supporting hardware devices and software are accepted by the customers.

The Group also provides maintenance and support services which mainly include on-demand user support services. The customers pay on a fixed fee rate per period. These services are accounted for as separate performance obligations because they are capable of being distinct. Revenue is recognized ratably over their respective contractual terms.

The Group normally requests an upfront payment of about 10%-30% of the contract price. After the solutions are implemented and accepted by the customers, the remaining contract price is to be settled by the customers in installments over 5 to 90 days. About 5%-10% of the contract price is withheld by the customers and will be released upon completion of the warranty period (normally 2-3 years after the customer acceptance). The services to be provided during the warranty period is considered as an assurance-type warranty in order to ensure the solution will function as needed and is accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The management of the Group has assessed the effects of financing component is not significant at contract level and therefore revenue is not adjusted for the effects of time value of money.

The transaction price is allocated among the performance obligations within one solution contract on a stand-alone selling price basis.

ii. supply chain collaboration solutions

The Group provides supply chain collaboration solutions to its customers through its cloud-based platforms. The performance obligation of such services is satisfied at a point in time when the solutions are accepted by the customers.

Data-driven analytics services

The Group provides data analytics products and services through its cloud-based platforms, which comprise digital marketing services, risk management services and enterprise operation reporting services, primarily to licensed credit reporting agencies and licensed financial service providers.

The customers pay usage-based or sales-based fees, at fixed rate. The usage or sales volume reports are confirmed by customers monthly and the revenue is recognized on such monthly basis.

On-premises financial and tax digitalization solutions

The Group sells its on-premises financial and tax digitalization solutions through customized on-premises software products, supporting hardware devices and software purchased from third parties and the associated maintenance and support services.

The customized on-premises software has standalone functionality and are capable of being distinct and therefore is accounted for a separate performance obligation. The Group considers the grant of the licenses for the on-premises software as providing the customers the right to use the Group’s intellectual property and the performance obligation is satisfied at a point in time when the software products are accepted by the customers.

Supporting hardware devices and software and maintenance and support services are recognized the same way as in provision the cloud-based financial and tax digitalization solutions.

Others

The Group provides advertisement publishing services, comprehensive tax, finance and accounting training for enterprises and education institutions. Revenue related to these services is recognized ratably over the contractual terms.

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4.5 Contract costs

Costs to fulfill a contract

The Group incurs costs to fulfill a contract in its revenue generating activities. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

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

The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment assessment.

4.6 Cost of sales

Cost of sales consists primarily of employee benefit expenses, information technology infrastructure and communication charges, depreciation of property, plant and equipment, amortization of costs to fulfill contracts and costs of hardware devices sold. Shipping charges to receive hardware devices from the suppliers are included in inventories, and recognized as cost of revenue upon sale of the hardware devices to the customers.

4.7 Research and development expenses

Research expenditures are recognized as an expense as incurred. Costs incurred on development projects are capitalized as intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as intangible assets as at December 31, 2021, 2022 and 2023.

4.8 Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

4.9 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. The Group received no such government grants during the Track Record Period.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

4.10 Employee benefits

Pension obligations and other social welfare benefits

Full-time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries, including consolidated affiliated entities of the Group make contributions to the government for these benefits based on certain percentages of the employees’ salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. The Group’s contributions to the defined contribution plans are expensed as incurred and not reduced by being forfeited by those employees who leave the plans prior to vesting fully in the contributions.

Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonuses as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within one year and are measured at the amounts expected to be paid when they are settled.

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Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4.11 Share-based payments

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed using graded vesting method over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserves). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserves. For share options/other share incentives that vest immediately at the date of grant, the fair value of the share options/other share incentives granted is expensed immediately to profit or loss.

When share options are exercised or other share incentives granted are vested, the amount previously recognized in share-based payments reserves will be transferred to capital reserves. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserves will be transferred to accumulated losses.

Share incentives granted to non-employees

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognized as expenses (unless the goods or services qualify for recognition as assets).

Modification to the terms and conditions of the share-based payment arrangement

When the terms and conditions of the share-based payment arrangement are modified, the Group recognizes, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period. The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

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When a grant of share options/other share incentives is canceled during the vesting period, the Group accounts for the cancellation as an acceleration of vesting, and therefore recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period. However, if a new grant is substituted for the canceled one, and is designated as a replacement on the date that it is granted, the Group accounts for the granting of replacement equity instruments in the same way as a modification of the original grant of equity instruments.

4.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit during the Track Record Period. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

The Group has applied amendments to IAS 12. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group recognizes a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

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4.13 Property, plant and equipment

Property, plant and equipments are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipments are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.14 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

4.15 Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, contract costs and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, contract costs and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit (the “CGU”) to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

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Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4.16 Inventories

Inventories consist primarily of goods shipped in transit and stock goods, and are stated at the lower of cost and the net realizable value, using the first-in, first-out method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

4.17 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of on-premises solutions are recognized at the date of sale of the relevant products, at the management’s best estimate of the expenditure required to settle the Group’s obligation.

4.18 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset and financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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All other financial assets are subsequently measured at FVTPL except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of each reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or fair value through other comprehensive income are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in “fair value changes of financial assets at FVTPL”.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss (the “ECL”) model on financial assets (including term deposits, trade receivables, other receivables, amounts due from related parties, restricted bank deposits and bank balances and cash) and other items including contract assets which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (the “12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group recognizes lifetime ECL for trade receivables, contract assets and amounts due from related parties of trade nature.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition in which case, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

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Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables and amounts due from related parties of trade nature using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the Directors to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Financial liabilities and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognized at the proceeds received, net of direct issue costs. The Shares with Preferential Rights subject to mandatory redemption in cash at the option exercisable by holders by agreed date are classified as financial liabilities as set out in Note 33.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables and amounts due to related parties are subsequently measured at amortized cost using the effective interest method.

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Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability’s credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits/accumulated losses upon derecognition of the financial liability.

The Company designates its Shares with Preferential Rights in issuance as financial liabilities at FVTPL, of which the terms are detailed in Note 33. Any directly attributable transaction costs are recognized as finance costs in profit or loss. Fair value changes relating to market risk are recognized in profit or loss.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group’s obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

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Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4.19 Cash and cash equivalents

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of:

- cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgment in applying accounting policies

The following are the critical judgment, apart from those involving estimations (see below), that Directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Identification of performance obligations in contracts with customers

Contracts with customers may include multiple performance obligations. Judgments are made by Directors to determine whether performance obligations are distinct that should be accounted for separately, or not distinct within the context of the contracts and accounted for together. The Directors consider a performance obligation as distinct when the customers can benefit from the good or service either on its own or together with other resources that are readily available to the customers and the Group’s promise to transfer the good or service to the customers is separately identifiable from other promises in the contract.

Allocation of transaction price to each distinct performance obligation

When the performance obligations are assessed to be distinct from each other in contracts with customers, the Group allocates the transaction price to each performance obligation based on their relative stand-alone selling prices. The Directors generally determine relative standalone selling prices based on its standard price list, taking into consideration of market conditions and our overall pricing strategy.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

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Recognition of share-based payment expenses

As set out in Note 36, the Group has granted share options and share economic rights to its employees. The Directors have used the Binomial option-pricing model to determine the total fair value of the options granted to employees, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the Directors in applying the Binomial option-pricing model. The fair value of share economic rights were based on the value of the ordinary shares determined by using the discounted cash flow method with a DLOM. The Directors estimate the expected percentage of grantees that will stay within the Group at the end of the vesting periods of the options and share economic rights (the “Expected Retention Rate”) in order to determine the amount of share-based payment expenses charged to the consolidated income statement. The Expected Retention Rate is assessed based on historical pattern of retentions and management’s best estimates.

Provision for ECL on trade receivables and contract assets

As set out in Note 40, the financial assets carried at amortized cost are assessed for impairment.

The ECL rates for trade receivables assessed on collective basis are determined by provision matrix model using historical loss rates adjusted for forward-looking estimates, based on days past due for groupings of customer industries. The ECL rates for contract assets assessed on collective basis are estimated by taking into account of probabilities of default and loss given default sourced from public market information adjusted for forward-looking estimates for groupings of various customers based on their industries.

For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of losses, the historical loss rates of trade receivables and probabilities of default of contract assets will be adjusted.

The assessment of the correlation among historical loss rates, probabilities of default, loss given default, 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 customer’s actual loss in the future. The information about the ECLs on the Group’s trade receivables and contract assets are disclosed in Note 40.

Estimation of the fair value of certain financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses judgments to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Fair value of Shares with Preferential Rights

The Group issued series of Shares with Preferential Rights during the Track Record Period as set out in Note 33. The Group recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of these Shares with Preferential Rights as at December 31, 2021, 2022 and 2023 is established by using valuation techniques, which include income approach and equity allocation based on the Black-Scholes option pricing model involving various parameters and inputs. Valuation techniques adopted by an independent qualified professional valuer are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company, possibilities under different scenarios, qualified [REDACTED], redemption, liquidation, time to liquidation, expected volatility value, discount rate and other inputs, require management estimates. The estimates and assumptions are reviewed periodically by the Directors and adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair value of the Shares with Preferential Rights of the Group as at December 31, 2021, 2022 and 2023 are RMB2,092,769,000, RMB2,151,922,000 and RMB2,212,629,000, respectively.

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Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences and tax losses are recognized when the Directors considers it is probable that future taxable profits will be available against which the deductible temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed. The realizability of the deferred tax asset mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In assessing the probability that taxable profit will be available, the Group considered criteria, such as whether there was a history of operating losses, and whether tax planning opportunities are available to the Group. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or further recognition takes place. The Group does not recognize any deferred tax assets during the Track Record Period.

Recognition of implementation services revenue

As detailed in Note 4.4, the Group recognizes the implementation services revenue ratably beyond the initial contractual period when those future goods or services are transferred over the expected contract life, primarily based on anticipated renewal period and the estimated life of such services demand which is generally 5 years. The Group will revise the expected contract life where it is different from that of previously estimated. Periodic review could result in a change in expected contract life and therefore the revenue recognition in future periods.

6. SEGMENT INFORMATION

The Group does not distinguish revenue, costs and expenses between markets or segments in its internal reporting, and reports costs and expenses by nature as a whole.

While the Group offers cloud-based SaaS solutions and on-premises solutions for financial and tax digitalization solutions, data-driven analytics services as well as other enterprise needs, the Group’s business operates in one operating segment because most of the Group’s sales operate on the Group’s financial and tax digitalization as well as data-driven analytics related know-hows and the corresponding products and/or services offered are delivered through same pool of resources. In addition, most of the Group’s products and/or services for various revenue types are deployed in a nearly identical way. Therefore, the Group’s chief operating decision maker, who has been identified as the Chief Executive Officer (the “CEO”), reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. As the Group’s non-current assets are all located in the PRC and all the Group’s revenue are derived from the PRC, no geographical information is presented.

During the Track Record Period, except for the revenue from customer A amounting to RMB94,537,000 and RMB107,658,000 for the years ended December 31, 2022 and 2023, respectively, there was no revenue derived from transactions with other single external customer which amounting to 10% or more of the Group’s revenue.

7. REVENUE

Revenue is derived from the PRC and comprises the following:

| | Year ended December 31, | | |
|--|-------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | RMB’000 | RMB’000 | RMB’000 |
| Cloud financial and tax digitalization solutions | 156,615 | 157,996 | 219,539 |
| Data-driven analytics services | 178,597 | 263,519 | 352,425 |
| On-premises financial and tax digitalization solutions | 110,168 | 93,491 | 138,132 |
| Others | 8,383 | 10,759 | 2,900 |
| | <u>453,763</u> | <u>525,765</u> | <u>712,996</u> |

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| | Year ended December 31, | | |
|-------------------------------|--------------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Timing of revenue recognition | | | |
| – Over time | 279,125 | 281,634 | 370,924 |
| – At a point in time | 174,638 | 244,131 | 342,072 |
| | <u>453,763</u> | <u>525,765</u> | <u>712,996</u> |

Unsatisfied performance obligations

The following table shows the Group’s unsatisfied performance obligations resulting from fixed-price contracts for contract terms of more than one year:

| | As at December 31, | | |
|-------------------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Unsatisfied performance obligations | <u>42,325</u> | <u>48,352</u> | <u>60,380</u> |

Management expects that the Group’s unsatisfied performance obligations will be recognized as revenue:

| | As at December 31, | | |
|---------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Revenue to be recognized: | | | |
| – Within one year | 25,993 | 31,698 | 39,401 |
| – between 1 and 2 years | 12,308 | 14,140 | 17,181 |
| – more than 2 years | 4,024 | 2,514 | 3,798 |
| | <u>42,325</u> | <u>48,352</u> | <u>60,380</u> |

All other contracts are for contract terms of one year or less. The Group applies the practical expedients under IFRS 15 and does not disclose information about the transaction prices allocated to the remaining performance obligations for the contract where the original expected duration is one year or less, and circumstances where the Group has a right to invoice in an amount that corresponds directly with the value to the customer of the Group’s performance completed to date, including contracts in which the Group bills a fixed amount for each number of service instances provided.

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8. OTHER INCOME

| | Year ended December 31, | | |
|----------------------------|-------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Government grants | 1,010 | 4,206 | 1,944 |
| Tax refund (<i>Note</i>) | 1,688 | 5,365 | 2,091 |
| Others | 2 | 304 | – |
| | <u>2,700</u> | <u>9,875</u> | <u>4,035</u> |

Note: According to the circular “Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation”, taxpayers who are engaged in production and consumer services industry are allowed to deduct a further 10% and 5% of their deductible input VAT against their VAT payable, both recorded for the period from April 1, 2019 to December 31, 2022 and from January 1, 2023 to December 31, 2023, respectively.

9. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

| | Year ended December 31, | | |
|---|-------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Impairment losses, net of reversal, recognized (reversed) on: | | | |
| – Trade receivables | 1,525 | 1,089 | 2,100 |
| – Other receivables | 189 | (67) | 41 |
| – Contract assets | 37 | 195 | 3,682 |
| | <u>1,751</u> | <u>1,217</u> | <u>5,823</u> |

10. OTHER GAINS AND LOSSES

| | Year ended December 31, | | |
|---|-------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Gain on partial disposal of investment in an associate (<i>Note 23</i>) | 1,613 | – | – |
| Gain on disposal of a joint venture (<i>Note 24</i>) | – | – | 137 |
| Loss on disposal of property, plant and equipment | (6) | (30) | (31) |
| Provisions | (1,686) | (649) | – |
| Others | (1,222) | (1,651) | (1,481) |
| | <u>(1,301)</u> | <u>(2,330)</u> | <u>(1,375)</u> |

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11. EXPENSES BY NATURES

| | Year ended December 31, | | |
|---|-------------------------|----------------|------------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| Employee benefit expenses | 299,306 | 321,740 | 427,464 |
| Share-based payment expenses | 161,418 | 10,469 | 191,064 |
| Commission and channel expenses | 6,568 | 9,055 | 8,559 |
| Professional service fees | 51,367 | 56,374 | 75,261 |
| Referral fees | 64,204 | 153,605 | 193,423 |
| Outsourcing expenses | 7,937 | 15,976 | 16,462 |
| Traveling and marketing expenses | 12,498 | 11,164 | 20,552 |
| Exhibition and promotion charges | 3,573 | 7,558 | 11,894 |
| Costs of inventories sold | 11,307 | 8,105 | 7,827 |
| Rental and utilities expenses | 3,129 | 4,675 | 6,885 |
| Depreciation of property, plant and equipment | 5,611 | 3,453 | 3,763 |
| Depreciation of right-of-use assets | 10,139 | 12,463 | 13,198 |
| Amortization of intangible assets | 952 | 1,019 | 1,521 |
| [REDACTED] | 6,366 | 16,307 | 24,107 |
| Others | 7,184 | 12,480 | 12,959 |
| Total | <u>651,559</u> | <u>644,443</u> | <u>1,014,939</u> |

12. FINANCE INCOME

| | Year ended December 31, | | |
|-----------------|-------------------------|---------------|--------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| Interest income | | | |
| – Bank deposits | 10,583 | 9,694 | 6,879 |
| – Others | – | 620 | – |
| | <u>10,583</u> | <u>10,314</u> | <u>6,879</u> |

13. FINANCE COSTS

| | Year ended December 31, | | |
|--|-------------------------|--------------|--------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| Interest expenses on lease liabilities (Note 21) | <u>243</u> | <u>1,567</u> | <u>1,022</u> |

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14. FAIR VALUE CHANGES OF FINANCIAL ASSETS AND LIABILITIES AT FVTPL

| | Year ended December 31, | | |
|---|-------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Changes in fair values of financial assets at FVTPL | | | |
| Wealth management products | | | |
| – Net unrealized gain | 8,856 | 900 | 1,230 |
| – Net realized gain | 4,046 | 4,168 | 7,805 |
| Investments in associates with preferential rights | (14,575) | 607 | (8,734) |
| Arrangement/right to receive additional shares at nominal consideration | – | 318 | 1,681 |
| Changes in fair values of financial liabilities at FVTPL | | | |
| Shares with Preferential Rights (<i>Note 33</i>) | (263,850) | (59,153) | (60,707) |
| Contingent consideration for investment in an associate | – | (331) | 2,830 |
| | <u>(265,523)</u> | <u>(53,491)</u> | <u>(55,895)</u> |

15. INCOME TAX EXPENSES

Under the Law of the PRC on Enterprise Income Tax (the “EIT”) and Implementation Regulation of the EIT Law, the tax rate of the Company and its subsidiaries is 25%.

The Company has been accredited as a “High and New Technical Enterprise” by the Science and Technology Bureau of Beijing and relevant authorities in October 2019 and October 2022 for a term of three years from 2019 to 2021 and from 2022 to 2025 respectively. In accordance with the “Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax”, High and New Technical Enterprise is subject to income tax at a tax rate of 15%.

According to the relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the “Super Deduction”). As announced by the State Taxation Administration of the PRC in September 2018 and subsequent date, the Super Deduction claim was raised to 175% of research and development expenses incurred from January 1, 2018, and such claim was further increased to 200% for the period from October 1, 2022 to December 31, 2023.

The income tax expenses of the Group is analyzed as follows:

| | 2021 | 2022 | 2023 |
|--------------|----------------|----------------|----------------|
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| PRC EIT | | | |
| Current tax | – | 51 | 264 |
| Deferred tax | – | 148 | (148) |
| | <u>–</u> | <u>199</u> | <u>116</u> |

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The income tax expenses during the Track Record Period can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

| | 2021 | 2022 | 2023 |
|--|------------------|------------------|------------------|
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Loss before tax | <u>(448,373)</u> | <u>(156,025)</u> | <u>(359,174)</u> |
| Tax at the PRC EIT rate of 25% | (112,093) | (39,006) | (89,794) |
| Tax effect of share of results of associates and joint ventures | (1,240) | (267) | 1,008 |
| Tax effect of expenses not deductible for tax purpose (<i>Note</i>) | 107,944 | 20,222 | 66,950 |
| Effect of additional tax deduction for research and development expenses | (11,840) | (14,931) | (15,038) |
| Utilization of tax losses previously not recognized | (650) | (6,958) | (245) |
| Tax effect of tax losses and deductible temporary differences not recognized | 17,879 | 41,466 | 37,235 |
| Effect of preferential tax rate | <u>–</u> | <u>(327)</u> | <u>–</u> |
| Income tax expenses | <u>–</u> | <u>199</u> | <u>116</u> |

Note: The expenses not deductible for tax purpose primarily comprised the fair value losses of shares with preferential rights, share-based payment expenses and business entertainment expenses that exceed the deductible limit in accordance with the PRC tax law.

16. DIVIDENDS

No dividends were declared or paid by the Company and its subsidiaries during the Track Record Period.

17. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss by the weighted-average number of ordinary shares outstanding during the Track Record Period. As the Group incurred net losses for the years ended December 31, 2021, 2022 and 2023, the diluted potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, dilutive loss per share for the years ended December 31, 2021, 2022 and 2023 are the same as basic loss per share of the respective periods.

The following table sets forth the computation of the basic and diluted loss per share attributable to the owners of the Company during the years ended December 31, 2021, 2022 and 2023:

| | Year ended December 31, | | |
|--|--------------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>’000</i> | <i>’000</i> | <i>’000</i> |
| Loss attributable to owners of the Company (RMB) | <u>(446,938)</u> | <u>(153,501)</u> | <u>(357,980)</u> |
| Weighted average number of ordinary shares outstanding | <u>140,000</u> | <u>140,000</u> | <u>140,000</u> |

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18. DIRECTORS’, CHIEF EXECUTIVE’S AND SUPERVISORS’ EMOLUMENTS

(a) Details of the emoluments paid/payable to the Directors during the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

Year ended December 31, 2021

| | Director’s fee RMB’000 | Salaries and wages RMB’000 | Pension cost- defined contribution plan RMB’000 | Other social security costs, housing benefits and other employee benefits RMB’000 | Performance bonus RMB’000 (Note I) | Share-based payment expenses RMB’000 | Total RMB’000 |
|--|------------------------------|----------------------------------|--|--|---|---|------------------|
| A) EXECUTIVE DIRECTORS | | | | | | | |
| Ms. Chen Jie (Controlling Shareholder and Chairman) (Note II) | – | 889 | 53 | 78 | 600 | – | 1,620 |
| Mr. Zou Yan (Note VII) | – | 743 | 53 | 78 | 648 | 35,938 | 37,460 |
| Mr. Yang Zhengdao (Note IV) | – | 992 | 53 | 78 | 864 | 35,938 | 37,925 |
| Mr. Wu Jingrun (Note V) | – | 618 | 53 | 78 | – | 8,343 | 9,092 |
| Ms. Jin Xin (Note XI) | – | 505 | 24 | 35 | 391 | 5,652 | 6,607 |
| Subtotal | – | 3,747 | 236 | 347 | 2,503 | 85,871 | 92,704 |
| B) NON-EXECUTIVE DIRECTORS | | | | | | | |
| Ms. Huang Haitao (Note VI) | – | – | – | – | – | – | – |
| Ms. Huang Miao (Note VIII) | – | – | – | – | – | – | – |
| Mr. Diao Juanhuan (Note IX) | – | – | – | – | – | – | – |
| Mr. Luo Wenhong (Note X) | – | – | – | – | – | – | – |
| Subtotal | – | – | – | – | – | – | – |
| C) INDEPENDENT NON-EXECUTIVE DIRECTORS | | | | | | | |
| Mr. Tian Lixin (Note XII) | – | – | – | – | – | – | – |
| Mr. Song Hua (Note XII) | – | – | – | – | – | – | – |
| Mr. Wu Changhai (Note XII) | – | – | – | – | – | – | – |
| Mr. Xu Ke (Note XII) | – | – | – | – | – | – | – |
| Mr. Ng Kwok Yin (Note XIII) | – | – | – | – | – | – | – |
| Subtotal | – | – | – | – | – | – | – |

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| | Director’s fee RMB’000 | Salaries and wages RMB’000 | Pension cost- defined contribution plan RMB’000 | Other social security costs, housing benefits and other employee benefits RMB’000 | Performance bonus RMB’000 (Note 1) | Share-based payment expenses RMB’000 | Total RMB’000 |
|-------------------------------|------------------------------|----------------------------------|--|--|---|---|------------------|
| D) SUPERVISORS | | | | | | | |
| Mr. Li Yunfeng (Note XIV) | – | 520 | 53 | 78 | 126 | 837 | 1,614 |
| Mr. Zhou Guodong (Note XV) | – | 502 | 53 | 78 | – | 837 | 1,470 |
| Ms. Chen Xi (Note XVI) | – | 870 | 29 | 43 | 466 | 837 | 2,245 |
| Mr. Luo Wenhong (Note X) | – | – | – | – | – | – | – |
| Subtotal | – | 1,892 | 135 | 199 | 592 | 2,511 | 5,329 |
| Total | – | 5,639 | 371 | 546 | 3,095 | 88,382 | 98,033 |

Year ended December 31, 2022

| | Director’s fee RMB’000 | Salaries and wages RMB’000 | Pension cost- defined contribution plan RMB’000 | Other social security costs, housing benefits and other employee benefits RMB’000 | Performance bonus RMB’000 (Note 1) | Share-based payment expenses RMB’000 | Total RMB’000 |
|--|------------------------------|----------------------------------|--|--|---|---|------------------|
| A) EXECUTIVE DIRECTORS | | | | | | | |
| Ms. Chen Jie (Controlling Shareholder and Chairman) (Note II) | – | 891 | 35 | 104 | 691 | – | 1,721 |
| Mr. Zou Yan (Note VII) | – | 745 | 35 | 104 | 576 | – | 1,460 |
| Mr. Yang Zhengdao (Note IV) | – | 981 | 35 | 104 | 768 | – | 1,888 |
| Ms. Jin Xin (Note XI) | – | 1,013 | 35 | 104 | 382 | – | 1,534 |
| Subtotal | – | 3,630 | 140 | 416 | 2,417 | – | 6,603 |
| B) NON-EXECUTIVE DIRECTORS | | | | | | | |
| Ms. Huang Haitao (Note VI) | – | – | – | – | – | – | – |
| Ms. Huang Miao (Note VIII) | – | – | – | – | – | – | – |
| Mr. Diao Juanhuan (Note IX) | – | – | – | – | – | – | – |
| Subtotal | – | – | – | – | – | – | – |

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| | Director’s fee RMB’000 | Salaries and wages RMB’000 | Pension cost- defined contribution plan RMB’000 | Other social security costs housing benefits and other employee benefits RMB’000 | Performance bonus RMB’000 (Note 1) | Share-based payment expenses RMB’000 | Total RMB’000 |
|---|------------------------------|----------------------------------|--|---|---|---|------------------|
| C) INDEPENDENT NON-EXECUTIVE DIRECTORS | | | | | | | |
| Mr. Tian Lixin (Note XII) | - | - | - | - | - | - | - |
| Mr. Song Hua (Note XII) | - | - | - | - | - | - | - |
| Mr. Wu Changhai (Note XII) | - | - | - | - | - | - | - |
| Mr. Xu Ke (Note XII) | - | - | - | - | - | - | - |
| Mr. Ng Kwok Yin (Note XIII) | - | - | - | - | - | - | - |
| Subtotal | - | - | - | - | - | - | - |
| D) SUPERVISORS | | | | | | | |
| Mr. Li Yunfeng (Note XIV) | - | 532 | 35 | 104 | 121 | 215 | 1,007 |
| Mr. Zhou Guodong (Note XV) | - | 136 | 11 | 33 | - | - | 180 |
| Mr. Luo Wenhong (Note X) | - | - | - | - | - | - | - |
| Ms. Shi Haixia (Note XVII) | - | 387 | 44 | 63 | 91 | 2 | 587 |
| Subtotal | - | 1,055 | 90 | 200 | 212 | 217 | 1,774 |
| Total | - | 4,685 | 230 | 616 | 2,629 | 217 | 8,377 |

Year ended December 31, 2023

| | Director’s fee RMB’000 | Salaries and wages RMB’000 | Pension cost- defined contribution plan RMB’000 | Other social security costs housing benefits and other employee benefits RMB’000 | Performance bonus RMB’000 (Note 1) | Share-based payment expenses RMB’000 | Total RMB’000 |
|--|------------------------------|----------------------------------|--|---|---|---|------------------|
| A) EXECUTIVE DIRECTORS | | | | | | | |
| Ms. Chen Jie (Controlling Shareholder and Chairman) (Note II) | - | 892 | 63 | 90 | 691 | - | 1,736 |
| Mr. Zou Yan (Note VII) | - | 835 | 63 | 90 | 576 | 41,996 | 43,560 |
| Mr. Yang Zhengdao (Note IV) | - | 977 | 63 | 90 | 768 | 68,243 | 70,141 |
| Ms. Jin Xin (Note XI) | - | 1,016 | 63 | 90 | 480 | - | 1,649 |
| Subtotal | - | 3,720 | 252 | 360 | 2,515 | 110,239 | 117,086 |

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| | Director’s fee RMB’000 | Salaries and wages RMB’000 | Pension cost- defined contribution plan RMB’000 | Other social security costs housing benefits and other employee benefits RMB’000 | Performance bonus RMB’000 (Note I) | Share-based payment expenses RMB’000 | Total RMB’000 |
|---|------------------------------|----------------------------------|--|---|---|---|------------------|
| B) NON-EXECUTIVE DIRECTORS | | | | | | | |
| Ms. Huang Miao (Note VIII) | - | - | - | - | - | - | - |
| Mr. Diao Juanhuan (Note IX) | - | - | - | - | - | - | - |
| Subtotal | - | - | - | - | - | - | - |
| C) INDEPENDENT NON-EXECUTIVE DIRECTORS | | | | | | | |
| Mr. Tian Lixin (Note XII) | - | - | - | - | - | - | - |
| Mr. Song Hua (Note XII) | - | - | - | - | - | - | - |
| Mr. Wu Changhai (Note XII) | - | - | - | - | - | - | - |
| Mr. Ng Kwok Yin (Note XIII) | - | - | - | - | - | - | - |
| Subtotal | - | - | - | - | - | - | - |
| D) SUPERVISORS | | | | | | | |
| Mr. Li Yunfeng (Note XIV) | - | 532 | 63 | 90 | 113 | 642 | 1,440 |
| Mr. Luo Wenhong (Note X) | - | - | - | - | - | - | - |
| Ms. Shi Haixia (Note XVII) | - | 413 | 58 | 82 | 40 | 222 | 815 |
| Subtotal | - | 945 | 121 | 172 | 153 | 864 | 2,255 |
| Total | - | 4,665 | 373 | 532 | 2,668 | 111,103 | 119,341 |

Notes:

- I Bonuses are determined based on the Group’s performance and performance of the relevant individual within the Group.
- II Ms. Chen Jie was appointed as executive director of the Company commencing from May 4, 2015 to June 29, 2016 and from January 8, 2017 until now, and Ms. Chen Jie is also the chief executive of the Company.
- III Mr. Zhang Jiangong was appointed as executive director of the Company on April 9, 2018 and resigned on September 9, 2020.
- IV Mr. Yang Zhengdao was appointed as executive director of the Company on October 6, 2017.
- V Mr. Wu Jingrun was appointed as executive director of the Company on October 6, 2017 and resigned on May 8, 2021.

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- VI Ms. Huang Haitao was appointed as non-executive director of the Company on December 1, 2015 and resigned on January 4, 2022.
- VII Mr. Zou Yan was appointed as supervisor of the Company on March 1, 2018, resigned on June 30, 2020 and was appointed as executive director of the Company on August 16, 2020.
- VIII Ms. Huang Miao was appointed as non-executive director of the Company on August 1, 2018.
- IX Mr. Diao Juanhuan was appointed as non-executive director of the Company on November 13, 2019.
- X Mr. Luo Wenhong was appointed as non-executive director of the Company on November 13, 2019, resigned on May 8, 2021 and was appointed as supervisor of the Company on May 8, 2021.
- XI Ms. Jin Xin was appointed as executive director of the Company on July 20, 2021.
- XII Mr. Tian Lixin, Mr. Song Hua, Mr. Wu Changhai and Mr. Xu Ke, were appointed as independent non-executive director of the Company on July 20, 2021. Mr. Xu Ke resigned on October 31, 2022.
- XIII Mr. Ng Kwok Yin was appointed as independent non-executive director of the Company on December 25, 2021.
- XIV Mr. Li Yunfeng was appointed as supervisor of the Company on December 1, 2015.
- XV Mr. Zhou Guodong was appointed as supervisor of the Company on December 1, 2015 and resigned on April 1, 2022.
- XVI Ms. Chen Xi was appointed as supervisor of the Company on June 30, 2020 and resigned on May 8, 2021.
- XVII Ms. Shi Haixia was appointed as supervisor of the Company on April 1, 2022.

The executive directors’ emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. Also, Ms. Huang Haitao, Ms. Huang Miao, Mr. Diao Juanhuan, and Mr. Luo Wenhong did not receive any remuneration from the Company or the Group for their services provided to the Company and the Group. They were nominated by the Company’s shareholders and their remunerations were borne by the Company’s shareholders.

(b) Benefits and interests of Directors and supervisors

Except for the emoluments disclosed above, there is no other benefits offered to the Directors or supervisors.

(c) Directors and supervisors’ termination benefits

No director or supervisor’s termination benefit subsisted at the end of the year or at any time during the Track Record Period.

(d) Consideration provided to third parties for making available director or supervisor’ services

No consideration provided to third parties for making available director or supervisor’s services subsisted at the end of the year or at any time during the Track Record Period.

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19. FIVE HIGHEST PAID EMPLOYEES

The five individuals whose emoluments were the highest in the Group during the Track Record Period include 4, 2, and 2 Directors or supervisors for the years ended December 31, 2021, 2022 and 2023, respectively, and their emoluments are reflected in the analysis shown in Note 18. The emoluments paid/payable to the remaining individuals during the Track Record Period are as follows:

| | Year ended December 31, | | |
|---|--------------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Salaries and wages | 62 | 2,657 | 2,571 |
| Pension cost – defined contribution plan | 31 | 173 | 164 |
| Other social security costs, housing benefits and other employee benefits | 45 | 246 | 233 |
| Performance bonus | – | 1,240 | 1,566 |
| Share-based payment expenses | 34,151 | 2,166 | 7,727 |
| | <u>34,289</u> | <u>6,482</u> | <u>12,261</u> |
| Total | <u>34,289</u> | <u>6,482</u> | <u>12,261</u> |

The emoluments fell within the following bands:

| | Number of individuals | | |
|--------------------------------|--------------------------------|-------------|-------------|
| | Year ended December 31, | | |
| | 2021 | 2022 | 2023 |
| Emoluments bands: | | | |
| HKD1,500,001 to HKD2,000,000 | – | 1 | – |
| HKD2,000,001 to HKD2,500,000 | – | 1 | – |
| HKD3,500,001 to HKD4,000,000 | – | 1 | 1 |
| HKD4,500,001 to HKD5,000,000 | – | – | 2 |
| HKD41,000,001 to HKD41,500,000 | 1 | – | – |
| | <u>1</u> | <u>3</u> | <u>3</u> |
| Total | <u>1</u> | <u>3</u> | <u>3</u> |

During the Track Record Period, none of the Directors, CEO and supervisors of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the Directors, CEO and supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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20. PROPERTY, PLANT AND EQUIPMENT

The Group

| | Office equipment <i>RMB'000</i> | Electronic equipment <i>RMB'000</i> | Special equipment <i>RMB'000</i> | Leasehold improvement <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|---|---|--|--|--------------------------------|
| COST | | | | | |
| As at January 1, 2021 | 338 | 4,847 | 15,351 | 12,364 | 32,900 |
| Additions | 14 | 47 | 2,059 | – | 2,120 |
| Acquired on acquisition of a subsidiary | – | 10 | – | 28 | 38 |
| Disposals | – | (69) | – | – | (69) |
| As at December 31, 2021 | 352 | 4,835 | 17,410 | 12,392 | 34,989 |
| Additions | – | 396 | 2,083 | 1,665 | 4,144 |
| Disposals | – | (298) | (75) | – | (373) |
| As at December 31, 2022 | 352 | 4,933 | 19,418 | 14,057 | 38,760 |
| Additions | – | 1,098 | 3,025 | 917 | 5,040 |
| Disposals | – | – | (335) | – | (335) |
| As at December 31, 2023 | 352 | 6,031 | 22,108 | 14,974 | 43,465 |
| DEPRECIATION | | | | | |
| As at January 1, 2021 | 99 | 4,084 | 7,411 | 9,805 | 21,399 |
| Provided for the year | 75 | 480 | 2,722 | 2,334 | 5,611 |
| Eliminated upon disposals | – | (63) | – | – | (63) |
| As at December 31, 2021 | 174 | 4,501 | 10,133 | 12,139 | 26,947 |
| Provided for the year | 72 | 157 | 2,683 | 541 | 3,453 |
| Eliminated upon disposals | – | (281) | (62) | – | (343) |
| As at December 31, 2022 | 246 | 4,377 | 12,754 | 12,680 | 30,057 |
| Provided for the year | 68 | 271 | 2,626 | 798 | 3,763 |
| Eliminated upon disposals | – | – | (304) | – | (304) |
| As at December 31, 2023 | 314 | 4,648 | 15,076 | 13,478 | 33,516 |
| CARRYING VALUES | | | | | |
| As at December 31, 2021 | 178 | 334 | 7,277 | 253 | 8,042 |
| As at December 31, 2022 | 106 | 556 | 6,664 | 1,377 | 8,703 |
| As at December 31, 2023 | 38 | 1,383 | 7,032 | 1,496 | 9,949 |

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The Company

| | Office equipment <i>RMB'000</i> | Electronic equipment <i>RMB'000</i> | Special equipment <i>RMB'000</i> | Leasehold improvement <i>RMB'000</i> | Total <i>RMB'000</i> |
|---------------------------|---|---|--|--|--------------------------------|
| COST | | | | | |
| As at January 1, 2021 | 338 | 4,847 | 15,351 | 12,213 | 32,749 |
| Additions | 14 | 47 | 2,059 | – | 2,120 |
| Disposals | – | (69) | – | – | (69) |
| | <u>352</u> | <u>4,825</u> | <u>17,410</u> | <u>12,213</u> | <u>34,800</u> |
| As at December 31, 2021 | 352 | 4,825 | 17,410 | 12,213 | 34,800 |
| Additions | – | 396 | 2,083 | 1,638 | 4,117 |
| Disposals | – | (298) | (75) | – | (373) |
| | <u>352</u> | <u>4,923</u> | <u>19,418</u> | <u>13,851</u> | <u>38,544</u> |
| As at December 31, 2022 | 352 | 4,923 | 19,418 | 13,851 | 38,544 |
| Additions | – | 1,093 | 3,025 | 514 | 4,632 |
| Disposals | – | – | (335) | – | (335) |
| | <u>352</u> | <u>6,016</u> | <u>22,108</u> | <u>14,365</u> | <u>42,841</u> |
| As at December 31, 2023 | 352 | 6,016 | 22,108 | 14,365 | 42,841 |
| DEPRECIATION | | | | | |
| As at January 1, 2021 | 99 | 4,084 | 7,411 | 9,676 | 21,270 |
| Provided for the year | 75 | 472 | 2,722 | 2,285 | 5,554 |
| Eliminated upon disposals | – | (63) | – | – | (63) |
| | <u>174</u> | <u>4,493</u> | <u>10,133</u> | <u>11,961</u> | <u>26,761</u> |
| As at December 31, 2021 | 174 | 4,493 | 10,133 | 11,961 | 26,761 |
| Provided for the year | 72 | 157 | 2,683 | 539 | 3,451 |
| Eliminated upon disposals | – | (281) | (62) | – | (343) |
| | <u>246</u> | <u>4,369</u> | <u>12,754</u> | <u>12,500</u> | <u>29,869</u> |
| As at December 31, 2022 | 246 | 4,369 | 12,754 | 12,500 | 29,869 |
| Provided for the year | 68 | 265 | 2,626 | 715 | 3,674 |
| Eliminated upon disposals | – | – | (304) | – | (304) |
| | <u>314</u> | <u>4,634</u> | <u>15,076</u> | <u>13,215</u> | <u>33,239</u> |
| As at December 31, 2023 | 314 | 4,634 | 15,076 | 13,215 | 33,239 |
| CARRYING VALUES | | | | | |
| As at December 31, 2021 | <u>178</u> | <u>332</u> | <u>7,277</u> | <u>252</u> | <u>8,039</u> |
| As at December 31, 2022 | <u>106</u> | <u>554</u> | <u>6,664</u> | <u>1,351</u> | <u>8,675</u> |
| As at December 31, 2023 | <u>38</u> | <u>1,382</u> | <u>7,032</u> | <u>1,150</u> | <u>9,602</u> |

Property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual values with the following useful lives:

| | |
|-----------------------|-----------------------------------|
| Office equipment | 5 years |
| Electronic equipment | 3 to 5 years |
| Special equipment | 5 years |
| Leasehold improvement | Shorter of lease terms or 3 years |

APPENDIX I

ACCOUNTANTS’ REPORT

21. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

The Group

(a) Right-of-use assets

The carrying amounts of the right-of-use assets and the movements during the Track Record Period are as follows:

| | For the year ended December 31, | | |
|--|--|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Carrying amount at the beginning of the year | 10,667 | 36,408 | 24,609 |
| Additions | 26,401 | 664 | 3,967 |
| Lease modification | 9,479 | – | – |
| Early termination of a lease | – | – | (275) |
| Depreciation charge (<i>Note 11</i>) | (10,139) | (12,463) | (13,198) |
| | <u>36,408</u> | <u>24,609</u> | <u>15,103</u> |

| | Year ended December 31, | | |
|---------------------------------------|--------------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Expense relating to short-term leases | 1,856 | 2,803 | 3,657 |
| | <u>9,023</u> | <u>14,817</u> | <u>18,173</u> |

The Group leases various offices which are negotiated for terms ranging from 1 to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Right-of-use assets are depreciated on a straight-line basis over the lease terms.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

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ACCOUNTANTS’ REPORT

(b) Lease liabilities

The carrying amounts of the Group’s lease liabilities and the movements during the Track Record Period are as follows:

| | For the year ended December 31, | | |
|---|--|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Carrying amount at the beginning of the year | 6,882 | 35,676 | 25,796 |
| New leases | 26,239 | 567 | 3,967 |
| Lease modification | 9,479 | – | – |
| Early termination of a lease | – | – | (279) |
| Accretion of interest recognized (<i>Note 13</i>) | 243 | 1,567 | 1,022 |
| Payments | (7,167) | (12,014) | (14,516) |
| | <u>35,676</u> | <u>25,796</u> | <u>15,990</u> |

| | As at December 31, | | |
|---------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Lease liabilities payable | | | |
| – within one year | 10,312 | 18,442 | 14,611 |
| – between 1 and 2 years | 18,108 | 7,230 | 1,208 |
| – between 2 and 5 years | 7,256 | 124 | 171 |
| | <u>35,676</u> | <u>25,796</u> | <u>15,990</u> |
| Total | <u>35,676</u> | <u>25,796</u> | <u>15,990</u> |
| Analyzed as: | | | |
| Non-current | 25,364 | 7,354 | 1,379 |
| Current | 10,312 | 18,442 | 14,611 |
| | <u>35,676</u> | <u>25,796</u> | <u>15,990</u> |
| Total | <u>35,676</u> | <u>25,796</u> | <u>15,990</u> |

The lease liabilities were measured at the present value of the lease payments that are not yet paid using incremental borrowing rates. The following table shows the weighted average incremental borrowing rates applied to lease liabilities:

| | For the year ended December 31, | | |
|----------------------------|--|-------------|-------------|
| | 2021 | 2022 | 2023 |
| | % | % | % |
| Incremental borrowing rate | 5.66 | 5.66 | 5.66 |

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ACCOUNTANTS’ REPORT

The Company

(a) Right-of-use assets

The carrying amounts of the right-of-use assets and the movements during the Track Record Period are as follows:

| | For the year ended December 31, | | |
|--|--|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Carrying amount at the beginning of the year | 10,667 | 36,408 | 24,609 |
| Additions | 26,401 | 664 | 1,388 |
| Lease modification | 9,479 | – | – |
| Early termination of a lease | – | – | (275) |
| Depreciation charge | (10,139) | (12,463) | (12,626) |
| | <u>36,408</u> | <u>24,609</u> | <u>13,096</u> |

| | Year ended December 31, | | |
|---------------------------------------|--------------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Expense relating to short-term leases | <u>798</u> | <u>1,642</u> | <u>2,384</u> |
| Total cash outflow for leases | <u>7,965</u> | <u>13,656</u> | <u>16,200</u> |

The Company leases various offices which are negotiated for terms ranging from 1 to 5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Right-of-use assets are depreciated on a straight-line basis over the lease terms.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

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ACCOUNTANTS’ REPORT

(b) Lease liabilities

The carrying amounts of the Company’s lease liabilities and the movements during the Track Record Period are as follows:

| | For the year ended December 31, | | |
|--|--|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Carrying amount at the beginning of the year | 6,882 | 35,676 | 25,796 |
| New leases | 26,239 | 567 | 1,388 |
| Lease modification | 9,479 | – | – |
| Early termination of a lease | – | – | (279) |
| Accretion of interest recognized | 243 | 1,567 | 937 |
| Payments | (7,167) | (12,014) | (13,816) |
| | <u>35,676</u> | <u>25,796</u> | <u>14,026</u> |

| | As at December 31, | | |
|---------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Lease liabilities payable | | | |
| – within one year | 10,312 | 18,442 | 13,752 |
| – between 1 and 2 years | 18,108 | 7,230 | 274 |
| – between 2 and 5 years | 7,256 | 124 | – |
| | <u>35,676</u> | <u>25,796</u> | <u>14,026</u> |
| Total | <u>35,676</u> | <u>25,796</u> | <u>14,026</u> |
| Analyzed as: | | | |
| Non-current | 25,364 | 7,354 | 274 |
| Current | 10,312 | 18,442 | 13,752 |
| | <u>35,676</u> | <u>25,796</u> | <u>14,026</u> |
| Total | <u>35,676</u> | <u>25,796</u> | <u>14,026</u> |

The lease liabilities were measured at the present value of the lease payments that are not yet paid using incremental borrowing rates. The following table shows the weighted average incremental borrowing rates applied to lease liabilities:

| | For the year ended December 31, | | |
|----------------------------|--|-------------|-------------|
| | 2021 | 2022 | 2023 |
| | <i>%</i> | <i>%</i> | <i>%</i> |
| Incremental borrowing rate | <u>5.66</u> | <u>5.66</u> | <u>5.66</u> |

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ACCOUNTANTS’ REPORT

22. INTANGIBLE ASSETS

The Group

| | Software <i>RMB'000</i> | Patents <i>RMB'000</i> | Total <i>RMB'000</i> |
|---|-----------------------------------|----------------------------------|--------------------------------|
| COST | | | |
| As at January 1, 2021 | 1,526 | 220 | 1,746 |
| Additions | 177 | 7,547 | 7,724 |
| Acquired on acquisition of a subsidiary | 7 | – | 7 |
| Disposals | (179) | – | (179) |
| | <u>1,531</u> | <u>7,767</u> | <u>9,298</u> |
| As at December 31, 2021 | 1,531 | 7,767 | 9,298 |
| Additions | 336 | – | 336 |
| | <u>1,867</u> | <u>7,767</u> | <u>9,634</u> |
| As at December 31, 2022 | 1,867 | 7,767 | 9,634 |
| Additions | 1,062 | – | 1,062 |
| | <u>2,929</u> | <u>7,767</u> | <u>10,696</u> |
| As at December 31, 2023 | 2,929 | 7,767 | 10,696 |
| AMORTIZATION | | | |
| As at January 1, 2021 | 874 | 7 | 881 |
| Charge for the year | 238 | 714 | 952 |
| Eliminated upon disposals | (179) | – | (179) |
| | <u>933</u> | <u>721</u> | <u>1,654</u> |
| As at December 31, 2021 | 933 | 721 | 1,654 |
| Charge for the year | 197 | 822 | 1,019 |
| | <u>1,130</u> | <u>1,543</u> | <u>2,673</u> |
| As at December 31, 2022 | 1,130 | 1,543 | 2,673 |
| Charge for the year | 699 | 822 | 1,521 |
| | <u>1,829</u> | <u>2,365</u> | <u>4,194</u> |
| As at December 31, 2023 | 1,829 | 2,365 | 4,194 |
| CARRYING VALUES | | | |
| As at December 31, 2021 | <u>598</u> | <u>7,046</u> | <u>7,644</u> |
| As at December 31, 2022 | <u>737</u> | <u>6,224</u> | <u>6,961</u> |
| As at December 31, 2023 | <u>1,100</u> | <u>5,402</u> | <u>6,502</u> |

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ACCOUNTANTS’ REPORT

The Company

| | Software <i>RMB’000</i> | Patents <i>RMB’000</i> | Total <i>RMB’000</i> |
|---------------------------|-----------------------------------|----------------------------------|--------------------------------|
| COST | | | |
| As at January 1, 2021 | 1,526 | 220 | 1,746 |
| Additions | 177 | 7,547 | 7,724 |
| Disposals | (179) | – | (179) |
| | <u>1,524</u> | <u>7,767</u> | <u>9,291</u> |
| As at December 31, 2021 | 1,524 | 7,767 | 9,291 |
| Additions | 336 | – | 336 |
| | <u>1,860</u> | <u>7,767</u> | <u>9,627</u> |
| As at December 31, 2022 | 1,860 | 7,767 | 9,627 |
| Additions | 1,062 | – | 1,062 |
| | <u>2,922</u> | <u>7,767</u> | <u>10,689</u> |
| As at December 31, 2023 | 2,922 | 7,767 | 10,689 |
| AMORTIZATION | | | |
| As at January 1, 2021 | 874 | 7 | 881 |
| Charge for the year | 237 | 714 | 951 |
| Eliminated upon disposals | (179) | – | (179) |
| | <u>932</u> | <u>721</u> | <u>1,653</u> |
| As at December 31, 2021 | 932 | 721 | 1,653 |
| Charge for the year | 195 | 822 | 1,017 |
| | <u>1,127</u> | <u>1,543</u> | <u>2,670</u> |
| As at December 31, 2022 | 1,127 | 1,543 | 2,670 |
| Charge for the year | 698 | 822 | 1,520 |
| | <u>1,825</u> | <u>2,365</u> | <u>4,190</u> |
| As at December 31, 2023 | 1,825 | 2,365 | 4,190 |
| CARRYING VALUES | | | |
| As at December 31, 2021 | <u>592</u> | <u>7,046</u> | <u>7,638</u> |
| As at December 31, 2022 | <u>733</u> | <u>6,224</u> | <u>6,957</u> |
| As at December 31, 2023 | <u>1,097</u> | <u>5,402</u> | <u>6,499</u> |

The intangible assets above have finite useful lives which are amortized on a straight-line basis over the following periods:

| | |
|----------|---------------|
| Software | 5 years |
| Patents | 5 to 10 years |

23. INVESTMENTS IN ASSOCIATES

The Group

| | As at December 31, | | |
|--|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Cost of investments in associates | 65,901 | 77,823 | 80,876 |
| Share of post-acquisition profit or loss | 9,270 | 9,204 | 7,502 |
| | <u>75,171</u> | <u>87,027</u> | <u>88,378</u> |

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ACCOUNTANTS’ REPORT

As at December 31, 2021, 2022 and 2023 and the date of this report, the associates of the Group, which were accounted for using equity method, were as follows:

| Company name | Place and date of incorporation/ establishment and type of legal entity | Principal activities and place of operation | Percentage of ownership as at December 31, | | | At the date of this report |
|---|---|---|--|------|------|----------------------------|
| | | | 2021 | 2022 | 2023 | |
| Boya Zhongke (Beijing) Information Technology Co., Ltd. (博雅中科(北京) 信息技術有限公司) (“Boya Zhongke”) (Note a) | PRC, November 2, 2016/Limited liability company | Sales of finance management software in the PRC | 40% | 40% | 40% | 40% |
| Beijing Baiwang Cube Technology Co., Ltd. (北京百望立方科技有限公司) (“Baiwang Cube”) (Note b) | PRC, August 26, 2020/ Limited liability company | Software development in the PRC | 10% | 10% | 10% | 10% |
| Third Block (Beijing) Digital Economy Industrial Park Co., Ltd. (第三街區(北京) 數字經濟產業園有限公司) | PRC, April 25, 2021/ Limited liability company | Software development in the PRC | 20% | 20% | 20% | 20% |
| Guizhou Baiwangyun Technology Co., Ltd. (貴州百望雲科技有限公司) | PRC, July 5, 2021/ Limited liability company | Software development and maintenance service in the PRC | 40% | 40% | 40% | 40% |
| Ningbo Lanyuan Baiwang Cloud Digital Technology Co., Ltd. (寧波藍源百望雲數字科技有限公司) | PRC, August 17, 2021/ Limited liability company | Supply chain platform in the PRC | 40% | 40% | 40% | 40% |
| China Funded Yirong (Beijing) Technology Co., Ltd. (中資易融(北京) 科技有限公司) (“China Funded Yirong”) (Note c) | PRC, November 24, 2021/Limited liability company | Software development in the PRC | 15% | 15% | 15% | 15% |
| Guangxi United Credit Reporting Co., Ltd. (廣西聯合征信有限公司) (“Guangxi United”) (Note d) | PRC, December 3, 2018/Limited liability company | Big data service in the PRC | – | 15% | 15% | 15% |
| Yunnan Baiwangyun Digital Technology Co., Ltd. (雲南百望雲數字科技有限公司) | PRC, August 8, 2022/ Limited liability company | Big data service platform in the PRC | – | 40% | 40% | 40% |
| Beijing Baiwang Intelligent Finance and Taxation Technology Co., Ltd. (北京百望智慧財稅科技有限公司) (“Baiwang Intelligent”) (Note e) | PRC, August 31, 2022/ Limited liability company | Development, operation and maintenance of tax information system in the PRC | – | 25% | 25% | 25% |
| Beijing Baiwang Cloud network Technology Co., Ltd. (北京百望雲網絡科技有限公司) | PRC, August 11, 2023/ Limited liability company | Software development and maintenance service in the PRC | – | – | 35% | 35% |

Note a: In December 2019, the Group entered into a share transfer agreement with two third parties, pursuant to which the Group acquired further 31% equity interest of Boya Zhongke for a consideration of RMB63,520,000 (the “2020 Acquisition”). Following the completion of equity transfer registration and together with the 15% equity interest previously held, the Group owned 46% equity interest of Boya Zhongke as at December 31, 2020.

In July 2021, the share ownership of 6% equity in the 2020 Acquisition of which capital has yet been paid by the Group was transferred to another investor at nil consideration and a gain of RMB1,613,000 was recognized by the Group in 2021.

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ACCOUNTANTS’ REPORT

Note b: The Group is able to exercise significant influence over Baiwang Cube because it has the right to appoint the executive director of Baiwang Cube under the articles of association of Baiwang Cube.

Note c: The Group is able to exercise significant influence over China Funded Yirong because it has the power to appoint one out of the five directors of China Funded Yirong under the articles of association of China Funded Yirong.

Note d: The Group is able to exercise significant influence over Guangxi United because it has the power to appoint one out of the five directors of Guangxi United under the articles of association of Guangxi United.

Note e: In September 2021 and March 2022, the Group paid investment deposits of RMB5,200,000 and RMB5,000,000, respectively to Baiwang Intelligent for investments in Baiwang Intelligent. The investment arrangement was subsequently superseded, the deposits of RMB10,200,000 was netted against the Group’s payable to Baiwang Intelligent and settled in August 2022.

A share transfer agreement (the “Agreement”) was entered into by the Group with third-party individuals (the “Transferors”) in August 2022, pursuant to which the Group acquired 25% equity interest of Baiwang Intelligent for a consideration of RMB12,695,000, and has the ability to exercise significant influence over Baiwang Intelligent.

The Group also has the right to require additional shares of Baiwang Intelligent from one of the Transferors based on the formula agreed in the Agreement for a consideration of RMB1 if Baiwang Intelligent does not meet the specified sum of profit targets covering a three-year period from 2022 to 2024. The Group accounts for the arrangement/right to receive additional shares at nominal consideration as a financial asset at FVTPL, as in Note 25.

Included in the investments in associates is goodwill of approximately RMB52,595,000, RMB62,544,000, and RMB62,544,000, arising on acquisitions of associates as at December 31, 2021, 2022 and 2023, respectively.

Summarized financial information of material associate

Summarized financial information in respect of each of the Group’s material associate is set out below. The summarized financial information below represents amounts shown in the associate’s financial statements prepared in accordance with IFRSs.

All of these associates are accounted for using the equity method in these Historical Financial Information.

Boya Zhongke

| | As at December 31, | | |
|-------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Current assets | 67,642 | 68,320 | 69,188 |
| Non-current assets | 4,124 | 2,087 | 1,897 |
| Current liabilities | 17,705 | 17,360 | 15,718 |
| Non-current liabilities | 947 | 335 | 14 |

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ACCOUNTANTS’ REPORT

| | For the year ended December 31, | | |
|---|--|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Revenue | 55,347 | 34,660 | 34,492 |
| Profit (loss) and total comprehensive income (expense) for the year | 9,773 | (402) | (3,206) |

Reconciliation of the above summarized financial information to the carrying amount of the interest in the associate recognized in the Historical Financial Information:

| | As at December 31, | | |
|---|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Net assets attributable to owners of | | | |
| Boya Zhongke | 53,114 | 52,712 | 55,353 |
| Proportion of the Group’s ownership in Boya Zhongke | 40% | 40% | 40% |
| The Group’s share of net assets of Boya Zhongke | 21,246 | 21,085 | 22,287 |
| Goodwill | 52,595 | 52,595 | 52,595 |
| Other adjustment | 250 | 410 | – |
| Carrying amount of the Group’s interest in Boya Zhongke | 74,091 | 74,090 | 74,882 |

Aggregate information of associates that are not individually material

| | As at December 31, | | |
|---|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| The Group’s share of loss and total comprehensive expense from associates | (470) | (65) | (411) |
| Aggregate carrying amount of the Group’s interests in these associates | 1,080 | 12,937 | 13,496 |

The Company

| | As at December 31, | | |
|--|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Cost of investments in associates | 64,351 | 64,351 | 66,705 |
| Share of post-acquisition profit or loss | 9,793 | 9,818 | 8,324 |
| | 74,144 | 74,169 | 75,029 |

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As at December 31, 2021, 2022 and 2023 and the date of this report, the associates of the Company, which were accounted for using equity method, were as follows:

| Company name | Place and date of incorporation/ establishment and type of legal entity | Principal activities and place of operation | Percentage of ownership as at December 31, | | | At the date of this report |
|--------------------------------|---|---|--|------|------|----------------------------|
| | | | 2021 | 2022 | 2023 | |
| Boya Zhongke (<i>Note a</i>) | PRC, November 2, 2016/Limited liability company | Sales of finance management software in the PRC | 40% | 40% | 40% | 40% |
| Baiwang Cube (<i>Note b</i>) | PRC, August 26, 2020/ Limited liability company | Software development in the PRC | 10% | 10% | 10% | 10% |

Note a: In December 2019, the Company entered into a share transfer agreement with two third parties, pursuant to which the Group acquired further 31% equity interest of Boya Zhongke for a consideration of RMB63,520,000 (the “2020 Acquisition”). Following the completion of equity transfer registration and together with the 15% equity interest previously held, the Group owned 46% equity interest of Boya Zhongke as at December 31, 2020.

In July 2021, the share ownership of 6% equity in the 2020 Acquisition of which capital has yet been paid by the Company was transferred to another investor together with the consideration payable of RMB11,474,000 and a gain of RMB1,613,000 was recognized by the Group in 2021.

Note b: The Group is able to exercise significant influence over Baiwang Cube because it has the right to appoint the executive director of Baiwang Cube under the articles of association of Baiwang Cube.

24. INVESTMENTS IN JOINT VENTURES

The Group

| | As at December 31, | | |
|--|--------------------|-----------------|-----------------|
| | 2021 RMB'000 | 2022 RMB'000 | 2023 RMB'000 |
| Cost of investments in joint ventures | 4,000 | 4,000 | 4,951 |
| Share of post-acquisition profit or loss | 5,739 | 6,845 | (2,159) |
| | <u>9,739</u> | <u>10,845</u> | <u>2,792</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

As at December 31, 2021, 2022 and 2023 and the date of this report, the joint ventures of the Group, which were accounted for using equity method, were as follows:

| Company name | Place and date of incorporation/ establishment and type of legal entity | Principal activities and place of operation | Percentage of ownership as at December 31, | | | At the date of this report |
|--|---|--|---|------|------|----------------------------------|
| | | | 2021 | 2022 | 2023 | |
| Baiwang Jinshui Technology Co., Ltd. (百望金稅科技有限公司) (“Baiwang Jinshui”) <i>(Note)</i> | PRC, May 6, 2016/ Limited liability company | Sales of tax management software in the PRC | 40% | 40% | - | - |
| Guizhou Yunshui Digital Technology Co., Ltd. (貴州雲稅數字科技有限公司) | PRC, August 13, 2021/ Limited liability company | Big data service platform in the PRC | 33% | 33% | 33% | 33% |
| Baiwang Cloud (Chongqing) Information Technology Service Co., Ltd. (百望雲(重慶)信息技術服務有限公司) | PRC, March 30, 2023/ Limited liability company | Software development in the PRC | - | - | 40% | 40% |
| Shanghai Baiwang Shuzhi Technology Co., Ltd. (上海百望數治信息科技有限公司) | PRC, June 16, 2023/ Limited liability company | Software development in the PRC | - | - | 35% | 35% |
| Henan Baiwang Cloud digital technology Co., Ltd. (河南百望雲數字科技有限公司) | PRC, January 5, 2023/ Limited liability company | Software development in the PRC | - | - | 40% | 40% |
| Heilongjiang Baiwang Cloud Technology Co., Ltd. (黑龍江百望雲科技有限公司) | PRC, June 9, 2023/ Limited liability company | Software development in the PRC | - | - | 35% | 35% |
| Guangdong Baiwang Information Technology Co., Ltd. (廣東百望信息技術有限公司) | PRC, January 6, 2023/ Limited liability company | Software development in the PRC | - | - | 35% | 35% |
| Fujian Baiwang Cloud Technology Co., Ltd. (福建百望雲科技有限公司) | PRC, May 8, 2023/ Limited liability company | Software development in the PRC | - | - | 35% | 35% |

Aggregate information of joint ventures that are not individually material

| | As at December 31, | | |
|---|--------------------|-----------------|-----------------|
| | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| The Group’s share of profit (loss) and total comprehensive income (expense) from the joint ventures | 1,406 | 1,106 | (2,328) |
| Aggregate carrying amount of the Group’s interests in the joint ventures | 9,739 | 10,845 | 2,792 |

Note: In October 2023, the Group disposed of the entire 40% interest in Baiwang Jinshui to one of the original shareholders for a consideration of RMB10,813,000. This transaction has resulted in the recognition of a gain of RMB137,000.

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ACCOUNTANTS’ REPORT

The Company

| | As at December 31, | | |
|--|--------------------|-----------------|-----------------|
| | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Cost of investment in joint venture | 4,000 | 4,000 | – |
| Share of post-acquisition profit or loss | 5,739 | 6,845 | – |
| | <u>9,739</u> | <u>10,845</u> | <u>–</u> |

As at December 31, 2021, 2022 and 2023 and the date of this report, the joint ventures of the Company, which were accounted for using equity method, were as follows:

| Company name | Place and date of incorporation/ establishment and type of legal entity | Principal activities and place of operation | Percentage of ownership as at December 31, | | | At the date of this report |
|-----------------|---|---|--|------|------|----------------------------|
| | | | 2021 | 2022 | 2023 | |
| Baiwang Jinshui | PRC, May 6, 2016/ Limited liability company | Sales of tax management software in the PRC | 40% | 40% | – | – |

25. FINANCIAL ASSETS AT FVTPL

The Group

| | As at December 31, | | |
|---|--------------------|-----------------|-----------------|
| | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Current: | | | |
| Wealth management products issued by banks (Note a) | 218,856 | 400,900 | 268,230 |
| Non-current: | | | |
| Investments in associates with preferential rights (Notes b and c) | 19,440 | 36,496 | 27,762 |
| Arrangement/right to receive additional shares at nominal consideration (Notes c and d) | – | 2,991 | 4,672 |
| Total | <u>238,296</u> | <u>440,387</u> | <u>300,664</u> |

The Company

| | As at December 31, | | |
|--|--------------------|-----------------|-----------------|
| | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Current: | | | |
| Wealth management products issued by banks (Note a) | 218,856 | 400,900 | 268,230 |
| Non-current: | | | |
| Investments in associates with preferential rights (Note b) | 19,440 | 19,443 | 18,431 |
| Total | <u>238,296</u> | <u>420,343</u> | <u>286,661</u> |

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Note a: The Group’s wealth management products are mainly the financial products issued by banks, which are short-term investments with expected rates of return ranging from 0% to 20%, depending on the market price of underlying financial instruments, including structured deposits. The Group managed and evaluated the performance of investments on a fair value basis in accordance with the Group’s risk management and investment strategy. Details of fair value measurements are set out in Note 40.

Note b: The carrying amount of investments in associates with preferential rights represents the Group’s investment in Beijing Daokou Jinke Technology Co., Ltd. (北京道口金科科技有限公司, “Daokou Jinke”) and investment in Shanghai Xinghan Information Technology Co., Ltd. (上海星漢信息技術有限公司, “Shanghai Xinghan”).

On January 31, 2021, the Group acquired 26.34% redeemable shares with preferential rights in Daokou Jinke at a consideration of RMB34,015,000, and can exercise significant influence over Daokou Jinke. Upon occurrence of certain future events, the redeemable shares with preferential rights shall be redeemed at request of the Company by Daokou Jinke and/or its controlling owner at the higher of the Company’s total investment plus annual interest of 8% accrued over the Group’s shareholding period as well as declared dividends payable to the Company, and independent valuation. The Group accounts for the investment as a financial asset at FVTPL, with carrying amount of RMB19,440,000 and RMB19,443,000 and RMB18,431,000 as at December 31, 2021, 2022 and 2023, respectively.

Note c: In March 2022, the Group entered into an investment agreement with the existing shareholders of Shanghai Xinghan, pursuant to which the Group acquired 19.3548% redeemable shares with preferential rights of Shanghai Xinghan through a capital injection of RMB18,000,000 in Shanghai Xinghan, and can exercise significant influence over Shanghai Xinghan. Upon occurrence of certain future events, the redeemable shares with preferential rights shall be redeemed at the request of the Group by Shanghai Xinghan and/or a third party designated by Shanghai Xinghan, at a consideration of the Group’s injected capital plus annual compound interest of 8% accrued over the Group’s shareholding period minus the dividend received by the Group. The Group accounts for the investment as a financial asset at FVTPL, with carrying amount of RMB17,053,000 and RMB9,331,000 as at December 31, 2022 and 2023, respectively. In part of the investment agreement, the Group also has the right to receive additional shares, from one of Shanghai Xinghan’s founding shareholders at nil consideration, based on the formula agreed in the investment agreement if Shanghai Xinghan does not meet the specified sum of revenue targets covering a three-year period from 2022 to 2024. The Group accounts for the said right as a financial asset at FVTPL, with carrying amount of nil and RMB2,878,000 as at December 31, 2022 and 2023, respectively. RMB13,950,000 of the capital injection into Shanghai Xinghan was paid when the investment agreement was signed. The remaining consideration of RMB4,050,000 is payable if several specific conditions are met, which include performance targets of revenue and net profit of 2024, and the Group accounts for such contingent consideration payable as a financial liability at FVTPL, as set out in Note 33.

Note d: The carrying amount of arrangement/right to receive additional shares at nominal consideration represents the Group’s right to receive additional shares in Baiwang Intelligent from one of Baiwang Intelligent’s owners. In connection with the investment agreement, the Group also has the right to require one of the controlling owners of Baiwang Intelligent to transfer additional shares of Baiwang Intelligent based on the formula agreed in the investment agreement if Baiwang Intelligent does not meet the specified sum of profit targets covering a three-year period from 2022 to 2024. The Group accounts for the said right as a financial asset at FVTPL, with carrying amount of RMB2,991,000 and RMB1,794,000 as at December 31, 2022 and 2023, respectively, as detailed in Note 23.

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ACCOUNTANTS’ REPORT

26. DEFERRED TAXATION

The Group

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

| | As at December 31, | | |
|--------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Deferred tax liabilities | – | (148) | – |

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended December 31, 2021, 2022 and 2023:

| | ECL provisions | Fair value adjustments | Right-of-use assets | Lease liabilities | Accelerated tax depreciation and amortization | Total |
|--------------------------------------|---------------------------|-----------------------------------|--------------------------------|------------------------------|--|--------------|
| | | | | | <i>RMB’000</i> | |
| As at January 1, 2021 | 54 | (100) | (1,600) | 1,409 | 237 | – |
| Credit (charge) to profit or loss | – | 100 | (3,861) | 3,761 | – | – |
| As at December 31, 2021 | 54 | – | (5,461) | 5,170 | 237 | – |
| (Charge) credit to profit or loss | (54) | (148) | 1,820 | (1,532) | (234) | (148) |
| As at December 31, 2022 | – | (148) | (3,641) | 3,638 | 3 | (148) |
| Credit (charge) to profit or loss | 11 | 148 | 1,175 | (1,183) | (3) | 148 |
| As at December 31, 2023 | 11 | – | (2,466) | 2,455 | – | – |

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The Company

The following are the major deferred tax assets (liabilities) recognized and movements thereon during the years ended December 31, 2021, 2022 and 2023:

| | ECL provisions | Fair value adjustments | Right-of-use assets | Lease liabilities | Accelerated tax depreciation and amortization | Total |
|-----------------------------------|-----------------------|-------------------------------|----------------------------|--------------------------|--|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| As at January 1, 2021 | 54 | (100) | (1,600) | 1,409 | 237 | – |
| Credit (charge) to profit or loss | – | 100 | (3,861) | 3,761 | – | – |
| As at December 31, 2021 | 54 | – | (5,461) | 5,170 | 237 | – |
| (Charge) credit to profit or loss | (54) | – | 1,820 | (1,532) | (234) | – |
| As at December 31, 2022 | – | – | (3,641) | 3,638 | 3 | – |
| Credit (charge) to profit or loss | – | – | 1,677 | (1,674) | (3) | – |
| As at December 31, 2023 | – | – | (1,964) | 1,964 | – | – |

The Group

As at December 31, 2021, 2022 and 2023, the Group had estimated unused tax losses of approximately RMB526,565,000, RMB597,296,000 and RMB702,833,000, respectively, which are available for offset against future profits. No deferred tax asset has been recognized in respect of such tax loss due to the unpredictability of future profit streams as at December 31, 2021, 2022 and 2023.

The unrecognized income tax losses which have fixed expiry date, will be expired in the following years:

| | For the year ended December 31, | | |
|-------|--|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| 2022 | 29,482 | – | – |
| 2023 | 46,475 | 45,451 | – |
| 2024 | 15,172 | 15,172 | 15,172 |
| 2025 | 22,826 | 956 | 956 |
| 2026 | 18,684 | 13,746 | 13,746 |
| 2027 | – | 23,816 | 22,836 |
| 2028 | 116,664 | 116,664 | 168,888 |
| 2029 | 189,932 | 189,932 | 189,932 |
| 2030 | 24,108 | 24,108 | 24,108 |
| 2031 | 63,222 | 63,222 | 63,222 |
| 2032 | – | 104,229 | 104,229 |
| 2033 | – | – | 99,744 |
| Total | 526,565 | 597,296 | 702,833 |

Note: In accordance with the “Notice on Extending the Period of Loss Carryover for High tech Enterprises and Technological Small and Medium sized Enterprises” (Cai Shui 2018 No. 76), as a High and New Technical Enterprise, the Company has a deductible tax loss expiration period of 10 years.

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As at December 31, 2021, 2022 and 2023, the Group had deductible temporary differences of approximately RMB58,636,000, RMB84,323,000 and RMB73,353,000, respectively, and among these amounts, approximately RMB22,229,000, RMB60,049,000 and RMB57,021,000, respectively, deductible temporary differences have not been recognized as deferred tax assets as it is not probable that such deductible temporary differences would be utilized in the foreseeable future.

The Company

As at December 31, 2021, 2022 and 2023, the Company had estimated unused tax losses of approximately RMB393,926,000, RMB498,155,000 and RMB597,899,000, respectively, which are available for offset against future profits. No deferred tax asset has been recognized in respect of such tax loss due to the unpredictability of future profit streams as at December 31, 2021, 2022 and 2023.

The unrecognized income tax losses which have fixed expiry date, will be expired in the following years:

| | For the year ended December 31, | | |
|--------------|--|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| 2028 | 116,664 | 116,664 | 116,664 |
| 2029 | 189,932 | 189,932 | 189,932 |
| 2030 | 24,108 | 24,108 | 24,108 |
| 2031 | 63,222 | 63,222 | 63,222 |
| 2032 | – | 104,229 | 104,229 |
| 2033 | – | – | 99,744 |
| Total | 393,926 | 498,155 | 597,899 |

As at December 31, 2021, 2022 and 2023, the Company had deductible temporary differences of approximately RMB56,902,000, RMB80,210,000 and RMB65,642,000, respectively, and among these amounts, approximately RMB20,496,000, RMB55,937,000 and RMB51,316,000, respectively, deductible temporary differences have not been recognized as deferred tax assets as it is not probable that such deductible temporary differences would be utilized in the foreseeable future.

27. INVENTORIES

The Group

| | As at December 31, | | |
|--------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Goods in transit | 5,262 | 7,141 | 1,112 |
| Goods available for sale | 3,710 | 3,851 | 2,569 |
| Total | 8,972 | 10,992 | 3,681 |

The Company

| | As at December 31, | | |
|--------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Goods in transit | 5,262 | 7,141 | 1,112 |
| Goods available for sale | 3,738 | 3,851 | 2,569 |
| Total | 9,000 | 10,992 | 3,681 |

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ACCOUNTANTS’ REPORT

28. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

| | As at December 31, | | |
|--|---------------------------|----------------------|-----------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Trade receivables – contracts with customers | 31,476 | 34,988 | 54,132 |
| Less: allowance for credit losses | (3,051) | (4,140) | (5,115) |
| | <u>28,425</u> | <u>30,848</u> | <u>49,017</u> |
| Notes receivables | 301 | 589 | 102 |
| Prepayments | | | |
| – to suppliers | 3,208 | 2,791 | 2,466 |
| – to others | 1,280 | 4,560 | 11,656 |
| Value-added tax recoverable | 21,880 | 17,840 | 17,655 |
| Deposits refundable within one year | 4,566 | 4,766 | 5,497 |
| Other receivables | | | |
| – bid security | 1,826 | 2,305 | 3,097 |
| – advances to suppliers | 15,090 | 19,909 | 11,794 |
| – others | 1,998 | 1,755 | 3,360 |
| Less: allowance for credit losses | (242) | (175) | (216) |
| | <u>49,907</u> | <u>54,340</u> | <u>55,411</u> |
| Total | <u><u>78,332</u></u> | <u><u>85,188</u></u> | <u><u>104,428</u></u> |

The Company

| | As at December 31, | | |
|--|---------------------------|----------------------|----------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Trade receivables – contracts with customers | 29,564 | 34,117 | 42,210 |
| Less: allowance for credit losses | (3,026) | (4,134) | (5,035) |
| | <u>26,538</u> | <u>29,983</u> | <u>37,175</u> |
| Notes receivables | 301 | 589 | 102 |
| Prepayments | | | |
| – to suppliers | 3,206 | 2,720 | 1,997 |
| – to others | 1,069 | 4,135 | 11,544 |
| Value-added tax recoverable | 8,983 | 16,829 | 15,474 |
| Deposits refundable within one year | 4,342 | 4,479 | 4,608 |
| Other receivables | | | |
| – bid security | 1,796 | 2,291 | 3,083 |
| – others | 1,730 | 136 | 380 |
| Less: allowance for credit losses | (242) | (126) | (5) |
| | <u>21,185</u> | <u>31,053</u> | <u>37,183</u> |
| Total | <u><u>47,723</u></u> | <u><u>61,036</u></u> | <u><u>74,358</u></u> |

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The Group

The following is an aging analysis of the Group’s trade receivables presented based on the date of revenue recognition:

| | As at December 31, | | |
|-----------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Within 30 days | 8,206 | 8,103 | 12,011 |
| 31 to 180 days | 12,537 | 12,488 | 24,408 |
| 181 to 365 days | 5,645 | 6,977 | 5,783 |
| Over 1 year | 5,088 | 7,420 | 11,930 |
| | <u>31,476</u> | <u>34,988</u> | <u>54,132</u> |

Out of the past due balances of RMB18,067,000, RMB26,885,000 and RMB27,310,000 as at December 31, 2021, 2022 and 2023, respectively, RMB13,720,000, RMB20,118,000 and RMB19,518,000, respectively, has been past due 90 days or more and is not considered as in default by considering the background of the debtors and historical payment arrangement. The Group does not hold any collateral over these balances or charge any interest thereon.

The Company

The following is an aging analysis of the Company’s trade receivables presented based on the date of revenue recognition:

| | As at December 31, | | |
|-----------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Within 30 days | 7,267 | 7,335 | 11,318 |
| 31 to 180 days | 11,564 | 12,388 | 13,559 |
| 181 to 365 days | 5,645 | 6,974 | 5,708 |
| Over 1 year | 5,088 | 7,420 | 11,625 |
| | <u>29,564</u> | <u>34,117</u> | <u>42,210</u> |

Out of the past due balances of RMB17,235,000, RMB26,782,000 and RMB26,120,000 as at December 31, 2021, 2022 and 2023, respectively, RMB13,720,000, RMB20,087,000 and RMB19,127,000, respectively, has been past due 90 days or more and is not considered as in default by considering the background of the debtors and historical payment arrangement. The Company does not hold any collateral over these balances or charge any interest thereon.

The Group ordinarily grants a credit period within 180 days from invoice date. The extension of credit period to customers may be granted by considering the type of customers, current creditworthiness, financial condition and payment history.

Details of impairment assessment of trade and other receivables are set out in Note 40.

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29. CONTRACT COSTS

The Group and the Company

| | As at December 31, | | |
|--|--|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Costs to fulfill contracts | | | |
| Current | 18,245 | 42,026 | 47,104 |
| Non-current | 36,471 | 38,088 | 38,181 |
| | <u>54,716</u> | <u>80,114</u> | <u>85,285</u> |
| | | | |
| | For the year ended December 31, | | |
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Costs to fulfill contracts transferred to cost of sales and services | 27,827 | 17,910 | 40,680 |
| | <u>27,827</u> | <u>17,910</u> | <u>40,680</u> |

The Group recognized an asset in relation to costs to fulfill contracts, which are mostly employee benefit expenses. Contract costs are recognized as part of cost of sales and services in the consolidated statements of profit or loss and other comprehensive income, in the period in which revenue is recognized. The Directors expect the contract costs to be completely recovered. There was no impairment in relation to the balance of contract costs during the Track Record Period.

30. BANK DEPOSITS/RESTRICTED BANK DEPOSITS/CASH AND CASH EQUIVALENTS

The Group

| | As at December 31, | | |
|---|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Long-term bank deposits | 103,027 | 106,427 | – |
| Restricted bank deposits | 515 | 103 | 2,177 |
| Short-term bank deposits with original maturity over three months | 104,785 | 80,472 | 109,827 |
| Cash and cash equivalents | 505,006 | 237,206 | 335,031 |
| | <u>713,333</u> | <u>424,208</u> | <u>447,035</u> |

The Company

| | As at December 31, | | |
|---|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Long-term bank deposits | 103,027 | 106,427 | – |
| Restricted bank deposits | 515 | 103 | 2,177 |
| Short-term bank deposits with original maturity over three months | 84,535 | 80,472 | 109,827 |
| Cash and cash equivalents | 377,807 | 158,369 | 286,604 |
| | <u>565,884</u> | <u>345,371</u> | <u>398,608</u> |

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Bank deposits (long-term and short-term bank deposits)

The Group’s bank deposits have original maturities over three months and redeemable on maturity. However, the deposit could be transferred to other parties unconditionally via the bank upon demand before maturity with loss of interest according to the deposit contract. The term deposits carry interest rate ranging from 2.90% to 4.00%, 2.90% to 4.00% and 3.40% per annum for the years ended December 31, 2021, 2022 and 2023, respectively.

Restricted bank deposits

Restricted bank deposits refer to the bank balance deposited into the restricted bank accounts for letters of guarantees issued by the banks and the bank balance frozen due to pending litigation. The letters of guarantees are provided to certain of the Group’s customers as performance bonds until the completion or agreed progress of the Group’s revenue contracts with the customers. As at December 31, 2021, 2022 and 2023, the annual interest rates for such balances were 0.30%, 0.25% and 0.20% per annum, respectively.

Cash and cash equivalents

Bank balances and cash of the Group and the Company comprise bank balances and cash on hand. Bank balances carried interest at prevailing market rates based on daily bank deposit rate for the Track Record Period. As at December 31, 2021, 2022 and 2023, the bank deposits carry interest rate ranging from 0.30% to 0.38%, 0.25% to 0.42% and 0.20% to 0.35% per annum, respectively.

31. TRADE AND OTHER PAYABLES

The Group

| | As at December 31, | | |
|---------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2021 <i>RMB’000</i> | 2022 <i>RMB’000</i> | 2023 <i>RMB’000</i> |
| Trade payables | 35,147 | 30,869 | 40,882 |
| Other payables: | | | |
| Accrued staff costs | 53,448 | 53,276 | 70,237 |
| Other tax payables | 25,724 | 15,278 | 23,141 |
| Others | 26,146 | 37,496 | 43,826 |
| Subtotal | 105,318 | 106,050 | 137,204 |
| Total | <u>140,465</u> | <u>136,919</u> | <u>178,086</u> |

The Company

| | As at December 31, | | |
|---------------------|-------------------------------|-------------------------------|-------------------------------|
| | 2021 <i>RMB’000</i> | 2022 <i>RMB’000</i> | 2023 <i>RMB’000</i> |
| Trade payables | 25,085 | 20,647 | 24,372 |
| Other payables: | | | |
| Accrued staff costs | 41,798 | 45,817 | 60,538 |
| Other tax payables | 9,456 | 10,053 | 18,543 |
| Others | 17,845 | 24,902 | 34,439 |
| Subtotal | 69,099 | 80,772 | 113,520 |
| Total | <u>94,184</u> | <u>101,419</u> | <u>137,892</u> |

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The credit period on trade payables is 30-90 days. The following is an aging analysis of the Group’s and the Company’s trade payables presented based on the date of purchase recognized at the end of each year:

The Group

| | As at December 31, | | |
|-----------------|----------------------|----------------------|----------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Within 3 months | 27,506 | 26,082 | 29,480 |
| 3 to 6 months | 3,675 | 2,111 | 3,710 |
| 6 to 12 months | 350 | 1,957 | 2,611 |
| 1 to 2 years | 3,593 | 340 | 4,621 |
| Over 2 years | 23 | 379 | 460 |
| | <u>35,147</u> | <u>30,869</u> | <u>40,882</u> |
| Total | <u><u>35,147</u></u> | <u><u>30,869</u></u> | <u><u>40,882</u></u> |

The Company

| | As at December 31, | | |
|-----------------|----------------------|----------------------|----------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Within 3 months | 17,499 | 16,261 | 14,647 |
| 3 to 6 months | 3,623 | 1,892 | 2,872 |
| 6 to 12 months | 349 | 1,802 | 1,918 |
| 1 to 2 years | 3,591 | 313 | 4,520 |
| Over 2 years | 23 | 379 | 415 |
| | <u>25,085</u> | <u>20,647</u> | <u>24,372</u> |
| Total | <u><u>25,085</u></u> | <u><u>20,647</u></u> | <u><u>24,372</u></u> |

32. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group

| | As at December 31, | | |
|-----------------------------------|----------------------|----------------------|----------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Contract assets | 70,419 | 78,591 | 74,764 |
| Less: Allowance for credit losses | (344) | (539) | (4,048) |
| | <u>70,075</u> | <u>78,052</u> | <u>70,716</u> |
| | <u><u>70,075</u></u> | <u><u>78,052</u></u> | <u><u>70,716</u></u> |
| Analyzed as: | | | |
| Current | 68,836 | 77,891 | 70,459 |
| Non-current | 1,239 | 161 | 257 |
| | <u>70,075</u> | <u>78,052</u> | <u>70,716</u> |
| Total | <u><u>70,075</u></u> | <u><u>78,052</u></u> | <u><u>70,716</u></u> |

| | As at December 31, | | |
|----------------------|-----------------------|-----------------------|-----------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Contract liabilities | 130,631 | 165,476 | 122,744 |
| | <u>130,631</u> | <u>165,476</u> | <u>122,744</u> |
| | <u><u>130,631</u></u> | <u><u>165,476</u></u> | <u><u>122,744</u></u> |

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The Company

| | As at December 31, | | |
|-----------------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Contract assets | 58,298 | 61,668 | 70,623 |
| Less: Allowance for credit losses | (284) | (435) | (4,011) |
| | <u>58,014</u> | <u>61,233</u> | <u>66,612</u> |
| Analyzed as: | | | |
| Current | 56,775 | 61,072 | 66,355 |
| Non-current | 1,239 | 161 | 257 |
| | <u>58,014</u> | <u>61,233</u> | <u>66,612</u> |
| Total | <u>58,014</u> | <u>61,233</u> | <u>66,612</u> |

| | As at December 31, | | |
|----------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Contract liabilities | <u>122,571</u> | <u>156,899</u> | <u>118,403</u> |

Significant changes in contract assets and contract liabilities

Contract assets relate to the Group’s right to consideration in exchange for goods and services that the Group has transferred to customers. The increase in 2022 is the result of the business growth of the Group’s cloud-based financial & tax digitalization solutions and data-driven analytics services. The decrease in 2023 is the result of the decline of the Group’s data-driven analytics services.

Contract liabilities of the Group mainly arise from the non-refundable advance payments made by customers while the underlying services are yet to be provided. The increase in 2022 is the result of the business growth of the Group’s cloud-based financial & tax digitalization solutions and data-driven analytics services. The decrease in 2023 is the result of an increase in the amount transferred from contract liabilities to revenue in 2023 due to the increased delivery of on-premises financial& tax digitalization solutions projects and data-driven analytics services.

Revenue recognized in relation to contract liabilities

The following table shows the Group’s revenue recognized during the Track Record Period related to brought forward contract liabilities:

| | Year ended December 31, | | |
|---|--------------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Revenue recognized that was included in the contract liability balance at the beginning of the year | <u>72,417</u> | <u>80,297</u> | <u>140,287</u> |

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33. FINANCIAL LIABILITIES AT FVTPL

Shares with Preferential Rights

Since the date of incorporation, the Company has completed several rounds of financing by issuing Shares with Preferential Rights.

| | Date of issuance | Total number of unit capital | Consideration per unit capital RMB | Total Consideration RMB’000 |
|--------------|-------------------------------|-------------------------------------|---|--|
| Series Angel | August 2016 | 4,687,500 | 16.0000 | 75,000 |
| Series A | September 2018 | 28,724,721 | 11.0584 | 317,650 |
| Series A-CB | September 2019 | 9,042,969 | 11.0583 | 100,000 |
| Series B | October 2019/ January 2020 | 18,245,519 | 19.1828 | 350,000 |
| Series C | January 2021 | 13,039,088 | 29.3970 | 383,310 |
| Series C+ | November 2021 | 2,904,957 | 29.3970 | 85,397 |
| Total | | 76,644,754 | | 1,311,357 |

The key terms of the Shares with Preferential Rights are:

(a) Redemption rights

The shareholders of Shares with Preferential Rights (the “Investors”) have the right to require the Company, Ningbo Xiuan, Tianjin Duoying and Ms. Chen Jie (together, the “Founding Shareholder”) jointly or separately to purchase the shares held by these shareholders, if (i) the Company has not completed a qualified [REDACTED] on or prior to December 31, 2023 (December 31, 2022 for Shenzhen Innovation Investment Group Co., Ltd. (深圳市創新投資集團有限公司), Shenzhen Laterite Intelligent Equity Investment Fund Partnership (Limited Partnership) (深圳市紅土智慧股權投資基金合夥企業(有限合夥)) and Dongguan Laterite Venture Capital Fund Partnership (Limited Partnership) (東莞紅土創業投資基金合夥企業(有限合夥)) of Series B investors), or (ii) the founders in breach of the contractual covenants, including the control and ownership continuity, founders’ and the Company’s financial integrity and legal compliance requirement and stipulated fund purposes. In addition, the Company shall undertake joint and several guaranteed liabilities for the redemption obligation of the Founding Shareholder.

The redemption price shall be the sum of issuance price paid by the respective investors plus accrued interest at compound rate of 8% per annum.

(b) Voting rights

Each share with preferential rights has voting rights equivalent to the number of shares issued.

(c) Anti-dilution rights

If the Company issues new shares at a price lower than the price paid by the Investors on a per paid-in capital basis, the Investors have a right to require the Company to issue new paid-in capital at the lowest price allowed by the law to the Investors.

(d) Profit distribution rights

The Investors have the right to receive the profit distributions declared by the Company in proportion of their shares, taking precedence over distributions that are paid on ordinary shares.

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(e) *Liquidation preference*

In the event of any liquidation, dissolution or winding up of the Company, the Investors shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares. The liquidation price shall be the higher of (i) share subscription consideration paid, plus accrued interest at compound rate of 8% per annum, together with accumulated dividends declared but not distributed; and (ii) the product of all the Company’s assets and funds legally available for distribution multiplied by the Investor’s shareholding proportion of the total Shares with Preferential Rights.

(f) *Cease of the preferential rights*

The preferential rights will automatically cease upon the submission of [REDACTED] with the Stock Exchange for the [REDACTED] (the “[REDACTED]”) and [REDACTED]. The Shares with Preferential Rights will become ordinary shares without any preferential rights.

As the Shares with Preferential Rights are subject to contingent redemption conditions under certain stipulated events and the share numbers of redemption are variable due to the potential adjustments under certain circumstances which are not “anti-dilutive” in nature, these shares with special rights are initially recognized at fair value. The Group designated these Shares with Preferential Rights as financial liabilities at FVTPL with fair value changes recognized in “fair value changes of financial assets and liabilities at FVTPL” in profit or loss.

The Shares with Preferential Rights will be revalued prior to the cease of the preferential rights with fair value changes, if any, recognized in “fair value changes of financial assets and liabilities at FVTPL” in profit or loss.

In June 2023, the Company and the Investors have entered into a supplemental agreement pursuant to which the redemption right of the Shares with Preferential Rights will cease to be exercisable upon submission of the [REDACTED] and [REDACTED] to the Stock Exchange until the earlier of (1) the application is not accepted or declined by the Stock Exchange or the Company withdraws the said application, or the Stock Exchange does not approve the Company’s application; (2) the Company fails to submit relevant information with China Securities Regulatory Commission or fails the hearing with the [REDACTED] of the Stock Exchange within eighteen months, or the Company’s [REDACTED] sponsor withdraws its [REDACTED] sponsor; (3) the Company is unable to complete the [REDACTED] proceedings within the validity period; or (4) the Stock Exchange is unable to reach a definite decision on the Company’s application within two years.

The carrying amounts of the Shares with Preferential Rights are set out as below:

| | As at December 31, | | |
|--------------|--------------------|------------------|------------------|
| | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Series Angel | 131,980 | 135,699 | 137,613 |
| Series A | 736,177 | 754,958 | 795,425 |
| Series B | 738,566 | 758,069 | 780,193 |
| Series C | 399,036 | 413,276 | 409,792 |
| Series C+ | 87,010 | 89,920 | 89,606 |
| Total | <u>2,092,769</u> | <u>2,151,922</u> | <u>2,212,629</u> |

Shares with Preferential Rights with maturity of less than one year are recorded as current liabilities:

| | As at December 31, | | |
|----------------------------|--------------------|------------------|------------------|
| | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Current liabilities (Note) | 216,650 | 2,151,922 | 2,212,629 |
| Non-current liabilities | 1,876,119 | – | – |
| Total | <u>2,092,769</u> | <u>2,151,922</u> | <u>2,212,629</u> |

Note: The carrying amounts as at December 31, 2021 and 2022 represent certain Shares with Preferential Rights contractually due for redemption by December 31, 2022. The Investors have entered into an agreement in June 2023 which the preferential rights will automatically cease upon the submission of application with the Stock Exchange for the [REDACTED] and [REDACTED].

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The Group applied the income approach to determine the underlying equity value of the Group and adopted equity allocation based on the Black-Scholes option pricing model to determine the fair value of the Shares with Preferential Rights. The key assumptions in evaluating the fair value are as follows:

| | For the years ended December 31, | | |
|--|----------------------------------|--------|---------------|
| | 2021 | 2022 | 2023 |
| Discount rate | 18.00% | 18.00% | 16.50% |
| Risk-free interest rate | 2.24%~2.37% | 2.18% | 1.89%~2.08% |
| Expected volatility value | 46.10%~49.20% | 50.08% | 34.15%~38.38% |
| Discount for lack of marketability (the “DLOM”) | 10.00% | 10.00% | 5.00% |
| Probability under liquidation scenario | 22.50% | 22.50% | 15.00% |
| Probability under redemption scenario | 22.50% | 22.50% | 15.00% |
| Probability under [REDACTED] scenario | 55.00% | 55.00% | 70.00% |

Discount rate was estimated by weighted average cost of capital as of each valuation date. The Group estimated the risk-free interest rate based on the yield of the Chinese treasury bonds with a maturity life close to period from the respective valuation dates to the expected [REDACTED], redemption dates and liquidation dates. Volatility was estimated on each valuation date based on medium of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected [REDACTED], redemption dates and liquidation dates. The DLOM was estimated based on the option-pricing method.

Contingent consideration for an investment in an associate

The Group has a contingent consideration of RMB4,050,000 over 19.3548% shares with preferential rights of Shanghai Xinghan as set out in Note 25, which the Group accounts for as a non-current financial liability at FVTPL. The fair value of RMB2,830,000 and nil at December 31, 2022 and 2023, respectively, was valued by the Group with the assistance from an independent professional valuer with reference to the fair value of Shanghai Xinghan’s ordinary shares.

34. SHARE CAPITAL

Authorized and issued

| | Number of ordinary shares '000 | Number of ordinary share with preferential rights '000 (Note 33) | Nominal value of ordinary shares RMB'000 |
|---|--------------------------------------|---|--|
| As at January 1, 2021 | 140,000 | 60,701 | 200,701 |
| Increase | — | 15,944 | 15,944 |
| As at December 31, 2021, 2022 and 2023 | <u>140,000</u> | <u>76,645</u> | <u>216,645</u> |

Presented as:

| | Share capital RMB'000 |
|---|--------------------------|
| As at January 1, 2021, December 31, 2021, 2022 and 2023 | <u>140,000</u> |

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35. RESERVES

The movements of the reserves of the Company are as follows:

| | Capital reserves <i>RMB'000</i> | Share-based payments reserves <i>RMB'000</i> <i>(Note 36)</i> | Accumulated losses <i>RMB'000</i> | Total deficits <i>RMB'000</i> |
|--|---|--|---|---|
| As at January 1, 2021 | 337,438 | 8,343 | (1,237,337) | (891,556) |
| Loss and total comprehensive expense for the year | – | – | (431,590) | (431,590) |
| Recognition of share-based payment expenses | 118,606 | 42,812 | – | 161,418 |
| As at December 31, 2021 | 456,044 | 51,155 | (1,668,927) | (1,161,728) |
| Loss and total comprehensive expense for the year | – | – | (159,103) | (159,103) |
| Recognition of share-based payment expenses | – | 10,469 | – | 10,469 |
| As at December 31, 2022 | 456,044 | 61,624 | (1,828,030) | (1,310,362) |
| Loss and total comprehensive expense for the year | – | – | (315,101) | (315,101) |
| Recognition of share-based payment expenses | 114,126 | 76,938 | – | 191,064 |
| Forfeiture of share-based payment expenses | – | (8,343) | 8,343 | – |
| As at December 31, 2023 | <u>570,170</u> | <u>130,219</u> | <u>(2,134,788)</u> | <u>(1,434,399)</u> |

Capital reserves

The balance mainly represents the difference between the fair values of the equity instruments of the Company contributed by the shareholders to the employees and a consultant and the consideration paid by the employees and a service provider.

36. SHARE-BASED PAYMENTS

Share-based payments plans

(a) 2017 and 2018 Share Incentive

On September 5, 2017, the Company’s shareholders’ meeting passed a resolution, according to which 40,000,000 ordinary shares of the Company were issued to Ms. Chen Jie, the Controlling Shareholder and Chairman of the Company, at RMB1.23 per share. On October 6, 2017 and April 4, 2018, two other shareholders of the Company transferred an aggregate of 20,000,000 ordinary shares of the Company to Tianjin Duoying, a company controlled by Ms. Chen Jie, at RMB1.23 per share. On December 29, 2017, another shareholder of the Company transferred 30,000,000 ordinary shares of the Company to Ningbo Xiuan, a company controlled by Ms. Chen Jie, at RMB1.23 per share.

The Group recognized these shares transactions as equity-settled share-based payments with no vesting conditions in recognition of Ms. Chen Jie’s contribution to the Group. The Group recognized the share-based payment expenses of RMB263,400,000 and RMB66,750,000, being the difference between the total fair value of the ordinary shares and the total subscription consideration, in 2017 and 2018 respectively.

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Since 2018, share-based compensation benefits are provided to certain directors, senior management and employees via the Company’s share incentive schemes, which includes the grant of share options and share economic rights (the “SERs”) through the limited partnerships, including Tianjin Duoying, Tianjin Shuitong Technology Center (Limited Partnership) (天津稅通科技中心(有限合夥)), Tianjin Piaoying Technology Center (Limited Partnership) (天津票盈科技中心(有限合夥)), Tianjin Piaowang Technology Center (Limited Partnership) (天津票旺科技中心(有限合夥)), Tianjin Piaofu Technology Center (Limited Partnership) (天津票福科技中心(有限合夥)), and Ningbo Xiuan (hereinafter collectively referred to as the “LLPs”). As at December 31, 2022, the LLPs held 16.4565% in total of the shares of the Company.

(b) 2018 and 2019 Share Economic Rights (the “2018 and 2019 SERs”)

SERs were granted to eligible employees from 2018 to 2020 through the LLPs. The value of SERs is indexed to the equity value of the Company. The vesting of SERs is subject to the requisite service until the completion of [REDACTED]. If eligible employees resign before the [REDACTED], the controlling shareholder or parties designated by the Company have the right to repurchase and the resigned employees have to sell the SERs granted and vested at the subscription price. Therefore, the completion of the [REDACTED] constitutes a vesting condition. Upon meeting the condition, the grantees may choose to dispose the vested SERs through the LLPs and the LLPs shall dispose the shares of the Company underlying such vested SERs and transfer the proceeds to the grantees. The Group does not bear the obligation to settle the SERs plan for employees, the SERs plan was accounted as an equity transaction for share-based payments. The share-based payment expenses are not recognized until the [REDACTED] becomes probable. The Directors were of the view that the [REDACTED] became probable in December 2021 and hence no share-based payment expenses were recognized for the 2018 and 2019 SERs canceled prior to December 31, 2020.

In 2020 and 2021, two employees resigned and Ms. Chen Jie and the Company decided to waive the repurchase right of service period related vesting condition in recognition of their contribution to the Group, which resulted in a modification with removal of the vesting condition. The share-based payment expenses of RMB8,343,000 was recognized immediately upon the modification in each of 2020 and 2021.

In December 2020, except for the 2018 and 2019 SERs granted to these two employees, the Company canceled the 2018 and 2019 SERs and accounted for the cancellation as an acceleration of vesting and recognized immediately the amount that otherwise would have been recognized for services received. RMB28,605,000 arising from the acceleration of vesting was recognized in 2020.

The movement of the 2018 and 2019 SERs during the Track Record Period is as follows:

| | Number of 2018 and 2019 SERs '000 | Weighted- average grant date fair value RMB |
|----------------------------------|---|--|
| As at January 1, 2021 | 2,200 | 11.92 |
| Forfeited | (800) | 11.92 |
| | <hr/> | |
| As at December 31, 2021 and 2022 | 1,400 | 11.92 |
| Forfeited | (700) | 11.92 |
| | <hr/> | |
| As at December 31, 2023 | <u>700</u> | 11.92 |

The 2018 and 2019 SERs were priced using the value of the ordinary shares determined by using the discounted cash flow method with a DLOM. The key inputs used to evaluate the grant date fair value are as follows:

| | 2018 and 2019 SERs |
|---------------|-----------------------|
| Discount rate | 19.00%-21.00% |
| DLOM | 16.00%-21.00% |

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(c) *The 2020 SERs Scheme*

In 2021 and 2022, pursuant to 2020 SERs Scheme, an aggregate of 13,780,000 SERs of the LLPs were granted, representing 13,780,000 ordinary shares of par value of RMB1 each in the share capital of the Company with the subscription price at RMB1.23 (the “2020 SERs I”) or RMB2.51 (the “2020 SERs II”) each SER to eligible employees. The vesting is subject to the requisite service until the completion of the [REDACTED] of which 25% of the SERs are to be vested upon the completion of the [REDACTED], and 25% in each of the subsequent three years. The SERs could not be sold during the period from date of grant to 3 years after the completion of the [REDACTED] (the “Lock-up Period”), after which 50% of vested SERs can be sold by the SERs holders in each of the subsequent two years. If the eligible employees resign during the Lock-up Period, the controlling shareholder or parties designated by the Company have the right to repurchase and the resigned employees have to sell the unvested SERs at the subscription price. The share-based payment expenses are not recognized until the [REDACTED] becomes probable. In December 2021, the Directors were of a view that the [REDACTED] became probable and share-based payment expenses of RMB34,469,000 were recognized in 2021.

In addition, in 2021, an aggregate of 6,700,000 SERs of the LLPs were granted, representing 6,700,000 ordinary shares of par value at RMB1 each in the share capital of the Company with the price of RMB1.23/2.51 (the “2020 SERs III”) for each SER. The 2020 SERs III were not subject to the [REDACTED] condition and were fully vested upon the grant.

In 2023, pursuant to the 2020 SERs III, an aggregate of 5,450,000 SERs of the LLPs were granted to two key management personnel and a consultant, representing 5,450,000 ordinary shares at par value of RMB1 each in the share capital of the Company with the price of RMB1.23/2.51 for each SER.

The share-based payment expenses of RMB118,606,000 and RMB114,126,000 were recognized in 2021 and 2023, respectively.

A summary of the 2020 SERs’ movement is as follows:

| | Number of 2020 SERs | Weighted- average grant date fair value |
|-------------------------|--------------------------------|--|
| | <i>'000</i> | <i>RMB</i> |
| As at December 31, 2021 | 17,745 | 16.47 |
| Granted during the year | 315 | 16.14 |
| Forfeited | (2,075) | 15.76 |
| | <hr/> | |
| As at December 31, 2022 | 15,985 | 16.56 |
| Granted during the year | 5,450 | 20.94 |
| Forfeited | (595) | 15.97 |
| | <hr/> | |
| As at December 31, 2023 | <u>20,840</u> | 17.72 |

The 2020 SERs were priced using the value of the ordinary shares determined by using the discounted cash flow method with a DLOM. The key inputs used to evaluate the grant date fair value are as follows:

| | 2020 SERs |
|---------------|------------------|
| Discount rate | 18.00% |
| DLOM | 11.00%-23.00% |

In 2022, the Company made the following modifications to the 2020 SERs I and 2020 SERs II:

- 1) For 2020 SERs I, the SERs could not be sold from the date of grant to 1 year after the completion of the [REDACTED] (the “Revised Lock-up Period”), after which 50%, 25% and 25% of vested SERs can be sold in each of the subsequent three years. If the eligible employees resign during the Revised Lock-up Period and first 2 years of after the Revised Lock-up Period, the controlling shareholder or parties designated by the Company have the right to repurchase and the resigned employees have to sell the unvested SERs at the subscription price (the “2022 SERs I”).
- 2) For 2020 SERs II, the SERs could not be sold from the date of grant to 1 year after the completion of the [REDACTED], after which 20%, 20%, 30% and 30% of vested SERs could be sold in each of the subsequent four years. If the eligible employees resign during the Revised Lock-up Period and first 2 years after the Revised Lock-up period, the controlling shareholder or parties designated by the Company have the right to repurchase and the resigned employees have to sell the unvested SERs at the subscription price (the “2022 SERs II”).

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(d) The 2022 SERs Scheme

In 2022, pursuant to the 2022 SERs II, an aggregate of 445,000 SERs were granted, representing 445,000 ordinary shares at par value of RMB1 each in the share capital of the Company with the price of RMB2.51 each SER was granted to eligible employees.

In 2023, pursuant to the 2022 SERs I and 2022 SERs II, an aggregate of 7,355,000 SERs of the LLPs were granted, representing 7,355,000 ordinary shares at par value of RMB1 each in the share capital of the Company with the subscription price of RMB1.23 or RMB2.51 each SER to eligible employees.

The share-based payment expenses of RMB10,469,000 and RMB76,938,000 were recognized during the year ended December 31, 2022 and 2023, respectively.

The following table discloses movements of the newly granted 2022 SERs.

| | Number of 2022 SERs <i>'000</i> | Weighted- average grant date fair value <i>RMB</i> |
|-------------------------|---|--|
| As at January 1, 2022 | – | – |
| Granted during the year | 445 | 17.39 |
| As at December 31, 2022 | 445 | 17.39 |
| Granted during the year | 7,355 | 17.80 |
| Forfeited | (210) | 17.28 |
| As at December 31, 2023 | <u>7,590</u> | 17.79 |

The 2022 SERs were priced using the value of the ordinary shares determined by using the discounted cash flow method with a DLOM. The key inputs used to evaluate the grant date fair value are as follows:

| | 2022 SERs |
|---------------|------------------|
| Discount rate | 18.00% |
| DLOM | 11.00%-21.00% |

37. CONTINGENT LIABILITIES

As of the date of this report, the Company involved in one pending litigation. This pending litigation relates to the appeal of a patent infringement case, in which the plaintiff alleged that the Company violated its invention patent and sought damage of over RMB7 million. In September 2022, the Beijing Intellectual Property Court dismissed the plaintiff’s complaint in favor of the Company. In October 2022, the plaintiff appealed to the Supreme People’s Court, which has accepted the plaintiff’s application in February 2023. As of the date of this report, the Supreme People’s Court has not issued a judgment. The Directors believe, based on legal advice, that there may be some uncertainty in the outcome of this pending litigation and the possibility of overturning the first instance judgment and determining that the Company has violated the plaintiff’s invention patent is relatively low.

38. CAPITAL COMMITMENTS

| | As at December 31, | | |
|---|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Capital expenditure in respect of acquisition of equity interests in associates | <u>22,250</u> | <u>22,250</u> | <u>13,930</u> |

The capital commitment mainly represents the outstanding capital injection commitments in certain investments in associates in accordance with the agreements entered with other shareholders, in proportion to the existing shareholdings. Such commitments can be nullified by agreements with all the shareholders involved.

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39. CAPITAL RISK MANAGEMENT

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital (including share capital and Share with Preferential Rights) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the capital. The Group may issue new shares or Shares with Preferential Rights.

40. FINANCIAL INSTRUMENTS

Financial instruments by categories

The Group

| | As at December 31, | | |
|--------------------------------|---------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Financial assets | | | |
| Amortized cost | 782,982 | 485,641 | 519,753 |
| Financial assets at FVTPL | 238,296 | 440,387 | 300,664 |
| | <u>1,021,278</u> | <u>926,028</u> | <u>820,417</u> |
| Financial liabilities | | | |
| Amortized cost | 64,067 | 55,911 | 81,045 |
| Financial liabilities at FVTPL | 2,092,769 | 2,154,752 | 2,212,629 |
| | <u>2,156,836</u> | <u>2,210,663</u> | <u>2,293,674</u> |

The Company

| | As at December 31, | | |
|--------------------------------|---------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Financial assets | | | |
| Amortized cost | 789,725 | 479,587 | 573,143 |
| Financial assets at FVTPL | 238,296 | 420,343 | 286,661 |
| | <u>1,028,021</u> | <u>899,930</u> | <u>859,804</u> |
| Financial liabilities | | | |
| Amortized cost | 91,787 | 62,924 | 105,268 |
| Financial liabilities at FVTPL | 2,092,769 | 2,151,922 | 2,212,629 |
| | <u>2,184,556</u> | <u>2,214,846</u> | <u>2,317,897</u> |

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Financial risk management

The Group’s activities expose it to a variety of financial risks, such as market risk (including interest rate risk and other price risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. Risk management is carried out by the Directors.

The Group’s and the Company’s major financial instruments include financial assets at FVTPL, trade and other receivables, bank balances and cash, restricted bank deposits, term deposits, amounts due from related parties, trade and other payables, amounts due to related parties and financial liabilities at FVTPL. Details of the financial instruments are disclosed in respective notes. The policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Market risk

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group and the Company to cash flow interest rate risk, whereas fixed rate instruments expose the Group and the Company to fair value interest risk. The Group’s and the Company’s cash flow interest rate risk primarily arose from bank balances and cash with market interest rate and market interest rate indexed wealth management products, details of which have been disclosed in Note 30 and Note 25, respectively. The Group’s and the Company’s fair value interest rate risk primarily arises from term deposits and lease liabilities, details of which have been disclosed in Note 30 and Note 21 respectively.

The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

The Directors consider that the impact to profit or loss for respective years are insignificant for a reasonable change in the market interest rate. Accordingly, no sensitivity analysis is prepared.

Other price risk

The Group is exposed to price risk in respect of part of its market price indexed wealth management products, investments in associates with preferential rights, Shares with Preferential Rights and contingent consideration for acquiring an associate. The Group’s and the Company’s other price risk primarily arises from wealth management products measured as financial assets at FVTPL and Shares with Preferential Rights, details of which have been disclosed in Note 25 and Note 33, respectively. The Group has appointed a special team to monitor the price risk.

The Group currently does not have a policy to hedge the other price risk. However, the management closely monitors such risk by maintaining a portfolio of investments with different risks.

Sensitivity analyses for Shares with Preferential Rights fair value measurement categorized within Level 3 were disclosed in Note 40.

For sensitivity analysis purpose, the sensitivity rates are changed to 22%, 22% and 15% for the years ended December 31, 2021, 2022 and 2023 due to change in market conditions.

The Group’s sensitivities to market price indexed wealth management products, investments in associates with preferential rights, and contingent consideration for acquiring an associate at the end of the reporting periods while all other variables were held constant are as follows:

| | 2021 | 2022 | 2023 |
|---|----------------|----------------|----------------|
| Reasonably possible change in equity price | 22% | 22% | 15% |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| (Increase) decrease in post-tax loss and total comprehensive expense for the year | | | |
| as a result of decrease in equity price | (52,573) | (31,210) | (4,049) |
| as a result of increase in equity price | 52,573 | 31,210 | 4,049 |

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(b) Credit risk and impairment assessment

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group’s credit risk is mainly associated with trade and other receivables, bank balances and cash, restricted bank deposits, term deposits, amounts due from related parties and contract assets.

The Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

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

| | Notes | 12m or Lifetime ECL | Gross carrying amount As at December 31, | | |
|---|-------|---|---|-----------------|-----------------|
| | | | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Financial assets at amortized cost | | | | | |
| Bank balances and cash | 30 | 12m ECL | 505,006 | 237,206 | 335,031 |
| Restricted bank deposits | 30 | 12m ECL | 515 | 103 | 2,177 |
| Short-term bank deposits with maturity over three months | 30 | 12m ECL | 104,785 | 80,472 | 109,827 |
| Long-term bank deposits | 30 | 12m ECL | 103,027 | 106,427 | – |
| Notes receivables | 28 | 12m ECL | 301 | 589 | 102 |
| Trade receivables | 28 | Lifetime ECL (not credit- impaired) | 29,910 | 33,379 | 52,206 |
| Trade receivables | 28 | Lifetime ECL (credit- impaired) | 1,566 | 1,609 | 1,926 |
| Contract assets | 32 | Lifetime ECL (not credit- impaired) | 70,419 | 78,591 | 71,302 |
| Contract assets | 32 | Lifetime ECL (credit- impaired) | – | – | 3,462 |
| Other receivables and deposits | 28 | 12m ECL | 23,411 | 28,675 | 23,685 |
| Other receivables and deposits | 28 | Lifetime ECL (credit- impaired) | – | – | 63 |
| Amounts due from related parties | | | | | |
| – trade nature | 42 | Lifetime ECL (not credit- impaired) | 2,023 | 1,433 | 64 |
| – trade nature | 42 | Lifetime ECL (credit- impaired) | – | – | 1,125 |
| – contract assets | 42 | Lifetime ECL (not credit- impaired) | 1,389 | 1,550 | 17,442 |
| – non-trade nature | 42 | 12m ECL | 15,731 | 63 | 3 |

The Group’s bank balances and cash, restricted bank deposits, and term deposits are mainly deposited in state-owned or reputable financial institutions in PRC. There has been no recent history of default in relation to these financial institutions. The Group considers the instruments have low credit risk because they have a low risk of default and the counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant during the Track Record Period. The Group considers that there is no significant credit risk and no material losses due to the default of the other parties.

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To manage risk arising from trade receivables, contract assets and amounts due from related parties of trade nature, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The Group ordinarily grants a credit period within 180 days from invoice date and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. In view of the sound collection history of receivables due from them, for measuring ECL, trade receivables, contract assets and amounts due from related parties of trade nature have been grouped based on shared credit risk characteristics and aging. In addition, trade receivables and amounts due from related parties of trade nature with significant balances and contract assets with significant balances or credit-impaired are assessed for ECL individually.

The Group has concentration of credit risk as 6.0%, 9.0% and 20.2% of the total trade receivables was due from the Group’s largest debtor and 22.5%, 28.3% and 34.1% of the total trade receivables was due from the Group’s five largest debtors as at December 31, 2021, 2022 and 2023, respectively. In order to manage the credit risk, the management of the Group has delegated a team responsible for monitoring the credit approvals and collection status.

| | Gross carrying amount <i>RMB’000</i> | ECL rate | Loss allowance <i>RMB’000</i> |
|---|--|-----------------|---|
| <i>As at December 31, 2021</i> | | | |
| Trade receivables (including amounts due from related parties) | | | |
| Assessed individually | 7,615 | 0.87% | 66 |
| Assessed on collective basis (by aging) | | | |
| – 0-90 days | 13,909 | 1.31% | 182 |
| – 91-180 days | 3,158 | 3.32% | 105 |
| – 181-365 days | 3,980 | 5.78% | 230 |
| – Over 1 year | 4,837 | 51.02% | 2,468 |
| | <u>33,499</u> | | <u>3,051</u> |
| Contract assets (including amounts due from related parties) | | | |
| Assessed individually | 19,349 | 0.56% | 108 |
| Assessed on collective basis | 52,459 | 0.45% | 236 |
| | <u>71,808</u> | | <u>344</u> |
| | <u><u>105,307</u></u> | | <u><u>3,395</u></u> |

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| | Gross carrying amount <i>RMB’000</i> | ECL rate | Loss allowance <i>RMB’000</i> |
|---|--|----------|----------------------------------|
| <i>As at December 31, 2022</i> | | | |
| Trade receivables (including amounts due from related parties) | | | |
| Assessed individually | 8,887 | 0.66% | 59 |
| Assessed on collective basis (by aging) | | | |
| – 0-90 days | 9,716 | 1.26% | 122 |
| – 91-180 days | 4,751 | 3.07% | 146 |
| – 181-365 days | 5,598 | 5.54% | 310 |
| – Over 1 year | 7,469 | 46.90% | 3,503 |
| | <u>36,421</u> | | <u>4,140</u> |
| Contract assets (including amounts due from related parties) | | | |
| Assessed individually | 22,120 | 0.38% | 83 |
| Assessed on collective basis | 58,021 | 0.79% | 456 |
| | <u>80,141</u> | | <u>539</u> |
| | <u><u>116,562</u></u> | | <u><u>4,679</u></u> |
| <i>As at December 31, 2023</i> | | | |
| Trade receivables (including amounts due from related parties) | | | |
| Assessed individually | 18,180 | 6.77% | 1,231 |
| Assessed on collective basis (by aging) | | | |
| – 0-90 days | 21,554 | 1.13% | 243 |
| – 91-180 days | 4,212 | 4.87% | 205 |
| – 181-365 days | 3,827 | 6.40% | 245 |
| – Over 1 year | 7,548 | 57.18% | 4,316 |
| | <u>55,321</u> | | <u>6,240</u> |
| Contract assets (including amounts due from related parties) | | | |
| Assessed individually | 45,388 | 8.28% | 3,759 |
| Assessed on collective basis | 46,818 | 0.99% | 462 |
| | <u>92,206</u> | | <u>4,221</u> |
| | <u><u>147,527</u></u> | | <u><u>10,461</u></u> |

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The following table shows the movement in lifetime ECL that has been recognized for trade receivables, contract assets and amounts due from related parties of trade nature under the simplified approach.

Trade receivables

| | Lifetime ECL (not credit-impaired) RMB’000 | Lifetime ECL (credit-impaired) RMB’000 | Total RMB’000 |
|--------------------------------|---|---|--------------------------|
| As at January 1, 2021 | 981 | 545 | 1,526 |
| Transfer to credit-impaired | (1,021) | 1,021 | – |
| Impairment losses recognized | 2,192 | – | 2,192 |
| Impairment losses reversed | (667) | – | (667) |
| As at December 31, 2021 | 1,485 | 1,566 | 3,051 |
| Transfer to credit-impaired | (43) | 43 | – |
| Impairment losses recognized | 1,830 | – | 1,830 |
| Impairment losses reversed | (741) | – | (741) |
| As at December 31, 2022 | 2,531 | 1,609 | 4,140 |
| Transfer to credit-impaired | (1,442) | 1,442 | – |
| Impairment losses recognized | 5,018 | – | 5,018 |
| Impairment losses reversed | (2,918) | – | (2,918) |
| As at December 31, 2023 | 3,189 | 3,051 | 6,240 |

Contract assets

| | Lifetime ECL (not credit-impaired) RMB’000 | Lifetime ECL (credit-impaired) RMB’000 | Total RMB’000 |
|--------------------------------|---|---|--------------------------|
| As at January 1, 2021 | 307 | – | 307 |
| Impairment losses recognized | 301 | – | 301 |
| Impairment losses reversed | (264) | – | (264) |
| As at December 31, 2021 | 344 | – | 344 |
| Impairment losses recognized | 455 | – | 455 |
| Impairment losses reversed | (260) | – | (260) |
| As at December 31, 2022 | 539 | – | 539 |
| Transfer to credit-impaired | (34) | 34 | – |
| Impairment losses recognized | 737 | 3,428 | 4,165 |
| Impairment losses reversed | (483) | – | (483) |
| As at December 31, 2023 | 759 | 3,462 | 4,221 |

The management believes that there is no significant increase in credit risk of these amounts of notes receivables, other receivables and deposits, and amounts due from related parties of non-trade nature since initial recognition and the Group and the Company provided impairment based on 12m ECL. For the years ended December 31, 2021, 2022 and 2023, the Group and the Company assessed the ECL for other receivables and amounts due from related parties of non-trade nature are insignificant.

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For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, on which the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, term deposits and operating cash flows, the Directors believe that the Group will have sufficient financial resources to satisfy its future working capital in the next twelve months from the date of the report.

The following table details remaining contractual maturity of the Group’s financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities on the earliest date which the Group can be required to pay. The maturity dates are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

| | Weighted average interest rate | Carrying amount RMB’000 | On demand or less than 1 year RMB’000 | Between 1 and 2 years RMB’000 | Between 2 and 5 years RMB’000 | Total RMB’000 |
|--------------------------------|--------------------------------------|-------------------------------|--|--|--|------------------|
| As at December 31, 2021 | | | | | | |
| Trade and other payables | – | 50,930 | 50,930 | – | – | 50,930 |
| Amounts due to related parties | – | 13,137 | 13,137 | – | – | 13,137 |
| Financial liabilities at FVTPL | 8.00% | 2,092,769 | 188,998 | 1,605,748 | – | 1,794,746 |
| Lease liabilities | 5.66% | 35,676 | 11,557 | 18,994 | 7,456 | 38,007 |
| | | <u>2,192,512</u> | <u>264,622</u> | <u>1,624,742</u> | <u>7,456</u> | <u>1,896,820</u> |
| As at December 31, 2022 | | | | | | |
| Trade and other payables | – | 54,441 | 54,441 | – | – | 54,441 |
| Amounts due to related parties | – | 1,470 | 1,470 | – | – | 1,470 |
| Financial liabilities at FVTPL | 8.00% | 2,154,752 | 1,794,802 | 4,050 | – | 1,798,852 |
| Lease liabilities | 5.66% | 25,796 | 19,342 | 7,430 | 124 | 26,896 |
| | | <u>2,236,459</u> | <u>1,870,055</u> | <u>11,480</u> | <u>124</u> | <u>1,881,659</u> |
| As at December 31, 2023 | | | | | | |
| Trade and other payables | – | 76,695 | 76,695 | – | – | 76,695 |
| Amounts due to related parties | – | 4,350 | 4,350 | – | – | 4,350 |
| Financial liabilities at FVTPL | 8.00% | 2,212,629 | 1,947,845 | – | – | 1,947,845 |
| Lease liabilities | 5.66% | 15,990 | 14,924 | 1,245 | 173 | 16,342 |
| | | <u>2,309,664</u> | <u>2,043,814</u> | <u>1,245</u> | <u>173</u> | <u>2,045,232</u> |

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Fair value measurement of financial instruments

Determination of fair value and fair value hierarchy

IFRS 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value.

The level of fair value calculation is determined by the lowest level input that is significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.

The following tables provide the fair value measurement hierarchy of the Group’s financial assets and liabilities:

| | Level 1 <i>RMB’000</i> | Level 2 <i>RMB’000</i> | Level 3 <i>RMB’000</i> | Total <i>RMB’000</i> |
|--------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| As at December 31, 2021 | | | | |
| Assets: | | | | |
| Financial assets at FVTPL | – | 218,856 | 19,440 | 238,296 |
| Liabilities: | | | | |
| Financial liabilities at FVTPL | – | – | 2,092,769 | 2,092,769 |
| As at December 31, 2022 | | | | |
| Assets: | | | | |
| Financial assets at FVTPL | – | 400,900 | 39,487 | 440,387 |
| Liabilities: | | | | |
| Financial liabilities at FVTPL | – | – | 2,154,752 | 2,154,752 |
| As at December 31, 2023 | | | | |
| Assets: | | | | |
| Financial assets at FVTPL | – | 268,230 | 32,434 | 300,664 |
| Liabilities: | | | | |
| Financial liabilities at FVTPL | – | – | 2,212,629 | 2,212,629 |

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The following summaries the fair values of major financial assets and liabilities to determine the valuation techniques and inputs used:

| Financial assets/ liabilities | Carrying amount 2021 <i>RMB'000</i> | Carrying amount 2022 <i>RMB'000</i> | Carrying amount 2023 <i>RMB'000</i> | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable | Relationship of unobservable inputs to fair value |
|--|--|--|--|-------------------------|---|------------------------------|---|
| Wealth management products | 218,856 | 400,900 | 268,230 | Level 2 | Discounted cash flow | Volatility | The higher the volatility, the higher the fair value |
| Investments in associates with preferential rights and the arrangement/right to receive additional shares at nominal consideration | 19,440 | 39,487 | 32,434 | Level 3 | Income approach | Expected future cash flow | The more the cash flow, the higher the fair value |
| | | | | | Combination of Probability- weighted Return Method and Option Price Method | DLOM | The lower the DLOM, the higher the fair value |

During the Track Record Period, fair value changes arose from the financial assets classified within Level 2 and 3 as listed in the table above were insignificant. The Directors consider that any reasonable changes in the significant unobservable inputs would not result in a significant change in the Group’s results. Accordingly, no sensitivity analysis is presented.

The determination of the fair value for Shares with Preferential Rights and share-based payments are set out in Note 33 and Note 36, respectively.

Fair value of the Shares with Preferential Rights is affected by changes in the Company’s equity value. If the Company’s equity value had increased/decreased by 2% with all other variables held constant, the loss before tax for the years ended December 31, 2021, 2022 and 2023 would have been approximately RMB34,143,000, RMB34,569,000 and RMB38,525,000 higher/lower, respectively.

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For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting end. During the Track Record Period, there were no transfers among different levels of fair values measurement.

| | Wealth management products RMB’000 | Investments in associates with preferential rights and the arrangement/right to receive additional shares at nominal consideration RMB’000 | Shares with Preferential Rights RMB’000 | Contingent consideration RMB’000 |
|------------------------------------|---|---|--|---|
| As at January 1, 2021 | 200,666 | – | (1,360,212) | – |
| Issue of shares (<i>Note 33</i>) | – | – | (468,707) | – |
| Purchase | 594,000 | – | – | – |
| Redemption | (588,712) | – | – | – |
| Investment in FVTPL | – | 34,015 | – | – |
| Changes in fair value | 12,902 | (14,575) | (263,850) | – |
| As at December 31, 2021 | 218,856 | 19,440 | (2,092,769) | – |
| Purchase | 1,400,000 | – | – | – |
| Redemption | (1,223,024) | – | – | – |
| Investment in FVTPL | – | 19,122 | – | (2,499) |
| Changes in fair value | 5,068 | 925 | (59,153) | (331) |
| As at December 31, 2022 | 400,900 | 39,487 | (2,151,922) | (2,830) |
| Purchase | 747,000 | – | – | – |
| Redemption | (888,705) | – | – | – |
| Changes in fair value | 9,035 | (7,053) | (60,707) | 2,830 |
| As at December 31, 2023 | 268,230 | 32,434 | (2,212,629) | – |

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

For the financial assets and financial liabilities that are not measured at fair value on a recurring basis, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values at the end of each reporting periods.

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41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statements of cash flows as cash flows from financing activities.

| | Shares with Preferential Rights <i>RMB’000</i> | Prepayments of share issued costs <i>RMB’000</i> | Lease liabilities <i>RMB’000</i> | Trade and other payables non-trade <i>RMB’000</i> | Total <i>RMB’000</i> |
|--|---|---|-------------------------------------|--|-------------------------|
| As at January 1, 2021 | 1,360,212 | – | 6,882 | 25,200 | 1,392,294 |
| Financing cash flows | 468,707 | (671) | (7,167) | (25,200) | 435,669 |
| New lease entered/lease modification | – | – | 35,718 | – | 35,718 |
| Finance costs | – | – | 243 | – | 243 |
| Changes in fair values of financial liabilities at FVTPL | 263,850 | – | – | – | 263,850 |
| As at December 31, 2021 | 2,092,769 | (671) | 35,676 | – | 2,127,774 |
| Financing cash flows | – | (1,706) | (12,014) | – | (13,720) |
| New lease entered | – | – | 567 | – | 567 |
| Finance costs | – | – | 1,567 | – | 1,567 |
| Changes in fair values of financial liabilities at FVTPL | 59,153 | – | – | – | 59,153 |
| As at December 31, 2022 | 2,151,922 | (2,377) | 25,796 | – | 2,175,341 |
| Financing cash flows | – | (5,139) | (14,516) | – | (19,655) |
| New lease entered and early termination of a lease, net | – | – | 3,688 | – | 3,688 |
| Finance costs | – | – | 1,022 | – | 1,022 |
| Changes in fair values of financial liabilities at FVTPL | 60,707 | – | – | – | 60,707 |
| As at December 31, 2023 | <u>2,212,629</u> | <u>(7,516)</u> | <u>15,990</u> | <u>–</u> | <u>2,221,103</u> |

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42. RELATED PARTY TRANSACTIONS

Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

| Name of related parties | Relationship with the Group |
|---|---|
| Ms. Chen Jie | The Controlling Shareholder and Chairman |
| Mr. Chen Lin | The brother of the Controlling Shareholder |
| Beijing Watertek Information Technology Co., Ltd. (北京旋極信息技術股份有限公司) and its subsidiaries (“Watertek”) (Note 1) | Non-controlling shareholder |
| Heilongjiang Yizhangtong Business Service Co., Ltd. (黑龍江壹賬通商務服務有限公司) and its subsidiaries (“Yizhangtong”) (Note 1) | Controlled by Mr. Chen Lin |
| Baiwang Intelligent (Note 1) | Associate |
| Guomai Xin’an Technology Co., Ltd. (北京國脈信安科技有限公司) (“Guomai Xin’an”) (Note 1) | Significantly influenced by the Controlling Shareholder |
| Beijing Bright Intelligent Information Technology Co., Ltd. (北京閃亮智能信息技術有限公司) (“Bright Intelligent”) (Note 1) | Controlled by a close family member of Director |
| Fosun Holdings Limited and its subsidiaries (“Fosun”) (Note 1) | Non-controlling shareholder with significant influence |
| Baiwang Jinfu Technology Co., Ltd. (百望金賦科技有限公司) (“Baiwang Jinfu”) (Notes 1 and 2) | Non-controlling shareholder with significant influence |
| Daokou Jinke (Note 1) | Associate |
| Boya Zhongke (Note 1) | Associate |
| Baiwang Jinshui (Note 1) | Joint venture |
| Guangxi United (Note 1) | Associate |
| Shanghai Xinghan (Note 1) | Associate |
| Beijing Wisedoing Network Information Technology Co., Ltd. (北京唯致動力網絡信息科技有限公同) (“Wisedoing”) (Note 1) | Controlled by Mr. Chen Lin |
| Yunnan Baiwangyun Digital Technology Co., Ltd. (雲南百望雲數字科技有限公同) (Note 1) | Associate |

Note 1: The English name of the companies established in the PRC are for reference only and have not been registered.

Note 2: Pursuant to Watertek’s declaration in January 2022, Watertek unconditionally and irrevocably undertook not to exercise the right to appoint a director and ceased to exercise significant influence over the Company. The Directors consider Baiwang Jinfu being a joint venture of Watertek is no longer a related party of the Company from January 2022 onwards.

APPENDIX I

ACCOUNTANTS’ REPORT

Transactions with related parties

The Group have the following transactions and balances with related parties:

| Name of related parties | Nature of transactions | Year ended December 31, | | |
|-------------------------|------------------------|-------------------------|-----------------|-----------------|
| | | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Watertek | Provision of services | 61 | – | – |
| Fosun | Provision of services | 1,503 | 133 | 171 |
| Daokou Jinke | Provision of services | 1,415 | – | – |
| Baiwang Jinshui | Provision of services | 811 | 715 | 812 |
| Guangxi United | Provision of services | – | 3,876 | 58,387 |
| Ms. Chen Jie | Interest income | – | 620 | – |
| Others | Provision of services | 239 | 10 | 134 |
| Total | | <u>4,029</u> | <u>5,354</u> | <u>59,504</u> |

| Name of related parties | Nature of transactions | Year ended December 31, | | |
|--|------------------------------------|-------------------------|-----------------|-----------------|
| | | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Watertek | Purchases of services and products | 4,659 | – | – |
| Baiwang Jinfu | Purchases of services and products | 11,346 | – | – |
| Yizhangtong | Purchases of services | 1,137 | – | – |
| Guomai Xin’an | Purchases of services and products | 3,022 | 4,270 | 6,976 |
| Bright Intelligent | Purchases of services | 509 | – | – |
| Boya Zhongke | Purchases of services and products | 98 | 2,007 | 531 |
| Shanghai Xinghan | Purchases of services and products | – | – | 653 |
| Yunnan Baiwangyun Digital Technology Co., Ltd. | Purchases of services and products | – | – | 588 |
| Baiwang Intelligent | Purchases of services | – | 4,616 | – |
| Others | Purchases of services | 1,029 | 200 | 628 |
| Total | | <u>21,800</u> | <u>11,093</u> | <u>9,376</u> |

In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

APPENDIX I

ACCOUNTANTS’ REPORT

Balance with related parties

At the end of each reporting period, the Group have the following significant balances with related parties:

Amounts due from related parties

| Nature of balances with related parties | As at December 31, | | |
|---|--------------------|--------------|---------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables | 2,024 | 1,433 | 64 |
| Other receivables | 15,731 | 63 | 3 |
| Prepayments | 116 | 585 | – |
| Contract assets | 1,389 | 1,550 | 17,269 |
| Subtotal | <u>19,260</u> | <u>3,631</u> | <u>17,336</u> |

| Name of related parties | Nature of transactions (Note a) | As at December 31, | | |
|-------------------------|------------------------------------|--------------------|--------------|---------------|
| | | 2021 | 2022 | 2023 |
| | | RMB'000 | RMB'000 | RMB'000 |
| Guangxi United | Trade | – | 861 | 17,321 |
| Daokou Jinke | Trade | 1,172 | 1,125 | – |
| Baiwang Intelligent | Trade | – | 585 | – |
| Baiwang Jinshui | Trade | 1,922 | 866 | – |
| Watertek | Trade | 158 | – | – |
| Others | Trade | 277 | 131 | 12 |
| Subtotal | | <u>3,529</u> | <u>3,568</u> | <u>17,333</u> |

| Name of related parties | Nature of transactions | As at December 31, | | |
|-------------------------|------------------------|--------------------|--------------|---------------|
| | | 2021 | 2022 | 2023 |
| | | RMB'000 | RMB'000 | RMB'000 |
| Ms. Chen Jie (Note b) | Non-trade | 15,731 | – | – |
| Others (Note c) | Non-trade | – | 63 | 3 |
| Subtotal | | <u>15,731</u> | <u>63</u> | <u>3</u> |
| Total | | <u>19,260</u> | <u>3,631</u> | <u>17,336</u> |

The maximum amount outstanding during the years ended December 31, 2021, 2022 and 2023 in respect of the amounts due from a director and companies controlled by a director are RMB15,731,000, RMB16,351,000 and RMB3,000, respectively.

Notes:

- a. Balances of trade nature are unsecured, interest-free, and aged within one year.
- b. Balances of non-trade nature are unsecured, interest-bearing and repayable on demand.
- c. Balances with other related parties are unsecured, interest-free and repayable on demand.

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ACCOUNTANTS’ REPORT

Amounts due to related parties

| Nature of balances with related parties | As at December 31, | | |
|---|--------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | RMB’000 | RMB’000 | RMB’000 |
| Trade payables | 13,021 | 1,355 | 4,146 |
| Other payables | 115 | 115 | 204 |
| Contract liabilities | 884 | 9,582 | 19,693 |
| | <u>14,020</u> | <u>11,052</u> | <u>24,043</u> |
| Total | <u>14,020</u> | <u>11,052</u> | <u>24,043</u> |

| Name of related parties | Nature of transactions (Note a) | As at December 31, | | |
|-------------------------|------------------------------------|--------------------|---------------|---------------|
| | | 2021 | 2022 | 2023 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Watertek | Trade | 340 | – | – |
| Baiwang Jinfu | Trade | 8,979 | – | – |
| Guomai Xin’an | Trade | 2,373 | 1,022 | 3,562 |
| Baiwang Jinshui | Trade | 999 | 210 | – |
| Boya Zhongke | Trade | 729 | 298 | 210 |
| Guangxi United | Trade | – | 8,765 | 19,356 |
| Others | Trade | 485 | 642 | 711 |
| | | <u>13,905</u> | <u>10,937</u> | <u>23,839</u> |
| Subtotal | | <u>13,905</u> | <u>10,937</u> | <u>23,839</u> |

| Name of related parties | Nature of transactions (Note b) | As at December 31, | | |
|-------------------------|------------------------------------|--------------------|---------------|---------------|
| | | 2021 | 2022 | 2023 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Wisedoing | Non-trade | 112 | 112 | 112 |
| Others | Non-trade | 3 | 3 | 92 |
| | | <u>115</u> | <u>115</u> | <u>204</u> |
| Subtotal | | <u>115</u> | <u>115</u> | <u>204</u> |
| Total | | <u>14,020</u> | <u>11,052</u> | <u>24,043</u> |

Notes:

- a. Balances of trade nature are unsecured, interest-free and aged within one year.
- b. Balances of non-trade nature are unsecured, interest-free and repayable on demand. The Directors are of the view that the non-trade balance would be settled before the listing.

APPENDIX I

ACCOUNTANTS’ REPORT

At the end of each reporting period, the Company have the following significant balances with related parties:

Amounts due from related parties

| Nature of balances with related parties | As at December 31, | | |
|---|--------------------|-----------------|-----------------|
| | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Trade receivables | 40,484 | 45,311 | 43,879 |
| Other receivables | 148,961 | 51,613 | 85,313 |
| Prepayments | 116 | 585 | – |
| Contract assets | 265 | 425 | 8,955 |
| Total | 189,826 | 97,934 | 138,147 |

| Name of related parties | Nature of transactions (Note a) | As at December 31, | | |
|--|------------------------------------|--------------------|-----------------|-----------------|
| | | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Beijing Baiwang Enterprise Service Technology Co., Ltd. (“Baiwang Enterprise Service”) | Trade | 36,977 | 36,977 | 36,977 |
| Baiwang Jinshui | Trade | 1,922 | 866 | – |
| Watertek | Trade | 158 | – | – |
| Chongqing Zhishui Yun Technology Co., Ltd. | Trade | 1,485 | 3,788 | 3,788 |
| Guangxi United | Trade | – | 861 | 8,943 |
| Baiwang Intelligent | Trade | – | 585 | – |
| Baiwangyun Technology (Beijing) Co., Ltd. (“Baiwangyun Technology”) | Trade | – | 3,114 | 3,114 |
| Others | Trade | 323 | 130 | 12 |
| Subtotal | | 40,865 | 46,321 | 52,834 |

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ACCOUNTANTS’ REPORT

| Name of related parties | Nature of transactions | As at December 31, | | |
|---|------------------------|--------------------|-----------------|-----------------|
| | | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Beijing Baiwang Huiyan Data Technology Co., Ltd. (“Baiwang Huiyan”) | Non-trade | 129,018 | 20,023 | 20,562 |
| Ms. Chen Jie (Note b) | Non-trade | 15,731 | – | – |
| Baiwang Maoyi (Suzhou) Software Co., Ltd. | Non-trade | 4,164 | 4,342 | 4,519 |
| Beijing Baiwang Jinkong Technology Co., Ltd. (“Baiwang Jinkong”) | Non-trade | – | 26,400 | 58,927 |
| Baiwangyun Technology Others (Note c) | Non-trade | – | 788 | – |
| | Non-trade | 48 | 60 | 1,305 |
| Subtotal | | 148,961 | 51,613 | 85,313 |
| Total | | 189,826 | 97,934 | 138,147 |

The maximum amount outstanding during the years ended December 31, 2021, 2022 and 2023 in respect of the amounts due from a director and companies controlled by a director are RMB15,731,000, RMB16,351,000 and nil, respectively.

Notes:

- Balances of trade nature are unsecured and interest-free.
- Balances of the non-trade nature are unsecured, interest-bearing and repayable on demand.
- Balances with other related parties are unsecured, interest-free and repayable on demand.

Amounts due to related parties

| Nature of balances with related parties | As at December 31, | | |
|---|--------------------|-----------------|-----------------|
| | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Trade payables | 13,021 | 1,355 | 4,985 |
| Other payables | 45,735 | 29,400 | 49,165 |
| Contract liabilities | 887 | 8,866 | 17,894 |
| Total | 59,643 | 39,621 | 72,044 |

| Name of related parties | Nature of transactions (Note a) | As at December 31, | | |
|-------------------------|------------------------------------|--------------------|-----------------|-----------------|
| | | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Baiwang Huiyan | Trade | – | – | 842 |
| Watertek | Trade | 340 | – | – |
| Baiwang Jinfu | Trade | 8,979 | – | – |
| Boya Zhongke | Trade | 729 | 298 | 210 |
| Guomai Xin’an | Trade | 2,373 | 1,022 | 3,562 |
| Yizhangtong | Trade | – | – | – |
| Baiwang Jinshui | Trade | 999 | 210 | – |
| Guangxi United | Trade | – | 8,049 | 17,556 |
| Others | Trade | 488 | 642 | 709 |
| Subtotal | | 13,908 | 10,221 | 22,879 |

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ACCOUNTANTS’ REPORT

| Name of related parties | Nature of transactions (Note b) | As at December 31, | | |
|---|------------------------------------|--------------------|-----------------|-----------------|
| | | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Baiwang Enterprise Service | Non-trade | 30,797 | 29,229 | 30,345 |
| Baiwang Jinkong | Non-trade | 13,500 | – | – |
| Baiwangyun Technology | Non-trade | 1,438 | – | 3,953 |
| Henan Baiwang Enterprise Service Digital Technology Co., Ltd. | Non-trade | – | – | 6,303 |
| Hangzhou Baiwangyun Technology Co., Ltd. | Non-trade | – | – | 8,375 |
| Others | Non-trade | – | 171 | 189 |
| Subtotal | | 45,735 | 29,400 | 49,165 |
| Total | | 59,643 | 39,621 | 72,044 |

Notes:

- a. Balances of trade nature are unsecured and interest-free.
- b. Balances of non-trade nature are unsecured, interest-free and repayable on demand.

Key management personnel compensation

The remuneration of Directors and other members of key management personnel during the Track Record Period was as follows:

| | Year ended December 31, | | |
|-------------------------------------|-------------------------|-----------------|-----------------|
| | 2021 RMB’000 | 2022 RMB’000 | 2023 RMB’000 |
| Salaries and bonuses | 14,287 | 10,120 | 10,154 |
| Share-based payments | 89,369 | 1,747 | 115,363 |
| Welfare, medical and other benefits | 1,405 | 977 | 1,069 |
| Total | 105,061 | 12,844 | 126,586 |

The remuneration of key management personnel is determined by reference to the performance of individuals and market trends.

43. RETIREMENT BENEFIT PLANS

The employees of the Group in PRC are members of a state-managed retirement benefit plan operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authorities to the retirement benefit plan to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions under the plan. The retirement benefits cost charged to profit or loss for the years ended December 31, 2021, 2022 and 2023 amounted to RMB23,120,000, RMB28,057,000, and RMB38,254,000, respectively.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The carrying amounts of the Company’s investment in subsidiaries ended December 31, 2021, 2022 and 2023 are RMB83,017,000, RMB103,017,000 and RMB103,017,000, respectively.

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ACCOUNTANTS’ REPORT

During the Track Record Period and at the date of this report, the Company has direct and indirect interests in the following principal subsidiaries:

| Name of subsidiaries/ consolidated affiliated entities | Place of incorporation/ registration/ operations | Paid up capital RMB’000 | Proportion of ownership interest attributable to the Company As at December 31, | | | At the date of this report % | Principal activities |
|---|---|-------------------------------|---|-----------|-----------|---------------------------------------|--|
| | | | 2021 % | 2022 % | 2023 % | | |
| Baiwang Jinkong | PRC | 50,000 | 100 | 100 | 100 | 100 | Investment holding and technology services |
| Baiwang Enterprise Service | PRC | 3,000 | 100 | 100 | 100 | 100 | Software maintenance |
| Baiwang Huiyan | PRC | 50,000 | 100 | 100 | 100 | 100 | Supply chain finance and financial technology cloud |
| Baiwangyun Technology | PRC | 400 | 100 | 100 | 100 | 100 | Investment holding and technology services |
| Chongqing Zhishui Yun Technology Co., Ltd. (重慶 智稅雲科技有限公司) | PRC | – | 100 | 100 | 100 | 100 | Software services |
| Yiwu Zhiling Financial Training Co., Ltd. (義烏智領財務培訓有限公司) | PRC | – | 100 | N/A | N/A | N/A | Financial training services |
| Tianjin Baifu Technology Center (Limited Partnership) (天津百福科技中心(有限合 夥)) (“Tianjin Baifu”) (Note b) | PRC | – | 50 | 50 | N/A | N/A | Investment holding |
| Baiwang Lutong New Infrastructure (Beijing) Technology Co., Ltd. (百望 路通新基建(北京)技術有限公 司) (“Lutong Xinjijian”) (Note c) | PRC | – | 50 | N/A | N/A | N/A | Investment holding |
| Road Network (Beijing) Transportation Cloud Technology Co., Ltd. (路網 北京)交通雲科技有限公司) (Note d) | PRC | – | 25 | N/A | N/A | N/A | Software services |
| Baiwang Maoyi (Suzhou) Software Co., Ltd. (百望貿 宜(蘇州)軟件有限公司) (“Baiwang Maoyi”) (Note e) | PRC | – | 85 | 85 | 85 | 85 | Software services |
| Anhui Zhishuiyun Information Technology Co., Ltd. (安徽 智稅雲信息科技有限公司) | PRC | – | N/A | N/A | 100 | 100 | Software services |
| Hangzhou Baiwangyun Technology Co., Ltd. (杭州 百望雲科技有限公司) | PRC | – | N/A | N/A | 100 | 100 | Software services |
| Henan Baiwang Enterprise Service Digital Technology Co., Ltd. (河南百望企服數字 科技有限公司) | PRC | 3,000 | N/A | N/A | 100 | 100 | Software services |

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ACCOUNTANTS’ REPORT

Notes:

- a) The English translation of the names is for reference only. The official names of these companies are in Chinese.
- b) On October 27, 2020, Tianjin Baifu was established with a registered capital of RMB400,000 by Baiwang Jinkong and Lutong (Beijing) Infrastructure Construction Development Co., Ltd (路通(北京)基礎設施建設發展有限公司) (“Lutong Beijing”), and each hold 50% shares of its registered capital. Baiwang Jinkong as the general partner substantially controls Tianjin Baifu. Tianjin Baifu was deregistered on April 14, 2023.
- c) On November 12, 2020, Lutong Xinjijian was established by Baiwang Jinkong, Lutong Beijing and Tianjin Baifu with each owns 40%, 40% and 20% shares of its registered capital. Lutong Xinjijian was deregistered on September 14, 2022.
- d) On November 17, 2020, Road Network (Beijing) Transportation Cloud Technology Co., Ltd. (路網(北京)交通雲科技有限公司) (“Jiaotongyun”) was established by Beijing Road Network Technology Co., Ltd. (北京路網科技有限公司) (“Beijing Luwang”), Academy of communications Sciences (Beijing) Transportation Technology Co., Ltd. (交科院(北京)交通技術有限公司) (“ACS”) and Lutong Xinjijian with each owns 35%, 16% and 49% shares of its registered capital. Due to the concerted action agreement, Beijing Luwang and ACS shall act in concert with Lutong Xinjijian. Jiaotongyun became the subsidiary of the Company accordingly. Jiaotongyun was deregistered on August 25, 2022.
- e) On June 4, 2021, the Group acquired 85% equity interest of Baiwang Maoyi at the consideration of RMB1 from a third party.

All companies comprising the Group have adopted December 31, as their financial year end date. No audited financial statements of the Group have been prepared for the years ended December 31, 2021, 2022 and 2023 since there are no statutory audit requirements in the jurisdictions.

45. SUBSEQUENT EVENTS

In February 2024, the Group entered into a capital increase agreement to acquire 2.5% of equity interest with preferential rights of Hangzhou Xinfengwei Network Technology Co., Ltd. The total consideration of RMB40 million has been settled. The Group accounts for the investment as a financial asset at FVTPL.

46. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the subsidiaries have been prepared in respect of any period subsequent to December 31, 2023.