

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages [●] to [●], received from the Company’s reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of 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.



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HOLYFIRE HOLDINGS GROUP LIMITED (FORMERLY KNOWN AS “HOLYFIRE TECHNOLOGY GROUP LIMITED”) AND CINDA INTERNATIONAL CAPITAL LIMITED

Introduction

We report on historical financial information of Holyfire Holdings Group Limited (Formerly known as “**Holyfire Technology Group Limited**”) (the “**Company**”) and its subsidiaries (together the “**Group**”) set out on pages I-4 to I-[57], which comprises the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, and the statement of the financial position of the Company as at 31 December 2025, 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 for each of the years ended 31 December 2023, 2024 and 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-[57] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “**Document**”) in connection with the initial [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 Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

APPENDIX I**ACCOUNTANTS’ REPORT**

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 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, 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 Company’s financial position as at 31 December 2025, the Group’s financial position as at 31 December 2023, 2024 and 2025, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1(c) and 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-3 have been made.

Dividends

We refer to Note 15 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No historical financial statements have been prepared for the Company since its date of incorporation.

Certified Public Accountants

[●]

Practising Certificate Number

Hong Kong, [Date]

APPENDIX I

ACCOUNTANTS’ REPORT

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 financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

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

APPENDIX I

ACCOUNTANTS’ REPORT

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	<i>Notes</i>	Year ended 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	7	163,446	251,886	300,681
Cost of revenue		<u>(107,513)</u>	<u>(191,256)</u>	<u>(228,464)</u>
Gross profit		55,933	60,630	72,217
Other income	8	1,715	455	156
Other gains, net	9	651	626	46
(Provision)/reversal for litigation claims	38	(7,108)	—	1,803
Selling and marketing expenses		(5,653)	(5,966)	(4,712)
Administrative expenses		(13,929)	(14,744)	(15,739)
Reversal/(provision) for impairment loss on trade and other receivables, net		679	(554)	203
Finance costs	10	(630)	(472)	(1,419)
[REDACTED] expenses		<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Profit before income tax	11	31,658	39,975	46,111
Income tax expense	14	(4,506)	(6,771)	(7,504)
Profit for the year		<u>27,152</u>	<u>33,204</u>	<u>38,607</u>
Profit and total comprehensive income for the year attributable to:				
Owners of the Company		27,113	33,156	38,552
Non-controlling interests		<u>39</u>	<u>48</u>	<u>55</u>
		<u>27,152</u>	<u>33,204</u>	<u>38,607</u>
Earnings per share attributable to owners of the Company				
Basic (RMB)	16	<u>0.14</u>	<u>0.18</u>	<u>0.21</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Consolidated Statements of Financial Position

	<i>Notes</i>	As at 31 December		
		2023	2024	2025
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Non-current assets				
Property, plant and equipment	17	19,561	16,965	11,777
Right-of-use assets	18	3,265	7,728	5,878
Investment in an associate	19	—	—	—
Deferred tax assets	29	2,315	3,500	2,955
Prepayments, deposits and other receivables	23	68	259	392
Total non-current assets		<u>25,209</u>	<u>28,452</u>	<u>21,002</u>
Current assets				
Inventories	20	13	—	—
Financial assets at fair value through profit or loss	21	—	6,012	—
Trade receivables	22	68,075	179,047	158,794
Prepayments, deposits and other receivables	23	7,227	13,839	11,721
Contract costs	24	389	965	68
Amount due from an associate	25	—	—	—
Amounts due from directors	26	—	—	9
Cash and cash equivalents	28	64,014	17,789	37,024
Total current assets		<u>139,718</u>	<u>217,652</u>	<u>207,616</u>
Total assets		<u>164,927</u>	<u>246,104</u>	<u>228,618</u>
Current liabilities				
Trade payables	30	19,647	53,433	16,354
Other payables and accruals	31	17,144	19,347	37,380
Amounts due to directors	26	—	54	—
Amount due to a related company	27	—	—	308
Contract liabilities	33	1,190	2,464	36
Borrowings	32	2,040	5,752	35,300
Lease liabilities	18	1,549	1,536	1,907
Income tax payable		<u>3,300</u>	<u>4,065</u>	<u>3,494</u>
Total current liabilities		<u>44,870</u>	<u>86,651</u>	<u>94,779</u>
Net current assets		<u>94,848</u>	<u>131,001</u>	<u>112,837</u>
Total assets less current liabilities		<u>120,057</u>	<u>159,453</u>	<u>133,839</u>
Non-current liabilities				
Deferred tax liabilities	29	313	1,208	963
Borrowings	32	10,400	11,248	26,037
Lease liabilities	18	1,864	6,746	4,839
Total non-current liabilities		<u>12,577</u>	<u>19,202</u>	<u>31,839</u>
NET ASSETS		<u>107,480</u>	<u>140,251</u>	<u>102,000</u>
Equity attributable to owners of the Company				
Share capital	34	—	—	9
Reserves	35	107,326	140,050	101,846
		107,326	140,050	101,855
Non-controlling interests		<u>154</u>	<u>201</u>	<u>145</u>
TOTAL EQUITY		<u>107,480</u>	<u>140,251</u>	<u>102,000</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Statement of Financial Position of the Company

		As at 31 December 2025 RMB’000
	<i>Notes</i>	
Non-current assets		
Investments in subsidiaries	36	74,519
Total non-current assets		74,519
Current asset		
Amount due from a director	26	9
Deferred issue costs	23	2,241
Cash and cash equivalents		*
Total current asset		2,250
Total assets		76,769
Current liabilities		
Amount due to subsidiaries	37	7,428
Amount due to a related company	27	155
Other payables and accruals	31	1,424
Total current liabilities		9,007
Net current liabilities		(6,757)
Total assets less current liability		67,762
NET LIABILITIES		67,762
Equity attributable to owners of the Company		
Share capital	34	9
Reserves	35	67,753
TOTAL EQUITY		67,762

* Represent amount less than RMB1,000.

APPENDIX I

ACCOUNTANTS’ REPORT

Consolidated Statements of Changes in Equity

	Attributable to owners of the Company					Attributable to owners of the Company	Non-controlling interests	Total equity
	Share capital	Merger reserve	Statutory reserve	Other reserve	Retained earnings			
	RMB'000 (Note 34)	RMB'000 (Note 35)	RMB'000 (Note 35)	RMB'000 (Note 35)	RMB'000 (Note 35)	RMB'000	RMB'000 (Note i)	RMB'000
As at 1 January 2023	—	19,971	7,990	884	51,368	80,213	115	80,328
Profit for the year	—	—	—	—	27,113	27,113	39	27,152
Transfer from retained earnings to statutory reserve	—	—	3,279	—	(3,279)	—	—	—
Capitalisation by a subsidiary (Note ii)	—	19,971	—	—	(19,971)	—	—	—
As at 31 December 2023 and 1 January 2024	—	39,942	11,269	884	55,231	107,326	154	107,480
Profit for the year	—	—	—	—	33,156	33,156	48	33,204
Transfer from retained earnings to statutory reserve	—	—	6,838	—	(6,838)	—	—	—
Dividends declared by a subsidiary (Note 15)	—	—	—	—	(10,420)	(10,420)	(15)	(10,435)
Issuance of shares by a subsidiary (Note iii)	—	9,988	—	—	—	9,988	14	10,002
As at 31 December 2024	—	49,930	18,107	884	71,129	140,050	201	140,251
As at 1 January 2025	—	49,930	18,107	884	71,129	140,050	201	140,251
Profit for the year	—	—	—	—	38,552	38,552	55	38,607
Dividends declared by a subsidiary (Note 15)	—	—	—	—	(77,524)	(77,524)	(112)	(77,636)
Issuance of shares by the Company	9	—	—	—	—	9	—	9
Issuance of shares by a subsidiary (Note iv)	—	768	—	—	—	768	1	769
Capital injection by shareholder through other reserve	—	—	—	74,518	—	—	—	74,518
Acquisition of subsidiaries upon reorganisation (Note v)	—	(74,518)	—	—	—	—	—	(74,518)
Issuance of shares by the Company as share swap (Note vi)	*	*	—	—	—	—	—	—
Transfer from retained earnings to statutory reserve	—	—	7,596	—	(7,596)	—	—	—
As at 31 December 2025	9	(23,820)	25,703	75,402	24,561	101,855	145	102,000

* Represent amount less than RMB1,000

APPENDIX I

ACCOUNTANTS’ REPORT

Note

- i. The non-controlling interests represent the shareholders with 0.14% shareholding equity interests of Guangdong Holyfire Media Technology Group Co., Ltd. (“Guangdong Holyfire”), which becomes the subsidiary now comprising the Group after the Reorgainsation (Note 1(b)). According to the principle of merger accounting set out in Note 4(a), the non-controlling interests are regarded as if they had been existed when the business first came under the control of the controlling parties.
- ii. On 31 May 2023, Guangdong Holyfire issued 20,000,000 shares to its shareholders of 10 bonus shares for every 10 shares held. As a result, an amount of RMB19,971,000 was transferred from retained earnings to merger reserve, representing the Guangdong Holyfire’s [REDACTED] as at that date. There is no effect to the non-controlling interests resulting from the issue.
- iii. On 1 February 2024, Guangdong Holyfire issued 1,739,500 shares with a par value of RMB1.00 each at RMB5.75 by way of allotment to two independent investors, amounted to RMB10,002,000. As a result, RMB9,988,000 and RMB14,000 have been credited to merger reserve and non-controlling interests, respectively.
- iv. On 17 July 2025, Guangdong Holyfire issued 425,000 shares with a par value of RMB1.00 each at RMB1.81 by way of allotment to Xie Heng Technology Limited, amounted to RMB769,000. As a result, RMB768,000 and RMB1,000 have been credited to merger reserve and non-controlling interests, respectively.
- v. On 31 July 2025 and 5 August 2025, Guangdong Qingsong Investment Holding Co., Ltd. (“Guangdong Qingsong”), an indirect wholly-owned subsidiary of the Company, entered into equity transfer agreements with various shareholders of the Guangdong Holyfire, to acquire an aggregate of approximately 98.85% equity interests in Guangdong Holyfire at a total consideration of approximately RMB74,518,000. The total consideration was determined with reference to a valuation report prepared by an independent professional valuer based on the ownership interest value of Guangdong Holyfire as at 31 May 2025. The considerations were settled by cash. Upon completion of the transfers, Guangdong Holyfire became a subsidiary of the Company.
- vi. On 20 August 2025, a share swap agreement entered into between the Company, Da Ming Technology Company Limited, the shareholder of the Company and Xia Hong Investment Limited (“Xia Hong”), the then wholly-owned subsidiary of Da Ming Technology Company Limited, in relation to transfer of the entire issued share capital of Xia Hong to the Company in exchange for 10,000 shares with a par value of HK\$0.01 each, all credited as fully paid, being allotted and issued to Da Ming Technology Company Limited. Xia Hong through its wholly owned subsidiary, Xie Heng Technology Limited (“Xie Heng”), held approximately 1.01% equity interests in Guangdong Holyfire. Upon the completion of the transfer, Xia Hong became a wholly owned subsidiary of the Company and the equity interests in Guangdong Holyfire held indirectly by the Company increased to 99.86%.

APPENDIX I

ACCOUNTANTS’ REPORT

Consolidated Statements of Cash Flows

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profit before income tax expense	31,658	39,975	46,111
Adjustments for:			
Depreciation of property, plant and equipment	5,324	5,133	5,246
Depreciation of right-of-use assets	1,273	1,841	1,850
Gain on early termination of lease	—	(59)	—
Loss on disposal of property, plant and equipment	1	—	—
Gain on disposal of an associate	—	—	(50)
Fair value changes on financial assets at fair value through profit or loss, net	(560)	(559)	—
Finance costs	630	472	1,419
Interest income	(137)	(196)	(66)
Provision/(reversal) for litigation claims	7,108	—	(1,803)
(Reversal)/provision for impairment loss recognised on trade and other receivables, net	(679)	554	203
Operating profits before working capital changes	44,618	47,161	52,910
Decrease in inventories	114	13	—
(Increase)/decrease in trade receivables	(31,964)	(111,482)	20,065
(Increase)/decrease in prepayments, deposits and other receivables	(3,786)	(6,847)	3,934
Decrease/(increase) in contract costs	425	(576)	897
Increase/(decrease) in trade payables	6,414	33,786	(37,079)
Decrease in other payables and accruals	2,697	2,209	63
Increase/(decrease) in contract liabilities	880	1,274	(2,428)
Cash generated from/(used in) operations	19,398	(34,462)	38,362
Income tax paid	(4,451)	(6,296)	(7,775)
Net cash generated from/(used in) operating activities	<u>14,947</u>	<u>(40,758)</u>	<u>30,587</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash flows from investing activities			
Purchases of property, plant and equipment	(479)	(2,537)	(58)
Acquisition of financial assets measured at fair value through profit or loss	(161,500)	(273,997)	(80,000)
Proceeds from the disposal on financial assets measured at fair value through profit or loss	162,060	268,544	86,012
Advances to directors	—	—	(9)
Proceed from disposal of an associate	—	—	50
Interest received	137	196	66
Net cash generated from/(used in) investing activities	<u>218</u>	<u>(7,794)</u>	<u>6,061</u>
Cash flows from financing activities			
Proceeds from borrowings (Note 40)	10,000	12,100	50,800
Repayment of borrowings (Note 40)	(4,140)	(7,540)	(6,463)
Repayment of principal portion of the lease liabilities (Note 40)	(1,163)	(1,376)	(1,536)
Proceeds from issuance of shares by a subsidiary	—	10,002	769
Advances from directors (Note 40)	—	54	—
Advance from a related company	—	—	308
Repayments to directors (Note 40)	—	—	(54)
Issuance of shares by the Company	—	—	9
Acquisition of Subsidiaries upon reorganisation	—	—	(74,518)
Capital injection by shareholder through other reserve	—	—	74,518
Dividend paid by the Group to non-controlling interests and beneficial shareholders (Note 40)	—	(10,435)	(57,891)
Interest paid (Note 40)	(621)	(478)	(1,391)
[REDACTED] expenses made	—	—	(1,964)
Net cash generated from/(used in) financing activities	<u>4,076</u>	<u>2,327</u>	<u>(17,413)</u>
Net increase/(decrease) in cash and cash equivalents	<u>19,241</u>	<u>(46,225)</u>	<u>19,235</u>
Cash and cash equivalents at the beginning of year	<u>44,773</u>	<u>64,014</u>	<u>17,789</u>
Cash and cash equivalents at the end of year	<u>64,014</u>	<u>17,789</u>	<u>37,024</u>
Analysis of the balances of cash and cash equivalents:			
Cash and bank balances	<u>64,014</u>	<u>17,789</u>	<u>37,024</u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

(a) General information

The Company was incorporated in Cayman Islands on 20 January 2025, as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Its principal place of business is 7th Floor, Tower A, R&F Yingtai Plaza, Zhujiang New Town, Guangzhou City, Guangdong Province, the People’s Republic of China (the “PRC”).

On 10 March, 2026, the Company changed its name from Holyfire Technology Group Limited to Holyfire Holdings Group Limited.

The Company is an investment holding company and its subsidiaries (collectively the “Group”) are principally engaged in provision of integrated marketing services, marketing technology services and advertising marketing services (the “[REDACTED] Business”) in the PRC. There has been no significant change in the Group’s principal activities during the Track Record Period.

In the opinion of the directors of the Company, the [REDACTED] Business was controlled by Mr. Zhong Jian (“Mr. Zhong”) and his spouse, Ms. Luo Xinyan, throughout the Track Record Period.

(b) Reorganisation

Prior to the incorporation of the Company and completion of the Reorganisation as described in the section headed “History, Reorganisation and Corporate Structure” in the Document, the provision of [REDACTED] Business was carried out by Guangdong Holyfire Media Technology Group Co., Ltd., Xiufei (Shanghai) Culture Communication Co., Ltd., Guangdong Longjue Digital Marketing Co., Ltd., One Item One Code Data (Guangzhou) Industrial Co., Ltd., Shanghai Holyfire Digital Technology Co., Ltd., Guangdong Holyfire Digital Creative Technology Co., Ltd. and Guangdong Holyfire Digital Intelligence Internet Technology Co., Ltd. (collectively the “Holyfire Group”). Before the completion of the Reorganisation, the Holyfire Group were controlled by Mr. Zhong and his spouse, Ms. Luo, throughout the Track Record Period.

In preparation for the [REDACTED] of shares of the Company on the Main Board of the Stock Exchange and for the purpose of rationalising the Group’s structure, the Company became the holding company of the subsidiaries now comprising the Group on 5 August 2025. The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed “History, Reorganisation and Corporate Structure” in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	Note
		Directly	Indirectly			
Sheng Lian Technology Development Limited (“Sheng Lian”) (勝蓮科技發展有限公司)	British Virgin Islands (“BVI”), 15 May 2025, limited liability company	100%	—	Issued and fully paid capital USD100	Investment holding, BVI	(a)
Dong Cheng Technology International Limited (“Dong Cheng”) (東晟科技國際有限公司)	Hong Kong (“HK”), 27 May 2025, limited liability company	—	100%	Issued and fully paid capital HKD100	Investment holding, HK	(b)

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	Note
		Directly	Indirectly			
Xia Hong (夏紅投資有限公司)	BVI, 20 May 2025, limited liability company	100%	—	Issued and fully paid capital USD100	Investment holding, BVI	(a)
Xie Heng (燮恒科技有限公司)	HK, 29 May 2025, limited liability company	—	100%	Issued and fully paid capital HKD100	Investment holding, HK	(b)
Guangdong Qingsong (廣東青松投資控股 有限公司)	The PRC, 21 July 2025, limited liability company	—	100%	Registered capital RMB10,000,000	Investment holding, The PRC	(a)
Guangdong Holyfire (廣東聖火傳媒科技集團 股份有限公司)	The PRC, 10 September 2013, limited liability company	—	99.86%	Registered capital and fully paid up capital RMB42,164,500	Provision of integrated marketing services, advertising marketing services, The PRC	(c)
Xiufei (Shanghai) Culture Communication Co., Ltd.* (“Xiufei (Shanghai)”) (秀飛(上海)文化傳播有限 公司)	The PRC, 30 June 2016, limited liability company	—	99.86%	Registered and fully paid up capital RMB10,000,000	Provision of integrated marketing services, advertising marketing services, The PRC	(a)
Guangdong Longjue Digital Marketing Co., Ltd.* (“Guangdong Longjue”) (廣東龍覺數字營銷有限 公司)	The PRC, 13 June 2016, limited liability company	—	99.86%	Registered and fully paid up capital RMB5,100,000	Provision of marketing technology services, advertising marketing services The PRC	(a)
IOT Data (Guangzhou) Industry Co., Ltd.* (“IOT Data”) (一物一碼數據(廣州)實業 有限公司)	The PRC, 21 August 2017 limited liability company	—	99.86%	Registered and fully paid up capital RMB15,000,000	Provision of marketing technology services, integrated marketing services, The PRC	(a)
Shanghai Holyfire Digital Technology Co., Ltd.* (“Shanghai Holyfire”) (上海聖火數字科技有限 公司)	The PRC, 18 October 2024 limited liability company	—	99.86%	Registered capital RMB5,000,000	Provision of integrated marketing services, integrated marketing services, The PRC	(a)
Guangdong Holyfire Digital Creative Technology Co., Ltd.* (廣東聖火數字創意 科技有限公司)	The PRC, 28 May 2025 limited liability company	—	99.86%	Registered capital and fully paid up capital RMB5,000,000	Provision of advertising marketing services, The PRC	(a)
Guangdong Holyfire Digital Intelligence Internet Technology Co., Ltd.* (廣東聖火數智互聯技術有限 公司)	The PRC, 28 May 2025 limited liability company	—	99.86%	Registered capital and fully paid up capital RMB5,000,000	Provision of advertising marketing services, The PRC	(a)

* English names of the subsidiaries are translated directly from their corresponding official Chinese names.

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (a) There are no statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation for these subsidiaries. No audited financial statements have been prepared for these entities during the Track Record Period.
 - (b) No statutory audited financial statements have been prepared as at the end of each reporting period during the Track Record Period as these subsidiaries were newly incorporated in 2025 and they have not been involved in any significant business except for the Reorganisation.
 - (c) The statutory audited financial statements of this subsidiary for the years ended 31 December 2023 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP[#] (立信會計師事務所(特殊普通合夥)). There is no statutory audit requirements under the relevant rules and regulations in the PRC after the completion of delisting from the National Equities Exchange and Quotations (“NEEQ”) on 14 April 2025.
- [#] English name of this professional party is translated directly from its corresponding official Chinese name.

(c) Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] Business was carried out by the Holyfire Group. Pursuant to the Reorganisation, the [REDACTED] Business and Holyfire Group are transferred to and held by the Company. The Company newly set up during the Reorganisation have not been involved in any other business prior to the Reorganisation and its operations do not meet the definition of a business. The Reorganisation is merely a reorganisation of the [REDACTED] Business with no change in management of such business and the ultimate controlling shareholder of the [REDACTED] Business remains the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the [REDACTED] Business under Holyfire Group and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Holyfire Group, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the [REDACTED] Business under the consolidated financial statements of Holyfire Group for all periods presented.

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the HKFRS Accounting Standards, which are effective for the Group’s accounting period beginning on 1 January 2025 throughout the Track Record Period.

At the date of this report, certain new or revised HKFRS Accounting Standards have been issued by the HKICPA but are not effective and have not been adopted early by the Group are set out in Note 3.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Historical Financial Information set out in this report has been prepared based on the accounting policies set out in Note 4 below, which conform with HKFRS Accounting Standards issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “**Listing Rules**”).

(b) Basis of measurement

The Historical Financial Information has been prepared under the historical cost basis except for the financial liabilities at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

(c) Functional and presentation currency

The Historical Financial Information is presented in Renminbi (“**RMB**”). The functional currency of the Company is RMB. The Company’s primary subsidiaries are incorporated in the PRC and for these subsidiaries, RMB is the functional currency.

APPENDIX I

ACCOUNTANTS’ REPORT

3. NEW/REVISED HKFRS ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new or amendments to HKFRS Accounting Standards, potentially relevant to the Group’s Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ¹
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ¹
Amendments to HKFRS 1, HKFRS 7, HFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards — Volume 11 ¹
HKFRS 18	Presentation and Disclosure in Financial Statements ²
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ²
Amendments to HK Interpretation 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency ²

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

² Effective for annual periods beginning on or after 1 January 2027.

³ Effective date to be determined.

Further details about those HKFRS Accounting Standards that are not yet effective and are expected to be applicable to the Group are as follows:

Amendments to HKFRS 9 and HKFRS 7 Amendments to the Classification and Measurement of Financial Instruments

The Amendments to HKFRS 9 and HKFRS 7 clarify the requirements related to the date of recognition and derecognition of financial assets and financial liabilities, with an exception for derecognition of financial liabilities settled via an electronic transfer, the requirements for assessing contractual cash flow characteristics of financial assets, with additional guidance on assessment of contingent features, characteristics of non-recourse loans and contractually linked instruments. The Amendments also introduce additional disclosure requirements for equity instruments classified as FVOCI and for financial instruments with contingent features.

The amendments are not expected to have any significant impact on the Group’s financial information.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace HKAS 1 Presentation of Financial Statements. The new HKFRS Accounting Standard introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. HKFRS 18 will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is not expected to have material impact on the financial performance and financial position of the Group but is expected to affect the presentation and disclosures in the future financial statements.

4. MATERIAL ACCOUNTING POLICIES

(a) Merger accounting for the Reorganisation

Immediately prior to and after the Reorganisation, the [REDACTED] Business is mainly conducted through Guangdong Holyfire and its subsidiaries which are under common control by the controlling shareholders of the Group. The Reorganisation is a recapitalisation of the [REDACTED] Business with no change in management of such business and the ultimate owners of the [REDACTED] Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the [REDACTED] Business under the Company and, for the purpose of this report, the consolidated financial statements incorporate the financial statements of the consolidating entities or businesses as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party.

APPENDIX I

ACCOUNTANTS’ REPORT

The net assets of the consolidating entities or businesses are consolidated using the existing book values from the controlling parties’ perspective. No amount is recognised in respect of goodwill or excess of acquirer’s interest in the net fair value of acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control consolidation, to the extent of the continuation of the controlling party’s interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidating entities from the earliest date presented or since the date when the consolidating entities first came under the common control, where this is a shorter period, regardless of the date of the common control consolidation.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation.

(b) Basis of consolidation

Except for the merger accounting for the Reorganisation described above, the acquisition method of accounting is used for all other acquisitions of subsidiaries or businesses.

The Historical Financial Information comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the Historical Financial Information. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- the size of the Company’s voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance.

In the Company’s statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

APPENDIX I

ACCOUNTANTS’ REPORT

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Owned assets

Leasehold improvement	The shorter of the lease period or 20%
Furniture and equipment	20%–33.33%
Motor vehicles	25%
Machineries	10%–20%

The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “Other gains and losses” in the consolidated statements of profit or loss and other comprehensive income.

(e) Financial instruments

(i) *Financial asset*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Fair value through profit or loss: Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

APPENDIX I

ACCOUNTANTS’ REPORT

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as fair value through profit or loss, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) *Impairment loss on financial assets*

The Group recognises loss allowances for expected credit loss (“ECL”) on trade receivables and other financial assets.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non-credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

(iii) *Financial liabilities*

Financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred. They are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instrument*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(f) *Inventories*

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

First-in-first-out basis is used to determine the cost of ordinarily interchangeable items.

APPENDIX I

ACCOUNTANTS’ REPORT

(g) Leases

The Group as lessee

All leases are required to be capitalised in the consolidated statements of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise leases which are short-term lease. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the underlying assets.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the lessee’s incremental borrowing rate.

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

When the group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy.
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount.
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial of full termination of the lease with any difference recognised in profit or loss. The lease

APPENDIX I

ACCOUNTANTS’ REPORT

liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

(h) Employee benefits

(i) *Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of each reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(ii) *Defined contribution retirement plan*

Pursuant to the relevant regulations of the PRC government, the Group participants in a central pension scheme operated by the local municipal government (the “**Scheme**”), whereby the subsidiaries of the Company in PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred.

(i) Revenue recognition

Revenue are mainly generated from integrated marketing services, marketing technology services and advertising marketing services.

Revenue is recognised when or as the control of goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of goods and services may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group’s performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- 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.

If the contract involves the sales of multiple services, the transaction prices are allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted assessment approach, depending on the availability of observable information.

(i) *Revenue from integrated marketing services*

Integrated marketing services represented a comprehensive suite of solutions spanning the entire value chain, including market research, brand strategy and design, creative planning, multi-channel marketing execution, covering both office channels and online platforms and means, and brand promotion activities.

— *Event planning and executive services*

It is a comprehensive service including organization and implementation of marketing events to promote the brands, products and/or services of the customers. Specifically, the services including event planning, venue decoration, stage design, on-site management and coordination for all types of marketing activities. A single performance obligation is generally identified in contracts for event planning and execution services due to the high degree of integration of various tasks forming a combined output that is transferred to the customer over time.

APPENDIX I

ACCOUNTANTS’ REPORT

The duration of each event planning and execution projects typically ranges from within one month to six months. Invoices are issued either by separate billings or when the event is completed, and are normally payable within 30 to 60 days upon invoice. The Group has applied the practical expedient not to recognise any financing element as the contracts are typically completed within one year and because of the payment terms.

Revenue from event planning services is recognised over time based on output method, on a straight-line basis throughout the performance of the event because the Group would be required to provide the customer with the design information completed to date in the case of termination and periodically provides the customer with interactive contents and marketing materials in a level of detail that would not require the customer to contract with another entity to substantially re-perform the work.

— *Production of promotional materials*

At the request of its customer, the Group may enter into contracts with customers involving design and production of various promotional materials. Invoices are issued when the work is completed and accepted and normally payable within 60 days upon invoice. Revenue from the production of promotion materials is recognised at a point in time when the goods are delivered to the customer and have been accepted.

(ii) ***Revenue from marketing technology services***

The Group offers marketing technology services, which include delivering technical infrastructure to support the planning and execution of marketing activities across online platforms and digital channels. The Group also utilises its product serialisation technology to assign a unique digital identity to each product, using QR codes and a multi-layer coding system. The Group supports marketing activities across online platforms and digital channels, including the deployment of online programmes for promotional campaigns during specified periods.

The marketing technology services involve either granting customers the right to use the Group’s proprietary integrated digital code system or delivering tailored marketing campaigns enabled by advanced technological online programmes.

— *Licensing income of marketing systems service*

The marketing systems service involves providing customers the usage of the integrated digital code system developed by the Group in a fixed contractual term. The system includes implementation and operation of integrated digital code system to streamline the production process and facilitate marketing strategies execution. A single performance obligation is identified due to the high degree of integration of inputs forming a combined output that is transferred to the customer over time.

Licensing fee is charged to customers on a consumption basis based on a fixed rate, with an average guaranteed minimum quantity to be charged. The revenue is recognised over time based on monthly consumption during the licensing period of the system to the customers because the customer simultaneously received and consumes the benefits provided by the Group.

— *Development and operation of online marketing programmes service*

The Group develops and operates online marketing programmes, which involves assisting customers to execute customised, innovative marketing solutions that effectively connect brands with their end customers through technology-enabled campaigns. A single performance obligation is generally identified in contracts for online marketing programmes development and operation services due to the high degree of integration of various tasks forming a combined output that is transferred to the customer over time.

The duration of each project typically ranges from within one month to three months. Revenue from development and operation of online marketing programmes service is recognised over time based on output method upon the publish of the marketing programme until the end of promotion period because the Group would be required to provide the customer with the design information completed to date in the case of termination and periodically provides the customer with interactive contents and marketing materials in a level of detail that would not require the customer to contract with another entity to substantially re-perform the work.

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) *Revenue from advertising marketing services*

Advertising marketing services is to provide marketing solutions to the customer in one single project by providing media planning services and placement of advertisements on traditional advertising channels as well as online media advertising platforms. The Group is generally responsible for formulating advertising strategies and advertisement placement plans, produce or engage third party service providers to produce the advertising contents and materials, procure and coordinate the placement of advertisement. A single performance obligation is generally identified in contracts for advertising marketing services due to the high degree of integration of the various tasks forming a combined output that is transferred to the customer over time or because the Group is unable to fulfil its promises by transferring each of the services independently.

The duration of each project of media advertising service typically ranges from within one month to two months. Revenue from media advertising service is recognised over time based on output method, on a straight-line basis throughout the advertising period because the customer simultaneously received and consumes the benefits provided by the Group.

Revenue is generally recognised on a gross basis as the Company is primarily responsible for fulfilling the contract and has discretion in establishing the price when selling to the customer. To the extent the Company does not meet the criteria for recognizing revenue on a gross basis, the Company records the revenue on a net basis.

(iv) *Interest income*

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Contract assets and liabilities

A contract asset represents the Group’s right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. 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. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

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

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

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

The asset recognised is subsequently amortised 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 cost relate. The asset is subject to impairment review.

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).

APPENDIX I

ACCOUNTANTS’ REPORT

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 recognises 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.

(j) Government grants

Government grants are not recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants 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 recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

(k) Income taxes

Income taxes for the year comprise current tax and deferred tax. Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business consolidation which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries and associates 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 liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business consolidation that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of each reporting period, and reflects any uncertainty related to income taxes.

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 tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

APPENDIX I

ACCOUNTANTS’ REPORT

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets;
- contract costs;
- investments in subsidiaries; and
- investment in an associate

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the consolidated statements of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group’s cash management are included in cash and cash equivalents.

(o) Research and development costs

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

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

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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.

APPENDIX I

ACCOUNTANTS’ REPORT

(a) **Critical judgements in applying accounting policies**

(i) *Principal versus agent consideration*

In assessing whether the Group is acting as a principal or an agent in a transaction, the management assesses if the Group obtained control of goods and services before they are transferred to customers. The Group is a principal if it controls the promised goods and services before transferring it to the customer and revenue is recognised on a gross basis. Otherwise, the Group is an agent and revenue is recognised on a net basis.

(b) **Key sources of estimation uncertainty**

(i) *Useful lives and residual values of property, plant and equipment*

The Group’s management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic view could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(ii) *Impairment of trade receivables, deposits and other receivables*

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, including the economic downturn, have made these estimates more judgemental, in which can result in different levels of allowances.

At the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(iii) *Impairment of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are tested for impairment when indicators exist. An impairment loss is recognised for the amount by which an asset’s carrying amount exceeds its recoverable amount being fair value less costs of disposal or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(vi) *Income tax and deferred tax*

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

6. SEGMENT INFORMATION

Operating segment

The Group is principally engaged in provision of integrated marketing services, marketing technology services and advertising marketing services in the PRC.

APPENDIX I

ACCOUNTANTS’ REPORT

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance.

The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and performance assessment, does not contain discrete operating segment financial information, and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

Substantially all of the Group’s revenues from external customers during the Track Record Period were attributed to the PRC, and is based on the location in which the relevant Group’s activities which generated such revenues were carried out.

The geographical location of non-current assets is based on the physical location of the assets. As at 31 December 2023, 2024 and 2025, all of the Group’s non-current assets are located in the PRC.

Information about major customers

Revenue for each reporting period attributed from customers that accounted for 10% or more of the Group’s total revenue during the Track Record Period are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Customer A	128,495	124,302	121,581
Customer H	N/A	32,392	117,300

7. REVENUE

Revenue for each reporting period represents the net invoiced value of services rendered and earned by the Group.

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Integrated marketing services	77,635	111,747	102,320
Marketing technology services	67,339	58,654	63,448
Advertising marketing services	18,472	81,485	134,913
	163,446	251,886	300,681

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Timing of revenue recognition			
At a point in time	23,556	28,886	4,396
Transferred over time	<u>139,890</u>	<u>223,000</u>	<u>296,285</u>
	<u>163,446</u>	<u>251,886</u>	<u>300,681</u>

The Group has applied the practical expedient to its sales contracts and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

8. OTHER INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Additional value added tax (“VAT”) input deduction (Note ii)	803	—	—
Bank interest income	137	196	66
Government grants (Note i)	370	120	54
Sundry income	<u>405</u>	<u>139</u>	<u>36</u>
	<u>1,715</u>	<u>455</u>	<u>156</u>

Notes:

- (i) Government grants mainly represent grants received from the PRC local government authority as subsidies to the Group for:
- (a) hiring of recent graduates within 2 years from Institutions of Higher Education;
 - (b) rental fee incurred by the Group;
 - (c) enhancement of high quality development in culture and creative industries; and
 - (d) sustainable business development with high-technology and advanced technology.

There are no unfulfilled conditions or contingencies relating to these government grants.

- (ii) Additional VAT input deduction were recognised in profit or loss due to the VAT reform. In accordance with VAT Reformation Article No. 39 (2019), No. 11 (2022) and No. 1 (2023), the Group is eligible for VAT credits 5% additional VAT input deduction from 1 January 2023 to 31 December 2023, upon meeting all applicable criteria. No further measures announced for the years ended 31 December 2024 and 2025.

APPENDIX I

ACCOUNTANTS’ REPORT

9. OTHER GAINS, NET

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Fair value changes on financial assets at fair value through profit or loss, net	560	559	102
Gain on disposal of an associate	—	—	50
Gain on early termination of lease	—	59	—
Gain on trading sales, net	93	8	1
Loss on disposal of property, plant and equipment	(1)	—	—
Net exchange loss	—	—	(103)
Other sundry losses	(1)	—	(4)
	<u>651</u>	<u>626</u>	<u>46</u>

10. FINANCE COSTS

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest expenses on bank borrowings	523	232	1,061
Interest expenses on lease liabilities	<u>107</u>	<u>240</u>	<u>358</u>
	<u>630</u>	<u>472</u>	<u>1,419</u>

11. PROFIT BEFORE INCOME TAX

The Group’s operating profit is arrived at after charging:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Auditors’ remuneration	—	—	—
Cost of revenue (<i>Note</i>)	107,513	191,256	228,464
Cost of inventories recognised as expenses	241	69	—
Depreciation charged:			
— Property, plant and equipment (<i>Note 17</i>)	5,324	5,133	5,246
— Right-of-use assets (<i>Note 18</i>)	1,273	1,841	1,850
Employee costs (<i>Note 12</i>)	23,702	25,355	22,446
[REDACTED] expenses — Hong Kong Exchanges and Clearing Limited (“HKEX”)	[REDACTED]	[REDACTED]	[REDACTED]
Research costs, included in administrative expenses	5,251	3,646	4,686
Short-term leases expenses	<u>3,451</u>	<u>4,881</u>	<u>2,718</u>

Note: Cost of revenue for the years ended 31 December 2023, 2024 and 2025 includes RMB9,623,000, RMB11,994,000 and RMB9,315,000 of employee costs, RMB3,451,000, RMB4,881,000 and RMB2,718,000 of short-term leases expenses, which are also included in the respective total amounts disclosed above for each of these types of expenses respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

12. EMPLOYEE COSTS

Employee costs (including directors’ emoluments (Note 13)) comprise:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Wages and salaries	19,490	21,155	19,471
Contributions to retirement benefits scheme	3,375	3,607	2,312
Other employee benefits	837	593	663
	<u>23,702</u>	<u>25,355</u>	<u>22,446</u>

13. DIRECTORS’ REMUNERATION AND SENIOR MANAGEMENT’S EMOLUMENTS

(i) Directors’ remuneration

Directors’ emoluments paid or payable to the individuals who were appointed as the directors of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), disclosed pursuant to the Listing Rules for each of the reporting period during the Track Record Period are as follows:

Year ended 31 December 2023						
		Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to retirement benefits scheme	Total emoluments
Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Mr. Zhong	(i)	—	998	—	123	1,121
Mr. Luo Zhiyong	(ii)	—	457	47	111	615
Ms. Wang Huan	(iii)	—	290	32	94	416
Ms. Zhong Xiaojian	(iv)	—	219	24	65	308
		—	1,964	103	393	2,460
Independent non-executive directors						
Ms. Duan Chunlin	(v)	—	—	—	—	—
Mr. He Jie	(vi)	—	—	—	—	—
Mr. Xie Fang	(vii)	—	—	—	—	—
		—	—	—	—	—
		—	1,964	103	393	2,460

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2024						
			Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to retirement benefits scheme	Total emoluments
Note	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors						
Mr. Zhong	(i)	—	1,013	—	113	1,126
Mr. Luo Zhiyong	(ii)	—	449	72	106	627
Ms. Wang Huan	(iii)	—	287	48	97	432
Ms. Zhong Xiaojian	(iv)	—	208	36	65	309
		—	1,957	156	381	2,494
Independent non-executive directors						
Ms. Duan Chunlin	(v)	—	—	—	—	—
Mr. He Jie	(vi)	—	—	—	—	—
Mr. Xie Fang	(vii)	—	—	—	—	—
		—	—	—	—	—
		—	1,957	156	381	2,494
Year ended 31 December 2025						
			Salaries, allowances and benefits in kind	Discretionary bonus	Contributions to retirement benefits scheme	Total emoluments
Note	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Executive directors						
Mr. Zhong	(i)	—	1,028	—	104	1,132
Mr. Luo Zhiyong	(ii)	—	458	72	102	632
Ms. Wang Huan	(iii)	—	297	48	90	435
Ms. Zhong Xiaojian	(iv)	—	[199]	[36]	66	301
		—	[1,982]	[156]	362	2,500
Independent non-executive directors						
Ms. Duan Chunlin	(v)	—	—	—	—	—
Mr. He Jie	(vi)	—	—	—	—	—
Mr. Xie Fang	(vii)	—	—	—	—	—
		—	—	—	—	—
		—	[1,982]	[156]	362	2,500

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) Mr. Zhong was appointed as an executive director of the Company on 20 January 2025.
- (ii) Mr. Luo Zhiyong was appointed as an executive director of the Company on 22 August 2025.
- (iii) Ms. Wang Huan was appointed as an executive director of the Company on 22 August 2025.
- (iv) Ms. Zhong Xiaojian was appointed as an executive director of the Company on 22 August 2025.
- (v) Ms. Duan Chunlin was appointed as an independent non-executive director of the Company on [●].
- (vi) Mr. He Jie was appointed as an independent non-executive director of the Company on [●].
- (vii) Mr. Xie Fang was appointed as an independent non-executive director of the Company on [●].

During the Track Record Period, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

(ii) Five highest paid individuals

The five highest paid individuals of the Group included 2, 3, 3 directors for the years ended 31 December 2023, 2024 and 2025, whose emoluments are reflected in Note 13(i).

The analysis of the emolument of the remaining 3, 2 and 2 highest paid individuals for the years ended 31 December 2023, 2024 and 2025, respectively, are set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	992	605	629
Discretionary bonus	102	100	83
Contributions to retirement benefits scheme	277	190	199
	<u>1,371</u>	<u>895</u>	<u>911</u>

The number of non-director highest paid individuals whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Nil to HKD1,000,000	<u>3</u>	<u>2</u>	<u>2</u>

During the Track Record Period, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) Senior management emolument band

The number of senior management whose remuneration fell within the following band is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Nil to HKD1,000,000	<u>2</u>	<u>2</u>	<u>2</u>

14. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Current tax — PRC Enterprise Income Tax (the “ PRC EIT ”)			
— for the year	5,528	6,659	7,209
— under/(over) provision in prior years	(43)	402	(5)
Deferred tax (<i>Note 29</i>)			
— for the year	(979)	(290)	300
Income tax expense	<u>4,506</u>	<u>6,771</u>	<u>7,504</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, the Company incorporated in the Cayman Islands and the Company’s subsidiary incorporated in BVI are not subject to any income tax.

Hong Kong Profits Tax for the Company’s subsidiary incorporated in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits. No provision for Hong Kong Profit Tax has been made in the consolidated financial statements as the Group has no assessable profits in Hong Kong during the Track Record Period.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Company is calculated based on the statutory tax rate of 25%, except for the below subsidiaries, which are entitled to a preferential tax rate according to the Enterprise Income Tax Preference Policies issued by the State Administration of Taxation (“**Eligible PRC Subsidiaries**”):

- IOT Data was approved for the High and New Technology Entities (“**HNTE**”) qualification under the PRC EIT Law and its relevant regulations and are entitled to a preferential tax rate of 15% during the Track Record Period.
- According to the Announcement of No. 8 (2021), No. 13 (2022), No. 6 (2023) and No. 12 (2023) issued by the Ministry of Finance and the State Taxation Administration of the PRC, “Further Implementing Income Tax Preferential Policies for Small and Micro Enterprises”, for the years ended 31 December 2023, 2024 and 2025 are charged at a reduced rate as below: for the annual taxable profits not exceeded RMB1 million, 25% of such amount is taxable with a tax rate of 20%; for annual taxable profits exceeded RMB1 million but less than RMB3 million, 25% of such amount is taxable with a tax rate of 20%.
- According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, IOT Data as a High and New Technology Enterprise is entitled to claim 200% of its research and development expenses so incurred as tax deductible expenses when determining its assessable profit for the Track Record Period (“**Super Deduction**”).

APPENDIX I

ACCOUNTANTS’ REPORT

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before income tax expense	<u>31,658</u>	<u>39,975</u>	<u>46,111</u>
Tax calculated at PRC statutory tax rate of 25%	7,915	9,994	11,528
Expenses not deductible for tax purposes	42	356	2,060
Tax incentives for research and development expenses available for subsidiaries incorporated in the PRC	(1,226)	(962)	(1,065)
Effect of tax preferential rates granted to the Eligible PRC Subsidiaries	(2,182)	(3,019)	5,014
Under/(over) provision in prior years	<u>(43)</u>	<u>402</u>	<u>(5)</u>
Income tax expense	<u>4,506</u>	<u>6,771</u>	<u>7,504</u>

15. DIVIDENDS

No dividend has been paid or declared by the Company during the Track Record Period.

On 11 October 2024, Guangdong Holyfire declared an aggregate dividend of RMB10,435,000 in form of cash dividends to its beneficial shareholders.

On 20 May 2025 and 28 May 2025, Guangdong Holyfire declared aggregate dividends of RMB41,739,500 and RMB35,895,970 respectively in form of cash dividends to its beneficial shareholders.

Dividends during the Track Record Period represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for each of the respective years during the Track Record Period, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the company is based on the following data:

	Year ended 31 December		
	2023	2024	2025
Earnings attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	<u>27,113</u>	<u>33,156</u>	<u>38,552</u>
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<u>[187,500,000]</u>	<u>[187,500,000]</u>	<u>[187,500,000]</u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Reorganisation and the [REDACTED] as detailed in Note 1 (b) and 43 are completed on 1 January 2023 and remained the same throughout the Track Record Period. No diluted earnings per share are presented for the Track Record Period as there were no potential ordinary share outstanding.

APPENDIX I

ACCOUNTANTS’ REPORT

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Machineries RMB'000	Total RMB'000
Cost					
At 1 January 2023	582	1,306	2,682	37,575	42,145
Additions	149	175	—	155	479
Disposal	—	(27)	—	—	(27)
At 31 December 2023	731	1,454	2,682	37,730	42,597
Additions	2,137	400	—	—	2,537
At 31 December 2024	2,868	1,854	2,682	37,730	45,134
Additions	—	58	—	—	58
At 31 December 2025	2,868	1,912	2,682	37,730	45,192
Accumulated depreciation and impairment					
At 1 January 2023	291	945	1,200	15,302	17,738
Charged during the year	135	194	414	4,581	5,324
Eliminated on disposal	—	(26)	—	—	(26)
At 31 December 2023	426	1,113	1,614	19,883	23,036
Charged during the year	290	215	414	4,214	5,133
At 31 December 2024	716	1,328	2,028	24,097	28,169
Charged during the year	471	191	369	4,215	5,246
At 31 December 2025	1,187	1,519	2,397	28,312	33,415
Net book value					
At 31 December 2025	1,681	393	285	9,418	11,777
At 31 December 2024	2,152	526	654	13,633	16,965
At 31 December 2023	305	341	1,068	17,847	19,561

APPENDIX I

ACCOUNTANTS’ REPORT

18. LEASES

The Group has lease contracts for property and buildings used in its operations. Leases of the property and buildings generally have lease terms of 3 to 6 years.

(a) Right-of-use assets

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

	Total <i>RMB’000</i>
At 1 January 2023	2,021
Commencement of lease	2,517
Depreciation for the year	<u>(1,273)</u>
At 31 December 2023	3,265
Commencement of lease	6,621
Early termination of lease	(317)
Depreciation for the year	<u>(1,841)</u>
At 31 December 2024	7,728
Depreciation for the year	<u>(1,850)</u>
At 31 December 2025	<u><u>5,878</u></u>

(b) Lease liabilities

	As at 31 December		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Carrying amount at beginning of year	2,059	3,413	8,282
Commencement of lease	2,517	6,621	—
Early termination of lease	—	(376)	—
Lease payments	(1,270)	(1,616)	(1,894)
Interest expense	<u>107</u>	<u>240</u>	<u>358</u>
Carrying amount at end of year	<u><u>3,413</u></u>	<u><u>8,282</u></u>	<u><u>6,746</u></u>

APPENDIX I

ACCOUNTANTS’ REPORT

Future lease payments are due as follows:

	Future lease payments <i>RMB'000</i>	Interest <i>RMB'000</i>	Present value <i>RMB'000</i>
At 31 December 2023			
Not later than one year	1,657	108	1,549
Later than one year and not later than two years	978	52	926
Later than two years and not later than five years	959	21	938
	<u>3,594</u>	<u>181</u>	<u>3,413</u>
At 31 December 2024			
Not later than one year	1,894	358	1,536
Later than one year and not later than two years	2,182	275	1,907
Later than two years and not later than five years	4,417	406	4,011
Later than five years	838	10	828
	<u>9,331</u>	<u>1,049</u>	<u>8,282</u>
At 31 December 2025			
Not later than one year	2,182	275	1,907
Later than one year and not later than two years	1,543	198	1,345
Later than two years and not later than five years	3,712	218	3,494
	<u>7,437</u>	<u>691</u>	<u>6,746</u>

The present value of future lease payments are analysed as:

	As at 31 December		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Current liabilities	1,549	1,536	1,907
Non-current liabilities	<u>1,864</u>	<u>6,746</u>	<u>4,839</u>
	<u>3,413</u>	<u>8,282</u>	<u>6,746</u>

For the years ended 31 December 2023, 2024 and 2025, total cash outflow in respect of lease (including short-term leases) recognised in consolidated statements of cash flows were approximately RMB4,614,000, RMB6,257,000 and RMB4,254,000, respectively.

19. INVESTMENT IN AN ASSOCIATE

	As at 31 December		
	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>	2025 <i>RMB'000</i>
Cost of investment in an unlisted associate	1,478	1,478	—
Less: Impairment loss	<u>(1,478)</u>	<u>(1,478)</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2023 and 2024, the Group had investment in the following associate:

Name of associate	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
		Directly	Indirectly		
Guangzhou Zhongyue Film Finance Co., Ltd.* (“Guangzhou Zhongyue”) (廣州眾悅電影金融有限公司)	The PRC, 2 December 2015, limited liability company	—	2023 & 2024: 20.97%	Registered capital RMB30,000,000	Film production, the PRC

* English name of the associate is translated directly from its corresponding official Chinese name.

The amounts of the Group’s unrecognised share of losses of the associate during the Track Record Period are summarised below:

	Year ended 31 December		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Guangzhou Zhongyue	<u>2</u>	<u>1</u>	<u>—</u>

The amounts of the Group’s unrecognised share of losses of the associate cumulatively at the end of each of the Track Record Period are summarised below:

	As at 31 December		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Guangzhou Zhongyue	<u>10</u>	<u>11</u>	<u>—</u>

The following tables illustrates their aggregate financial information:

	Year ended 31 December		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Loss for the year and total comprehensive expense	<u>(9)</u>	<u>(6)</u>	<u>—</u>

Loss from continuing operation was not recognised as the investment in associate is fully impaired.

20. INVENTORIES

	As at 31 December		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Trading goods	<u>13</u>	<u>—</u>	<u>—</u>

APPENDIX I

ACCOUNTANTS’ REPORT

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wealth management products, at fair value	—	6,012	—

The financial assets at fair value through profit or loss included wealth management products which were issued by major banks in the PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. TRADE RECEIVABLES

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	68,514	179,997	159,420
Less: Provision for impairment loss recognised	(439)	(950)	(626)
	<u>68,075</u>	<u>179,047</u>	<u>158,794</u>

The Group’s trading term with customers are mainly on credit. The credit terms are generally ranging from 30 to 270 days from invoice date.

An ageing analysis, based on the date of rendering services, which approximates the respective revenue recognition dates (before impairment), as of the end of each reporting period is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 3 months	65,319	153,265	127,293
3 to 6 months	2,447	16,855	12,311
6 months to 1 year	520	9,030	19,565
More than 1 year but less than 2 years	—	619	23
More than 2 years	<u>228</u>	<u>228</u>	<u>228</u>
	<u>68,514</u>	<u>179,997</u>	<u>159,420</u>

Movement on the Group’s provision for impairment on trade receivables are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	1,092	439	950
Provision/(reversal) for impairment loss on trade receivables, net	(653)	511	(188)
Written-off of loss allowance	<u>—</u>	<u>—</u>	<u>(136)</u>
At the end of the year	<u>439</u>	<u>950</u>	<u>626</u>

Further details on the Group’s credit policy and credit risk arising from trade receivables are set out in Note 41(a).

APPENDIX I

ACCOUNTANTS’ REPORT

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

(a) Group

	As at 31 December		2025
	2023	2024	
	RMB'000	RMB'000	RMB'000
Current			
Prepayments	5,084	9,106	2,369
Deferred issue costs	—	—	2,241
Deposits	1,900	2,178	4,635
Value added tax recoverable	188	—	97
Other receivables	74	2,617	2,426
	7,246	13,901	11,768
Less: Provision for impairment loss recognised	(19)	(62)	(47)
	<u>7,227</u>	<u>13,839</u>	<u>11,721</u>
Non-current			
Prepayments	68	259	392
	<u>7,295</u>	<u>14,098</u>	<u>12,113</u>

Further details on the Group’s credit risk arising from other receivables are set out in Note 41(a).

(b) Company

	2025
	RMB'000
Current	
Deferred issue costs	<u>2,241</u>

24. CONTRACT COSTS

	As at 31 December		2025
	2023	2024	
	RMB'000	RMB'000	RMB'000
Contract costs	<u>389</u>	<u>965</u>	<u>68</u>

Contract costs capitalised as at 31 December 2023, 2024 and 2025 related to costs to fulfil contracts, resulted from customers entering into service agreements with the Group. Contract costs are recognised as part of “cost of revenue” in the profit or loss in the period in which revenue from the services is recognised. The balance of capitalised contract costs is expected to be realised within one year.

APPENDIX I

ACCOUNTANTS’ REPORT

25. AMOUNT DUE FROM AN ASSOCIATE

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current			
Guangzhou Zhongyue	11	11	—
Less: Provision for impairment loss recognised	(11)	(11)	—
	<u>—</u>	<u>—</u>	<u>—</u>

The amount due from an associate is non-trade in nature, unsecured, interest-free and repayable on demand.

26. AMOUNT DUE (TO)/FROM DIRECTORS

(a) Group

	As at 31 December		
	2023	2024	2025
	RMB'000 Dr./(Cr.)	RMB'000 Dr./(Cr.)	RMB'000 Dr./(Cr.)
Mr. Zhong	—	(22)	9
Mr. Luo Zhiyong	—	(32)	—
Ms. Wang Huan	—	(—)*	—
	<u>—</u>	<u>(54)</u>	<u>9</u>

* Represents amount less than RMB1,000.

	Maximum balance outstanding during the year		
	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Mr. Zhong	<u>—</u>	<u>—</u>	<u>9</u>

The amounts due (to)/from directors are non-trade in nature, unsecured, interest-free and repayable on demand. The balances will be settled prior to [REDACTED].

(b) Company

	As at 31 December 2025
	RMB'000
	Dr./(Cr.)
Mr. Zhong	<u>9</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Maximum balance outstanding during the year As at 31 December 2025 RMB’000
Mr. Zhong	9

The amount due from a director is non-trade in nature, unsecured, interest-free and repayable on demand. The balance will be settled prior to [REDACTED].

27. AMOUNT DUE TO A RELATED COMPANY

(a) Group

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Guangdong Fuyuan Zhengde Investment Holding Co., Ltd. (“Guangdong Fuyuan Zhengde”)	—	—	308

Guangdong Fuyuan Zhengde is 100% owned and controlled by Mr. Zhong, who is the director of the Company. The amount due from a related company is non-trade in nature, unsecured, interest-free and repayable on demand. The balance will be settled prior to [REDACTED].

(b) Company

	As at 31 December 2025 RMB’000
Guangdong Fuyuan Zhengde	155

Guangdong Fuyuan Zhengde is controlled 100% owned and controlled by Mr. Zhong, who is the director of the Company. The amount due from a related company is non-trade in nature, unsecured, interest-free and repayable on demand. The balance will be settled prior to [REDACTED].

28. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cash and bank balances	64,014	17,789	37,024

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

As at 31 December 2023, 2024 and 2025, included in cash and bank balances of the Group was RMB64,014,000, RMB17,789,000 and RMB37,024,000 of bank balances denominated in RMB placed with the banks in the PRC. Under the PRC’s Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

APPENDIX I

ACCOUNTANTS’ REPORT

29. DEFERRED TAX

The net movement in deferred income tax assets and liabilities is as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At the beginning of the year	1,023	2,002	2,292
Credited/(charged) in profit or loss for the year (Note 14)	979	290	(300)
At the end of the year	<u>2,002</u>	<u>2,292</u>	<u>1,992</u>

Deferred tax assets

	Accrued expenses RMB'000 (Note a)	Tax losses RMB'000	Lease liabilities RMB'000	Allowance for expected credit loss RMB'000	Provision for litigation RMB'000	Total RMB'000
At 1 January 2023	708	20	388	267	—	1,383
(Charged)/credited in profit or loss for the year	<u>103</u>	<u>(20)</u>	<u>(48)</u>	<u>(169)</u>	<u>1,066</u>	<u>932</u>
At 31 December 2023 and 1 January 2024	811	—	340	98	1,066	2,315
Credited in profit or loss for the year	<u>142</u>	<u>—</u>	<u>954</u>	<u>89</u>	<u>—</u>	<u>1,185</u>
At 31 December 2024 and 1 January 2025	953	—	1,294	187	1,066	3,500
Charged in profit or loss for the year	<u>(21)</u>	<u>—</u>	<u>(187)</u>	<u>(66)</u>	<u>(271)</u>	<u>(545)</u>
At 31 December 2025	<u>932</u>	<u>—</u>	<u>1,107</u>	<u>121</u>	<u>795</u>	<u>2,955</u>

(a) The amount represents deferred tax assets arising from accrual of social insurance expenses and housing provident fund expenses at the amounts of RMB718,000 and RMB109,000 for the year ended 31 December 2023, accrual of RMB700,000 and RMB214,000 for the year ended 31 December 2024 and reversal of RMB100,000 and RMB123,000 for the year ended 31 December 2025 respectively.

(b) Under the EIT Law and Implementation Regulations, PRC withholding income tax is applicable to interest and dividends payable to investors that are “non-tax resident enterprises”, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such interest or dividends have their sources within the PRC. Under such circumstances, dividends distributed from the Company’s subsidiaries in PRC to off-shore group entities shall be subject to the withholding tax at 10% or a lower treaty rate. For the Group, the applicable tax rate is 10%. Deferred taxation has not been provided for in the consolidated financial statements for the years ended 31 December 2023, 2024 and 2025 in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB56,074,000, RMB72,311,000 and RMB32,681,000 respectively.

The Board of Directors of the Company affirm that the undistributed earnings of the PRC subsidiaries as of 31 December 2023, 2024 and 2025 will be reserved for the expansion of operations. Consequently, the Group has not provided for the deferred tax liabilities in respect of withholding tax on the remaining undistributed earnings of the Group’s PRC entities as the Group is capable of controlling the timing of reversal of such temporary difference, and it is highly likely that such temporary difference would not be reversed in the foreseeable future.

APPENDIX I

ACCOUNTANTS’ REPORT

Deferred tax liabilities

	Right-of-use assets RMB'000
At 1 January 2023	360
Credited in profit or loss for the year	<u>(47)</u>
At 31 December 2023 and 1 January 2024	313
Charged in profit or loss for the year	<u>895</u>
At 31 December 2024 and 1 January 2025	1,208
Credited in profit or loss for the year	<u>(245)</u>
At 31 December 2025	<u><u>963</u></u>

30. TRADE PAYABLES

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)	<u>19,647</u>	<u>53,433</u>	<u>16,354</u>

Note:

- (a) An ageing analysis of trade payables as at the respective reporting dates during the Track Record Period, based on the date of rendering services, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 3 months	19,395	41,464	15,386
3 to 6 months	120	11,752	604
6 to 9 months	122	2	240
9 months to 1 year	—	—	19
More than 1 year but less than 2 years	<u>10</u>	<u>215</u>	<u>105</u>
	<u>19,647</u>	<u>53,433</u>	<u>16,354</u>

The Group’s trade payables are non-interest bearing and generally have payment terms of 30–104 days from invoice date.

APPENDIX I

ACCOUNTANTS’ REPORT

31. OTHER PAYABLES AND ACCRUALS

(a) Group

	As at 31 December		2025
	2023	2024	
	RMB'000	RMB'000	RMB'000
Provision for litigation (<i>Note 38</i>)	7,108	7,108	5,305
Accrued salaries	7,377	8,515	7,830
Accrued expenses	321	532	1,770
Dividend payable of a subsidiary (<i>note (i)</i>)	—	—	19,745
Interest payable	17	11	50
VAT payable	2,008	2,657	2,270
Other tax payables	113	338	225
Others	200	186	185
	<u>17,144</u>	<u>19,347</u>	<u>37,380</u>

Note (i): Dividend payable relates to the dividends declared by Guangdong Holyfire on 20 May 2025 and 28 May 2025 in form of cash dividends to its beneficial shareholders.

Other payables and accruals are non-interest bearing and are expected to be realised within twelve months from the end of each reporting period.

(b) Company

	As at 31 December 2025 RMB'000
Accrued expenses	<u>1,424</u>

Accrued expenses are non-interest bearing and are expected to be realised within twelve months from the end of reporting period.

32. BORROWINGS

	As at 31 December		2025
	2023	2024	
	RMB'000	RMB'000	RMB'000
Non-current:			
Long-term bank borrowings, secured	<u>10,400</u>	<u>11,248</u>	<u>26,037</u>
Current:			
Short-term bank borrowings, secured	—	—	32,900
Current portion of long-term bank borrowings, secured	<u>2,040</u>	<u>5,752</u>	<u>2,400</u>
	<u>2,040</u>	<u>5,752</u>	<u>35,300</u>
Total borrowings	<u>12,440</u>	<u>17,000</u>	<u>61,337</u>
Effective interest rate per annum	<u>3.60%–4.10%</u>	<u>2.75%–4.05%</u>	<u>2.75%–3.25%</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(a) Details of securities and guarantees to the borrowings

The Group’s long-term bank borrowings, secured as at 31 December 2023 and 2024 RMB5,740,000 and RMB4,900,000 respectively were obtained in the PRC, secured by a Group’s patent registered in China National Intellectual Property Administration and supported by personal guarantee provided by the ultimate controlling party of the Company, Mr. Zhong. As at 31 December 2025, the bank borrowing was fully repaid.

The Group’s long-term bank borrowings, secured as at 31 December 2023 of RMB6,700,000 was obtained in the PRC, secured by a property of the ultimate controlling parties of the Company, Mr. Zhong and his spouse, Ms. Luo Xinyan and supported by personal guarantees provided by the ultimate controlling party of the Company, Mr. Zhong and the director of the Company, Mr. Luo. As at 31 December 2024, the above bank borrowing was fully repaid.

The Group’s long-term bank borrowings, secured as at 31 December 2024 of RMB12,100,000 were supported by personal guarantee provided by the ultimate controlling party of the Company, Mr. Zhong. As at 31 December 2025, the above personal guarantee has been released.

The Group’s short-term bank borrowings, secured of RMB 32,900,000 and long-term bank borrowings, secured of RMB28,437,000 as at 31 December 2025 were supported by corporate guarantees given by the subsidiaries.

(b) Repayment periods and interest

At the end of each reporting period, total current and non-current borrowings were scheduled to repay as follows:

	As at 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
On demand or within one year	2,040	5,752	35,300
More than 1 year but less than 2 years	6,100	852	11,944
More than 2 years but less than 5 years	4,300	10,396	14,093
	<u>12,440</u>	<u>17,000</u>	<u>61,337</u>

The borrowings from banks of the Group are variable rate borrowings which carry interest at one-year LPR minus 0.05% to plus 0.4%.

33. CONTRACT LIABILITIES

The contract liabilities mainly relate to the advance consideration received from customers. The Group has recognised the following contract liabilities:

	Year ended 31 December		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Integrated marketing services	269	2,311	36
Marketing technology services	224	153	—
Advertising marketing services	697	—	—
	<u>1,190</u>	<u>2,464</u>	<u>36</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The following table shows the amounts of revenue recognised in each reporting period during the Track Record Period that were included in the contract liabilities at the beginning of each reporting period:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	310	1,190	2,464
Revenue recognised that was included in contract liabilities at the beginning of the year	(310)	(1,190)	(2,464)
Increase in contract liabilities as a result of advanced consideration received from customers	<u>1,190</u>	<u>2,464</u>	<u>36</u>
At the end of the year	<u><u>1,190</u></u>	<u><u>2,464</u></u>	<u><u>36</u></u>

34. SHARE CAPITAL OF THE COMPANY

	Number of shares	Amount HKD'000	Amount RMB'000
Ordinary shares of par value of HKD0.01 each			
Authorised			
On 20 January 2025 (date of incorporation) and 31 December 2025	<u>38,000,000</u>	<u>380</u>	<u>348</u>
	Number of shares	Amount HKD'000	Amount RMB'000
Issued and fully paid			
On 20 January 2025 (date of incorporation)	1	—*	—*
Issue of shares	<u>999,999</u>	<u>10</u>	<u>9</u>
As at 31 December 2025	<u><u>1,000,000</u></u>	<u><u>10</u></u>	<u><u>9</u></u>

* Represents amount less than RMB1,000.

There was no share capital as at 1 January 2023 and 31 December 2023 and 2024 since the Company was not yet set up by then.

The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 20 January 2025 with authorised share capital of HKD380,000 divided into 38,000,000 shares of HKD0.01 each. On the date of incorporation, 1 ordinary share of HKD0.01 was allotted and issued at par by the Company. During the year ended 31 December 2025, 999,999 ordinary shares of HKD0.01 each were allotted and issued by the Company at par (equivalent to approximately RMB9,000) as part of the Reorganisation.

35. RESERVES

(a) The Group

Details of the movements in the reserves of the Group during the Track Record Period are set out in the consolidated statements of changes in equity.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) The Company

The movement in the reserves of the Company from 20 January 2025 (date of incorporation) to 31 December 2025 is disclosed below:

	Other reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 20 January 2025 (date of incorporation)	—	—	—
Capital injection by shareholder through other reserve	74,518	—	74,518
Loss for the year	—	(6,765)	(6,765)
As at 31 December 2025	<u>74,518</u>	<u>(6,765)</u>	<u>67,753</u>

(c) The following describes the nature and purpose of each reserve within owner’s equity:

Reserve	Description and purpose
Merger reserve	It represents the difference between the purchase consideration paid and paid-in capital contributed of PRC subsidiaries acquired pursuant to the Group Reorganisation.
Statutory reserve	In accordance with the relevant PRC laws and regulations and articles of association, the PRC subsidiaries are required to transfer 10% of their net profit as determined in accordance with accounting rules and regulations to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity shareholders. This reserve can be utilised in setting off accumulated losses or increase capital and is non-distributable other than in event of liquidation.
Other reserve	In respect of the balance of RMB884,000 as at 1 January 2023, 31 December 2023 and 2024, it mainly represents the difference between the carrying amount of non-controlling interests being acquired and the consideration paid pursuant to the acquisition of addition interests in partially-owned subsidiaries from non-controlling interests. In respect of the balance of RMB74,518,000 during the year ended 31 December 2025, it represented the consideration of the equity transfer agreements with each of the shareholders of the Guangdong Holyfire, to acquire an aggregate of approximately 98.8% equity interests in Guangdong Holyfire, which is contributed by the capital injected by Mr. Zhong.
Retained earnings/ (accumulated losses)	Balance represents cumulative net profit and loss recognised in profit and loss.

36. INVESTMENT IN SUBSIDIARIES

The Company

	As at 31 December 2025 RMB'000
Unlisted investments, at cost	<u>74,519</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Particulars of the directly and indirectly held subsidiaries of the Company are set out in Note 1(b) to the Historical Financial Information.

37. AMOUNTS DUE TO SUBSIDIARIES

Company

	As at 31 December 2025 RMB’000
Guangdong Holyfire	7,425
Sheng Lian	1
Xia Hong	1
Xie Heng	1
	<u>7,428</u>

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

38. PROVISION/(REVERSAL) FOR LITIGATION CLAIMS

On 17 February 2023, a subsidiary of the Company, IOT Data, signed a promotion agreement with a customer to manage and distribute promotion prizes for a promotion event held by the customer and IOT Data rented a warehouse to store the promotion prizes on behalf of this customer. Subsequently on 2 May 2023, the warehouse was on fire by accident and the promotion prizes were burnt. As at 31 December 2023, the IOT Data recognised the provision of compensation of RMB7,108,000 for such accident to this customer.

On 10 September 2024, the customer filed a formal lawsuit against IOT Data in the People’s Court of Wangpu District of Shanghai to claim for compensation of RMB4,167,000 after compensated by the customer’s insurance company of RMB2,941,000. On 3 February 2026, IOT Data has reached an agreement to compensate a total of RMB2,200,000, of which the amount of RMB1,540,000 will be payable by 14 February 2026 and the amount of RMB660,000 will be payable by 30 April 2026. Accordingly, the IOT Data recognised a reversal for litigation claims of RMB1,967,000 as at 31 December 2025.

On 8 May 2025, the customer’s insurance company also filed a formal lawsuit against Guangdong Holyfire and IOT Data in the People’s Court of Wangpu District of Shanghai to claim for remaining compensation of RMB2,941,000 and accrued interest of RMB108,000 up to date. The litigation case with the insurance company is still pending for ruling up to the date of this Accountants’ Report. During the year ended 31 December 2025, the IOT Data recognised a provision for litigation claims of RMB164,000 for the total accrued interest until 31 December 2025.

The movement of provision for litigation during the Track Record Period are as follows:

	As at 31 December		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
At the beginning of the year	—	7,108	7,108
Debited/(credited) in profit or loss for the year	<u>7,108</u>	<u>—</u>	<u>(1,803)</u>
At the end of year (Note 31)	<u>7,108</u>	<u>7,108</u>	<u>5,305</u>

APPENDIX I

ACCOUNTANTS’ REPORT

39. RELATED PARTY DISCLOSURES

In addition to the transaction and balances disclosed in the Historical Financial Information, the Group entered into the following related party transactions, which would constitute connected transactions as defined in Chapter 14A of the Listing Rules upon [REDACTED], during the Track Record Period:

(a) Compensation of key management personnel

The key management personnel of the Group represent directors and other senior management of the Group. Details of the remuneration paid to them during the Track Record Period are set out in Note 13 to the Historical Financial Information.

(b) Balances with related parties

Details of the Group’s amount due from an associate, amount due from/(to) directors and amount due from a related company are included in Note 25, 26 and 27 respectively.

(c) Guarantees provided by related parties

During the Track Record Period, directors of the Company provided personal guarantees to certain banks for bank loans granted to the Group (Note 32). All the personal guarantees have been released as at 31 December 2025.

40. NOTES SUPPORTING THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Non-cash transactions

During the years ended 31 December 2023, 2024 and 2025, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,517,000, RMB6,621,000 and RMB Nil.

(b) Reconciliation of liabilities from financing transactions

	Amounts due to directors RMB'000	Amounts due to a related company RMB'000	Dividend payable of a subsidiary (included in other payables and accruals) RMB'000	Borrowings RMB'000	Lease liabilities RMB'000
As at 1 January 2023	—	—	—	6,580	2,059
<i>Changes from cash flow:</i>					
Proceeds from new borrowings	—	—	—	10,000	—
Repayment of borrowings	—	—	—	(4,140)	—
Repayment of principal elements	—	—	—	—	(1,163)
Interest paid	—	—	—	(514)	(107)
<i>Other changes:</i>					
Commencement of leases	—	—	—	—	2,517
Imputed interest incurred on lease payments	—	—	—	—	107
Increase in interest payable	—	—	—	(9)	—
Interest expenses	—	—	—	523	—
As at 31 December 2023 and 1 January 2024	<u>—</u>	<u>—</u>	<u>—</u>	<u>12,440</u>	<u>3,413</u>

APPENDIX I

ACCOUNTANTS’ REPORT

	Amounts due to directors RMB'000	Amounts due to a related company RMB'000	Dividend payable of a subsidiary (included in other payables and accruals) RMB'000	Borrowings RMB'000	Lease liabilities RMB'000
<i>Changes from cash flow:</i>					
Proceeds from new borrowings	—	—	—	12,100	—
Repayment of borrowings	—	—	—	(7,540)	—
Repayment of principal elements	—	—	—	—	(1,376)
Interest paid	—	—	—	(238)	(240)
Advances from directors	54	—	—	—	—
Dividend paid to beneficial shareholders of Guangdong Holyfire	—	—	(10,435)	—	—
<i>Other changes:</i>					
Early termination of lease	—	—	—	—	(376)
Commencement of lease	—	—	—	—	6,621
Imputed interest incurred on lease payments	—	—	—	—	240
Decrease in interest payable	—	—	—	6	—
Interest expenses	—	—	—	232	—
Dividend declared by Guangdong Holyfire to its beneficial shareholders	—	—	10,435	—	—
As at 31 December 2024	54	—	—	17,000	8,282
As at 1 January 2025	54	—	—	17,000	8,282
<i>Changes from cash flow:</i>					
Proceeds from new borrowings	—	—	—	50,800	—
Repayment of borrowings	—	—	—	(6,463)	—
Repayment of principal elements	—	—	—	—	(1,536)
Interest paid	—	—	—	(1,033)	(358)
Advances from related company	—	308	—	—	—
Dividend paid to beneficial shareholders of Guangdong Holyfire	—	—	(57,891)	—	—
Repayments to directors	(54)	—	—	—	—
<i>Other changes:</i>					
Increase in interest payable	—	—	—	(28)	—
Interest expenses	—	—	—	1,061	358
Dividend declared by Guangdong Holyfire to its beneficial shareholders	—	—	77,636	—	—
As at 31 December 2025	—	308	19,745	61,337	6,746

APPENDIX I

ACCOUNTANTS’ REPORT

41. FINANCIAL RISK MANAGEMENT

The Group’s and the Company’s principal financial assets are trade receivables, financial assets at fair value through profit or loss, deposits and other receivables, amount due from an associate, amounts due from directors, amount due from a related company and cash and cash equivalents that derive directly from its operations. Principal financial liabilities of the Group include trade payables, other payables and accruals, amounts due to directors, borrowings and lease liabilities. The main purpose of these financial liabilities is to finance the Group’s operations.

The main risks arising from the Group’s financial instruments are credit risk, liquidity risk and interest rate risk. Generally, the Group utilises conservative strategies on its risk management. The Group’s exposure to market risk is kept to minimum.

(a) Credit risk

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 is exposed to credit risk from its operating activities (primarily for trade receivables) and deposits with banks.

The Group’s customers are mainly reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the Track Record Period and are considered to have been effective in limiting the Group’s exposure to credit risk to a desirable level.

The Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables from transactions that is within the scope of HKFRS 15. Management has assessed the risk of default by counterparties and Note 22 details the loss allowance provision that was recognised during the Track Record Period.

To measure the expected credit losses, trade receivables were grouped based on shared credit risk characteristics and the days past due. The provision is determined as follows:

	Not yet past due	Within 3 months past due	3–6 months past due	6 months to 1 year past due	1–2 years past due	More than 2 years past due	Total
The Group							
As at 31 December 2023							
Expected loss rate	0.29%	1.87%	5.03%	16.67%	100%	100%	
Gross carrying amount (RMB’000)	67,741	374	159	12	—	228	68,514
Loss allowance provision (RMB’000)	194	7	8	2	—	228	439
As at 31 December 2024							
Expected loss rate	0.16%	1.41%	3.44%	12.98%	100%	100%	
Gross carrying amount (RMB’000)	167,257	11,311	582	395	224	228	179,997
Loss allowance provision (RMB’000)	267	159	21	51	224	228	950
As at 31 December 2025							
Expected loss rate	0.24%	2.49%	11.11%	37.50%	100%	100%	
Gross carrying amount (RMB’000)	158,596	563	9	24	—	228	159,420
Loss allowance provision (RMB’000)	374	14	1	9	—	228	626

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2023, 2024 and 2025, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk at each of the reporting date was the carrying value of each class of receivables mentioned above. The Group does not hold any collateral or other credit enhancement over these balances.

The Group had a concentration of credit risk as certain of the Group’s trade receivables were due from the Group’s five largest customers as detailed below.

	As at 31 December		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
Five largest customers	63,270	147,634	148,142

The Group’s major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

For other receivables, the directors make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The movement of loss allowances for other receivables during the Track Record Period are as follows:

	As at 31 December		
	2023 RMB’000	2024 RMB’000	2025 RMB’000
At the beginning of the year	45	19	62
(Reversal)/provision for impairment loss on other receivables, net	(26)	43	(15)
At the end of year	19	62	47

(b) Liquidity risk

In the management of liquidity risk, the Group’s policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the Track Record Period and are considered to have been effective in managing liquidity risk.

The following table details the Group’s remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of each reporting period.

						More than	
		Carrying	Total	Within	More than	2 than	
	Interest rate	amount	contractual	1 year or	1 year but	but less	
			undiscounted	1 year on	less than	than	More than
			cash flow	demand	2 years	5 years	5 years
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group							
As at 31 December 2023							
Trade payables	N/A	19,647	19,647	19,647	—	—	—
Other payables and accruals	N/A	538	538	538	—	—	—
Borrowings	3.60%–4.10%	12,440	13,114	2,118	6,355	4,641	—
Lease Liabilities	4.15%–4.75%	3,413	3,594	1,657	978	959	—
		36,038	36,893	23,960	7,333	5,600	—

APPENDIX I

ACCOUNTANTS’ REPORT

	Interest rate	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
As at 31 December 2024							
Trade payables	N/A	53,433	53,433	53,433	—	—	—
Other payables and accruals	N/A	729	729	729	—	—	—
Amounts due to directors	N/A	54	54	54	—	—	—
Borrowings	2.75%–4.05%	17,000	18,019	5,520	627	11,872	—
Lease Liabilities	4.15%–4.90%	8,282	9,331	1,894	2,182	4,417	838
		<u>79,498</u>	<u>81,566</u>	<u>61,630</u>	<u>2,809</u>	<u>16,289</u>	<u>838</u>

As at 31 December 2025

Trade payables	N/A	16,354	16,354	16,354	—	—	—
Other payables and accruals	N/A	21,750	21,750	21,750	—	—	—
Amounts due to a related company	N/A	308	308	308	—	—	—
Borrowings	2.75%–3.25%	61,337	63,828	36,815	12,685	14,328	—
Lease Liabilities	4.15%–4.90%	6,746	7,437	2,182	1,543	3,712	—
		<u>106,495</u>	<u>109,677</u>	<u>77,409</u>	<u>14,228</u>	<u>18,040</u>	<u>—</u>

The Company

As at 31 December 2025

Amounts due to subsidiaries		7,428	7,428	7,428	—	—	—
Amount due to a related company		155	155	155	—	—	—
Other payables and accrual		<u>418</u>	<u>418</u>	<u>418</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>8,001</u>	<u>8,001</u>	<u>8,001</u>	<u>—</u>	<u>—</u>	<u>—</u>

(c) Interest rate risk

Interest rate risk means the risk on fluctuation of fair value or future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing cash flow interest rate risk, and fixed interest rate instruments will result in the Group facing fair value interest rate risk.

Other than cash at bank in Note 28, the Group does not have significant interest-bearing assets. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group’s fair value interest-rate risk mainly arises from variable-rate borrowings as disclosed in Note 32. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table indicates the approximate effect on the profit after income tax expense in response to reasonably possible changes in the interest rates by 100 basis points higher/lower, with all other variables held constant, to which the Group has significant exposure at the end of each reporting period during the Track Record Period.

Effect on profit after income tax	For the year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest rate changes by:			
100 basis points higher	(124)	(170)	(613)
100 basis points lower	<u>124</u>	<u>170</u>	<u>613</u>

The interest rates and terms of repayment of the Group’s borrowings are disclosed in Note 32.

(d) 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 shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Track Record Period.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. Total debt is calculated as borrowings and lease liabilities. Capital includes equity attributable to owners of the Company.

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total debt	15,853	25,282	68,083
Equity attributable to the owners of the Company	<u>107,326</u>	<u>140,050</u>	<u>101,846</u>
Total debt and equity	<u>123,179</u>	<u>165,332</u>	<u>169,929</u>
Gearing ratio	<u>12.87%</u>	<u>15.29%</u>	<u>40.07%</u>

(e) Fair value

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade receivables, deposits and other receivables, amount due from an associate, amounts due from directors, amount due to a related company, trade payables, other payables and accruals, amounts due to directors and borrowings.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade receivables, deposits and other receivables, amount due from an associate, amounts due from directors, amount due to a related company, trade payables, other payables and accruals, and amounts due to directors approximates their fair value.

APPENDIX I

ACCOUNTANTS’ REPORT

Financial instruments measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurement using			Total
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	RMB’000
The Group				
As at 31 December 2024				
Wealth management products	—	6,012	—	6,012

The Group did not have any financial assets or liabilities measured at fair value at 31 December 2023 and 31 December 2025.

During the years ended 31 December 2023 and 2024 and 2025, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Fair value adjustment of financial assets at fair value through profit or loss is recognised in the line item “other gains and losses” on the face of the consolidated statements of profit or loss and other comprehensive income.

All the gains or losses recognised in profit or loss for the year arise from the financial assets at fair value through profit or loss held at the end of each reporting period during the Track Record Period.

(f) Foreign exchange risk

The Group is engaged in the provision of integrated marketing services, marketing technology services and advertising marketing services (the “[REDACTED] Business”) in the PRC with almost all the transactions denominated and settled in RMB, which is the functional currency of the group companies. Therefore, its foreign exchange risk is limited. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

APPENDIX I

ACCOUNTANTS’ REPORT

42. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	2023 RMB'000	2024 RMB'000	2025 RMB'000
The Group			
Financial assets			
<i>Financial assets at amortised cost — current</i>			
Trade receivables	68,075	179,047	158,794
Deposits and other receivables	1,955	4,733	7,014
Amounts due from directors	—	—	9
Amount due from an associate	—	—	—
Cash and cash equivalents	64,014	17,789	37,024
	<u>134,044</u>	<u>201,569</u>	<u>202,841</u>
<i>Financial assets at fair value — current</i>			
Financial assets at fair value through profit or loss	—	6,012	—
	<u>—</u>	<u>6,012</u>	<u>—</u>
Financial liabilities			
<i>Financial liabilities at amortised costs — current</i>			
Trade payables	19,647	53,433	16,354
Other payables and accruals	538	729	21,750
Borrowings	2,040	5,752	35,300
Amount due to a related company	—	—	308
Amounts due to directors	—	54	—
Lease liabilities	1,549	1,536	1,907
	<u>23,774</u>	<u>61,504</u>	<u>75,619</u>
<i>Financial liabilities at amortised costs — non-current</i>			
Borrowings	10,400	11,248	26,037
Lease liabilities	1,864	6,719	4,839
	<u>12,264</u>	<u>17,967</u>	<u>30,876</u>
	<u>36,038</u>	<u>79,471</u>	<u>106,495</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at
31 December
2025
RMB’000

The Company
Financial assets

Financial assets at amortised cost — current

Amount due from a director	9
----------------------------	---

Financial liabilities

Financial liabilities at amortised costs — current

Amounts due to subsidiaries	7,428
Amount due to a related company	155
Other payables and accruals	418
	<u>8,001</u>

43. SUBSEQUENT EVENTS

The following event took place subsequent to 31 December 2025:

[REDACTED]

On [●], written resolutions of the shareholders of the Company were passed to approve the allotment and issue of [REDACTED] shares of the Company credited as fully paid at par, each ranking pari passu in all respects with the existing issued shares, by way of capitalisation of an amount of HK\$[REDACTED] standing to the credit of the share premium of the Company.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2025.