

APPENDIX I

ACCOUNTANTS’ REPORT

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

[To insert the firm’s letterhead]

Introduction

We report on the historical financial information of Transwarp Technology (Shanghai) Co., Ltd.* (“星環信息科技(上海)股份有限公司”) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[3] to I-[●], which comprises the consolidated statements of financial position of the Group as at December 31, 2023, 2024 and 2025, the statements of financial position of the Company as at December 31, 2023, 2024 and 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 of the Group for each of the three years ended December 31, 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-[3] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

* *English name is for identification purpose only.*

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at December 31, 2023, 2024 and 2025, of the Company’s financial position as at December 31, 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 preparation set out in Note 2 to the Historical Financial Information.

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

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

Dividends

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

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[●]

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended December 31,		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Revenue	6	490,533	370,755	447,069
Cost of sales		(233,799)	(192,026)	(211,059)
Gross profit		256,734	178,729	236,010
Other income	8	34,213	28,120	36,455
Other gains and losses, net	9	26,336	14,880	7,947
Selling expenses		(235,123)	(203,961)	(159,788)
Administrative expenses		(128,675)	(118,589)	(114,213)
[REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Research and development expenses		(223,065)	(227,328)	(204,061)
Impairment losses under expected credit loss (“ECL”) model, net of reversal	10	(16,783)	(13,192)	(43,668)
Finance costs	11	(2,805)	(2,940)	(2,224)
Share of results of associates		–	–*	(944)
Loss before tax	12	(289,168)	(344,281)	(245,156)
Income tax expense	13	–	–	(14)
Loss and total comprehensive expense for the year		<u>(289,168)</u>	<u>(344,281)</u>	<u>(245,170)</u>
Loss and total comprehensive expense for the year attributable to:				
– Owners of the Company		(288,243)	(343,462)	(245,170)
– Non-controlling interests		(925)	(819)	–
		<u>(289,168)</u>	<u>(344,281)</u>	<u>(245,170)</u>
Loss per share				
– Basic (RMB yuan)	15	<u>(2.39)</u>	<u>(2.84)</u>	<u>(2.03)</u>
– Diluted (RMB yuan)	15	<u>(2.39)</u>	<u>(2.84)</u>	<u>(2.03)</u>

* Amount is less than RMB1,000

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	As at December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property and equipment	17	100,062	136,186	102,307
Right-of-use assets	18	37,060	33,282	16,987
Intangible assets	19	21,866	52,802	88,387
Interests in associates	20	–	450	4,296
Term deposits	28	15,011	15,439	70,587
Financial assets at fair value through profit or loss (“FVTPL”)	26	12,000	20,000	22,340
Prepayments and other receivables	23	47,834	–	–
		<u>233,833</u>	<u>258,159</u>	<u>304,904</u>
Current assets				
Trade and bills receivables	22	377,432	337,362	265,435
Prepayments and other receivables	23	15,765	24,603	40,219
Contract assets	24	35,737	39,462	48,107
Inventories		1,566	1,651	4,779
Contract costs	25	48,686	49,955	47,016
Financial assets at FVTPL	26	595,175	71,652	71,588
Bills receivables at fair value through other comprehensive income (“FVTOCI”)	27	–	–	11,684
Term deposits	28	131,916	70,148	30,357
Restricted bank deposits		6	6	8
Cash and cash equivalents	28	352,748	543,261	353,951
		<u>1,559,031</u>	<u>1,138,100</u>	<u>873,144</u>
Current liabilities				
Trade, bills and other payables	29	185,663	142,276	177,235
Contract liabilities	30	38,450	62,574	57,270
Borrowings	31	55,546	40,027	30,036
Financial liabilities at FVTPL	32	–	–	44
Lease liabilities	33	14,899	17,206	15,295
Provisions	34	24,150	17,572	23,983
		<u>318,708</u>	<u>279,655</u>	<u>303,863</u>
Net current assets		<u>1,240,323</u>	<u>858,445</u>	<u>569,281</u>
Total assets less current liabilities		<u>1,474,156</u>	<u>1,116,604</u>	<u>874,185</u>
Non-current liabilities				
Lease liabilities	33	24,058	16,716	1,261
Deferred income	35	10,264	5,447	10,412
		<u>34,322</u>	<u>22,163</u>	<u>11,673</u>
Net assets		<u>1,439,834</u>	<u>1,094,441</u>	<u>862,512</u>
Capital and reserves				
Share capital	36	120,842	120,842	121,136
Reserves		<u>1,322,459</u>	<u>977,885</u>	<u>741,376</u>
Equity attributable to owners of the Company		1,443,301	1,098,727	862,512
Non-controlling interests		(3,467)	(4,286)	–
Total equity		<u>1,439,834</u>	<u>1,094,441</u>	<u>862,512</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	As at December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Non-current assets				
Property and equipment	17	98,599	135,486	96,315
Right-of-use assets	18	25,956	22,014	10,812
Intangible assets	19	13,418	32,228	62,043
Interests in associates	20	–	450	2,587
Interests in subsidiaries	21	186,411	215,092	253,907
Term deposits	28	15,011	15,439	70,587
Financial assets at FVTPL	26	12,000	20,000	22,340
Prepayments and other receivables	23	47,834	–	–
		<u>399,229</u>	<u>440,709</u>	<u>518,591</u>
Current assets				
Trade and bills receivables	22	363,790	328,632	259,189
Prepayments and other receivables	23	222,529	321,833	407,474
Contract assets	24	34,181	37,938	47,145
Inventories		1,179	1,960	5,087
Contract costs	25	39,104	42,669	41,885
Financial assets at FVTPL	26	590,175	70,152	71,518
Bills receivables at FVTOCI	27	–	–	11,684
Term deposits	28	131,916	70,148	15,867
Restricted bank deposits		6	6	8
Cash and cash equivalents	28	328,116	502,996	317,218
		<u>1,710,996</u>	<u>1,376,334</u>	<u>1,177,075</u>
Current liabilities				
Trade, bills and other payables	29	150,228	123,274	153,519
Contract liabilities	30	35,303	59,284	52,198
Borrowings	31	55,546	40,027	30,036
Financial liabilities at FVTPL	32	–	–	44
Lease liabilities	33	8,999	11,926	10,964
Provisions	34	22,839	17,080	23,978
		<u>272,915</u>	<u>251,591</u>	<u>270,739</u>
Net current assets		<u>1,438,081</u>	<u>1,124,743</u>	<u>906,336</u>
Total assets less current liabilities		<u>1,837,310</u>	<u>1,565,452</u>	<u>1,424,927</u>
Non-current liabilities				
Lease liabilities	33	18,566	11,043	–
Deferred income	35	8,568	3,801	8,824
		<u>27,134</u>	<u>14,844</u>	<u>8,824</u>
Net assets		<u>1,810,176</u>	<u>1,550,608</u>	<u>1,416,103</u>
Capital and reserves				
Share capital	36	120,842	120,842	121,136
Reserves	37	1,689,334	1,429,766	1,294,967
Total equity		<u>1,810,176</u>	<u>1,550,608</u>	<u>1,416,103</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Share-based payments reserve	Other reserve	Accumulated losses	Attributable to owners of the Company	Non-controlling interest	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at January 1, 2023	<u>120,842</u>	<u>2,219,200</u>	<u>58,702</u>	<u>-</u>	<u>(687,520)</u>	<u>1,711,224</u>	<u>(2,542)</u>	<u>1,708,682</u>
Loss and total comprehensive expense for the year	-	-	-	-	(288,243)	(288,243)	(925)	(289,168)
Recognition of equity-settled share-based payments (<i>Note 38</i>)	-	-	20,320	-	-	20,320	-	20,320
As at December 31, 2023	<u>120,842</u>	<u>2,219,200</u>	<u>79,022</u>	<u>-</u>	<u>(975,763)</u>	<u>1,443,301</u>	<u>(3,467)</u>	<u>1,439,834</u>
Loss and total comprehensive expense for the year	-	-	-	-	(343,462)	(343,462)	(819)	(344,281)
Recognition of equity-settled share-based payments (<i>Note 38</i>)	-	-	(1,112)	-	-	(1,112)	-	(1,112)
As at December 31, 2024	<u>120,842</u>	<u>2,219,200</u>	<u>77,910</u>	<u>-</u>	<u>(1,319,225)</u>	<u>1,098,727</u>	<u>(4,286)</u>	<u>1,094,441</u>
Loss and total comprehensive expense for the year	-	-	-	-	(245,170)	(245,170)	-	(245,170)
Purchase of additional interests in a subsidiary	-	-	-	(4,286)	-	(4,286)	4,286	-
Issue of ordinary shares under 2023 Share Incentive Scheme (<i>Note 36 and 38</i>)	294	29,387	(16,440)	-	-	13,241	-	13,241
As at December 31, 2025	<u>121,136</u>	<u>2,248,587</u>	<u>61,470</u>	<u>(4,286)</u>	<u>(1,564,395)</u>	<u>862,512</u>	<u>-</u>	<u>862,512</u>

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
OPERATING ACTIVITIES			
Loss for the year	(289,168)	(344,281)	(245,170)
Adjustments for:			
Interest income on term deposits	(3,755)	(3,299)	(1,977)
Net foreign exchange (gains) losses	(217)	634	1,703
Finance costs	2,805	2,940	2,224
Depreciation of property and equipment	12,936	29,893	29,831
Depreciation of right-of-use assets	21,705	16,554	14,879
Amortization of other intangible assets	72	104	123
Impairment losses under ECL model, net of reversal	16,783	13,192	43,668
Impairment losses recognized on inventories and contract costs	8,408	9,018	5,803
Gain on changes in fair value of financial assets at FVTPL	(25,751)	(13,730)	(9,117)
Losses on changes in fair value of financial liabilities at FVTPL	–	–	44
Gains on early termination of leases	(144)	(1,072)	(71)
Losses (gains) on disposal of property and equipment	38	(2)	32
Share of results of associates	–	–	944
Share-based payment expenses	20,320	(1,112)	–
Operating cash flow before movements in working capital	(235,968)	(291,161)	(157,084)
(Increase) decrease in trade and bills receivables	(149,702)	29,438	19,633
(Increase) decrease in prepayments and other receivables	(3,694)	462	2,333
Increase in contract assets	(11,777)	(5,599)	(15,578)
(Increase) decrease in contract costs	(9,566)	(5,597)	8,959
Increase in inventories	(316)	(85)	(3,230)
Increase in restricted bank deposits	–	–	(2)
Increase (decrease) in trade, bills and other payables	33,656	(66,780)	29,247
Increase (decrease) in contract liabilities	15,874	24,124	(5,304)
Increase (decrease) in provisions	8,487	(6,578)	6,411
(Decrease) increase in deferred income	(12,426)	(4,817)	4,965
NET CASH USED IN OPERATING ACTIVITIES	(365,432)	(326,593)	(109,650)
INVESTING ACTIVITIES			
Interest received	27,048	18,080	4,987
Investment in associates	–	(450)	(3,290)
Proceeds on disposal of property and equipment	9	17	274
Purchase of property and equipment	(133,285)	(37,727)	(4,158)
Purchase of intangible assets	–	(276)	(39,993)
Proceeds from disposal of financial assets at FVTPL	6,389,561	3,727,312	3,088,490
Purchases of financial assets at FVTPL	(5,734,500)	(3,211,500)	(3,086,070)
Withdrawal of term deposits	100,400	164,000	80,763
Placement of term deposits	(215,000)	(104,000)	(94,710)
NET CASH FROM (USED IN) INVESTING ACTIVITIES	434,233	555,456	(53,707)

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	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
FINANCING ACTIVITIES			
Interest paid	(1,201)	(1,379)	(1,027)
Proceeds from issue of new shares	–	–	13,241
Issued costs paid	–	–	(13,584)
New bank loans raised	85,500	40,000	40,000
Repayments of borrowings	(30,000)	(55,500)	(50,000)
Repayments of lease liabilities	(22,678)	(20,837)	(12,837)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>31,621</u>	<u>(37,716)</u>	<u>(24,207)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	100,422	191,147	(187,564)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	252,109	352,748	543,261
Effect of foreign exchange rate changes	<u>217</u>	<u>(634)</u>	<u>(1,746)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u><u>352,748</u></u>	<u><u>543,261</u></u>	<u><u>353,951</u></u>

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was established and registered in the People’s Republic of China (the “PRC”) on June 5, 2013, as a limited liability company. In December 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. In October 2022, the Company was listed on the Science and Technology Innovation Board of Shanghai Stock Exchange (stock code: 688031). The address of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” in the document dated [Date] (the “Document”).

The Group is principally engaged in developing and delivering AI and enterprise-grade data infrastructure and software solutions.

The Historical Financial Information is presented in Renminbi (“RMB”), which is also the functional currency of the Company.

2. BASIS OF PREPARATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies which conform with IFRS Accounting Standards issued by the IASB.

The statutory financial statements of the Company for the years ended December 31, 2023, 2024 and 2025 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The statutory financial statements of the Company for the years ended December 31, 2023 and 2024 were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)), a certified public accountant registered in the PRC and the statutory financial statements of the Company for the year ended December 31, 2025 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)), a certified public accountant registered in the PRC.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

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 confirm with IFRS Accounting Standards, which are effective for the accounting period beginning on January 1, 2025 throughout the Track Record Period.

New and amendments to IFRS Accounting Standards in issue but not yet effective

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature – dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11 ²
IFRS 18	Presentation and Disclosure in Financial Statements ³
Amendments to IAS 21	Translation to a Hyperinflationary Presentation Currency ³

- 1 Effective for annual periods beginning on or after a date to be determined
- 2 Effective for annual periods beginning on or after January 1, 2026
- 3 Effective for annual periods beginning on or after January 1, 2027

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all other amendments to IFRS Accounting Standards will have no material impact on the Group’s consolidated financial statements in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

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

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. IFRS 18 requires retrospective application with specific transition provisions. The application of the new standard is not expected to have significant impact on the financial performance and positions of the Group in terms of recognition and measurement. However, it is expected to affect the structure and presentation of the consolidated statement of profit or loss.

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4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRS Accounting Standard as issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

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

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

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

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

Interests in subsidiaries

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

Changes in the Group’s interests in an existing subsidiary

Changes in the Group’s interests in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group’s relevant component of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Interests in associates

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

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss.

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

Revenue from contracts with customers

Information about the Group’s accounting policies relating to revenue from contracts with customers is provided in Notes 6, 24, 25 and 30.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

- the amounts of the initial measurement of the lease liabilities; and
- any lease payments made at or before the commencement date.

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowings rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including the risk-free rate based on government bond rates.

The lease payments include fixed payments (including in-substance fixed payments).

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

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

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for “lease modifications”).

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

Lease modifications

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

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

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

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the approximate exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which there are incurred.

Government grants

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

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC are recognized as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognizes any related restructuring costs.

Short-term employee benefits

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

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

Share-based payment

Equity-settled share-based payment transactions

Restricted share unit (“RSU”)/Share options granted to employees

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

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

When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve.

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When RSU granted are vested, the amount previously recognized in share-based payments reserve will be transferred to share premium.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

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 to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress as described below. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Property in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on property and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on an individual assessed method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale, including costs to be incurred in marketing, selling and distribution.

Provisions

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

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

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers related to AI and big data infrastructure software business and solution business are recognized at the date of sale of the relevant products and services, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

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

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

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established generally by regulation or convention in the market place concerned.

All recognized financial assets are measured subsequently in their entirety at earlier amortized cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement of financial assets

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

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

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

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

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All other financial assets are subsequently measured at FVTPL.

A financial asset is held for trading if it has been acquired principally for the purpose of selling in the near term.

(i) Amortized cost and interest income

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

(ii) Bills receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for bills receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these receivables had been measured at amortized cost. All other changes in the carrying amount of these bills receivables are recognized in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these receivables. When these bills receivables are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

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

Impairment of financial assets and contract assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and bills receivables, bills receivables at FVTOCI, other receivables, cash and cash equivalents, restricted bank deposits and term deposits) and contract assets which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognizes lifetime ECL for trade receivables and contract assets.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

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

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

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

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Trade receivables of the Group with credit-impaired are assessed for ECL individually. The Group uses a practical expedient in estimating ECL on trade receivables and contract assets, which are not assessed individually, using a provision matrix and taking into consideration historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and forward-looking information, including time value of money where appropriate, that is available without undue cost or effort.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables, other receivables and contract assets where the corresponding adjustment is recognized through a loss allowance account. For bills receivables that are measured at FVTOCI, the loss allowance is recognized in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost, exchange differences are recognized in profit or loss in the 'Other gains and losses, net' line item (note 9) as part of the net foreign exchange gains (losses);
- For financial assets measured at FVTPL, exchange differences are recognized in profit or loss in the 'Other gains and losses, net' line item (note 9) as part of the Gain on changes in fair value of financial assets at FVTPL.

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Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

On derecognition of bills receivables classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading.

A financial liability that is a derivative is classified as held for trading.

Financial liabilities at amortized cost

Financial liabilities including trade, bills and other payables and borrowings are subsequently measured at amortized cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the ‘Other gains and losses, net’ line item in profit or loss (note 9) as part of net foreign exchange gains (losses).

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss.

Derivative financial instruments

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

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

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

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5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Deferred tax asset

No deferred tax asset has been recognized on the tax losses for the year ended December 31, 2023, 2024 and 2025 due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient taxable profits will be available in the future or taxable temporary differences are expected to reverse in the same period as the expected reversal of the deductible temporary differences, which is a key source of estimation uncertainty. The uncertainty would depend on how the ongoing uncertain macroeconomic and geopolitical environment. In cases where the actual future taxable profits generated are more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a further recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a further recognition takes place.

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets with credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables and contract assets which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group’s historical actual loss rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical actual loss rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group’s and the Company’s trade receivables and contract assets are disclosed in notes 22 and 41.

Estimated impairment of property and equipment, right-of-use assets and intangible assets

Determining whether property and equipment, right-of-use assets and intangible assets is impaired requires an estimation of the recoverable amount of the CGU, which is higher of the value in use or fair value less costs of disposal. The value in use requires the Group to estimate the suitable discount rate and gross profit margin ratio in order to calculate the present value. Where change in facts and circumstances which results in downward revision of gross profit margin ratio or upward revision of discount rate, a material impairment loss may arise.

The carrying amount of the subjected assets at December 31, 2023, 2024 and 2025 is RMB158,988,000, RMB222,270,000, and RMB207,681,000 respectively. Details of recoverable amount calculation are disclosed in note 19A.

6. REVENUE

(i) Disaggregation of revenue from contracts with the customers:

	Year ended December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Type of business lines			
AI and big data infrastructure software business . . .	390,041	284,180	362,022
Solution business	79,091	72,759	69,559
Other business.	21,401	13,816	15,488
	<u>490,533</u>	<u>370,755</u>	<u>447,069</u>
Timing of revenue recognition			
A point in time	408,440	298,523	341,093
Over time	82,093	72,232	105,976
	<u>490,533</u>	<u>370,755</u>	<u>447,069</u>
Sales channel			
Direct sales	461,032	347,509	436,058
Distributorship	29,501	23,246	11,011
	<u>490,533</u>	<u>370,755</u>	<u>447,069</u>

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(ii) Performance obligations for contracts with customers and revenue recognition policies

Information about the Group's performance obligations and their corresponding revenue recognition policies are summarized as below:

AI and big data infrastructure software business

The Group's AI and big data infrastructure software business mainly comprise sale of self-developed AI and big data infrastructure software license and technical services to ensure the successful deployment, integration, and sustained performance of Group's AI and big data infrastructure software.

Revenue from sale of software license is recognized at a point in time. For the sale of software license that do not require installation and deployment, revenue is recognized when the software license is delivered to the customer. For the sale of software license that require installation and deployment, revenue is recognized upon the receipt of customer acceptance after the installation and deployment. Such acceptance is formally acknowledged through a signed document verifying that the software is fully operational to the customer's satisfaction, which representing the customer has the ability to direct the use of the software and obtain substantially all of the remaining benefits of the software. The advances received are recognized as contract liabilities until the control of software license has been transferred to the customer.

The Group provides certain technical service to meet the customers' specific needs with the Group's employees, and the Group is primarily responsible for ensuring the quality and stability of the available staffing resources. Revenue is recognized overtime measured by unit rate per employee and actual service duration. The contract assets represent the Group's right to consideration for the services performed to date because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

Revenue from maintenance service included in technical service is considered to be a distinct service as it is regularly supplied by the Group to customers on a stand-alone basis. Revenue relating to the maintenance services is recognized ratably over the service contract period. Advance consideration is recognized as a contract liability and is released over the period of services on a straight-line basis.

For other technical services, revenue is recognized at a point in time upon completion of the services contracts and the receipt of customer acceptance. The advances received are recognized as contract liabilities until the completion of the services contracts and the receipt of customer acceptance.

Customers are generally required to an upfront payment or initiation payment of approximately 30%-50% of the total contract amount within a specified time period following the effectiveness of the relevant agreements.

Sales-related warranties associated with the AI and big data infrastructure software and technical service cannot be purchased separately and they serve as an assurance that the products sold or service provided comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37.

Retention receivables are classified as contract assets and are transferred to trade receivables until the end of the retention period which is ranging from 3 months to 3 years.

Solution business

The Group's solution business comprises a suite of modular, scenario-based offerings designed to accelerate digital transformation and AI adoption across key industries such as finance, government, healthcare, energy and manufacturing.

The Group provides certain solution business to meet the customers' specific needs with the Group's employees, and the Group is primarily responsible for ensuring the quality and stability of the available staffing resources. Revenue is recognized overtime measured by unit rate per employee and actual service duration. The contract assets represent the Group's right to consideration for the services performed to date because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

For other solution business, revenue is recognized at a point in time upon completion of the services contracts and the receipt of customer acceptance. The advances received are recognized as contract liabilities until the completion of the services contracts and the receipt of customer acceptance.

Customers are generally required to an upfront payment or initiation payment of approximately 30% of the total contract amount within a specified time period following the effectiveness of the relevant agreements.

Sales-related warranties associated with solution business cannot be purchased separately and they serve as an assurance that the service provided complies with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37.

Retention receivables are classified as contract assets and are transferred to trade receivables until the end of the retention period which is ranging from 3 months to 3 years.

Other business

The Group's other business primarily consists of the optimization and sale of hardware and software products in connection with the Group's AI and big data infrastructure product. Revenue is recognized when control of the goods has been transferred, being when the goods have been delivered to the customers. The advances received are recognized as contract liabilities until the control of goods has been transferred to the customer.

Sales-related warranties associated with other business cannot be purchased separately and they serve as an assurance that the service provided complies with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with IAS 37.

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(iii) Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at December 31, 2023, 2024 and 2025 and the expected timing of recognizing revenue of the contracts for AI and big data infrastructure software business are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within one year	18,718	20,714	18,289
Over one year	6,623	4,353	3,906
	<u>25,341</u>	<u>25,067</u>	<u>22,195</u>

All other contracts with customers for solution business and other business are for periods of one year or less or are billed based on time incurred. As permitted under IFRS15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. SEGMENTS INFORMATION

For the purpose of resource allocation and assessment of segment performance, the executive directors of the Company, being the chief operating decision makers, focus and review on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out above. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

The Group principally operates in the PRC, which is also the place of domicile. The Group’s revenue is substantially derived from operations in the PRC and the Group’s non-current assets are substantially located in the PRC.

Information about major customers

During the Track Record Period, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group’s revenue.

8. OTHER INCOME

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Unconditional government grants (<i>Notes (i)</i>)	8,190	9,115	7,723
Release of assets-related government subsidies (<i>Notes (ii)</i>)	7,430	4,307	3,918
Release of expense-related government subsidies (<i>Notes (ii)</i>)	4,831	1,219	1,529
Interest income on term deposits	3,755	3,299	1,977
Interest income on bank balances	3,164	1,811	3,974
Tax refunds	6,843	8,369	17,334
	<u>34,213</u>	<u>28,120</u>	<u>36,455</u>

Notes:

- (i) The government grants represent unconditional grants from the PRC local governments to encourage the operations and industry development. Unconditional government grants are recognized in profit or loss when received.
- (ii) The Group and the Company received various government subsidies aimed at encouraging the research and development projects or electronic equipment acquisitions. Government subsidies received for which related research and development expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position and recognized in the profit or loss over the period necessary to match them with the expenditures that they are intended to compensate. Government subsidies received related to assets are recognized in profit or loss over the expected useful lives of the relevant assets.

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9. OTHER GAINS AND LOSSES, NET

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Gain on changes in fair value of financial assets at FVTPL	25,751	13,730	9,117
Loss on changes in fair value of financial liabilities at FVTPL	–	–	(44)
Net foreign exchange gains (losses)	217	(634)	(1,703)
Gain on early termination of leases	144	1,072	71
(Loss) gain on disposal of property and equipment	(38)	2	(32)
Others	262	710	538
	<u>26,336</u>	<u>14,880</u>	<u>7,947</u>

10. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Impairment losses recognized on:			
– trade receivables	14,213	10,632	36,042
– other receivables	933	685	693
– contract assets	1,637	1,875	6,933
	<u>16,783</u>	<u>13,192</u>	<u>43,668</u>

11. FINANCE COSTS

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on borrowings	1,247	1,156	1,080
Interest on lease liabilities	1,558	1,784	1,144
	<u>2,805</u>	<u>2,940</u>	<u>2,224</u>

12. LOSS BEFORE TAX

Loss before tax for the year has been arrived at after charging (crediting):

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Depreciation of property and equipment	13,747	34,237	37,426
Depreciation of right-of-use assets	22,353	17,482	16,188
Amortization of intangible assets	72	4,454	11,502
Total depreciation and amortization	36,172	56,173	65,116
Less: amounts capitalized in the contract costs	(302)	(4,690)	(11,719)
amounts capitalized in the intangible assets	(1,459)	(4,932)	(8,565)
	<u>34,411</u>	<u>46,551</u>	<u>44,832</u>
Auditors’ remuneration	896	896	991
Impairment losses recognized on contract costs included in cost of sales	8,408	9,018	5,803
Impairment losses recognized on inventories included in cost of sales	–	–	102
Cost of inventories recognized as cost of sales	14,559	10,321	7,410
Amortization of contract costs	178,833	159,098	171,117
Research and development costs recognized as an expense	223,065	227,328	204,061
Total staff costs:			
– fees, salaries and other benefits	527,906	490,409	428,706
– share-based payments expenses	20,320	(1,112)	–
– retirement benefit scheme contributions	55,150	57,870	49,769
– termination benefits	4,737	14,337	17,852

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	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total staff costs (including directors and supervisors’ emoluments)	608,113	561,504	496,327
Less: amounts capitalized in the contract costs	(110,244)	(102,996)	(90,778)
amounts capitalized in the intangible assets	(20,085)	(29,329)	(35,104)
	<u>477,784</u>	<u>429,179</u>	<u>370,445</u>

13. INCOME TAX EXPENSE

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current tax – under provision in prior years	–	–	14
Deferred tax – current year	–	–	–
	–	–	14
	<u>–</u>	<u>–</u>	<u>–</u>

(i) Income tax expense:

The Company and certain subsidiaries operating in Mainland China was approved to be high and new technology enterprises (“HNTE”) and were entitled to a reduced Enterprise Income Tax (“EIT”) rate of 15%. The HNTE certificates need to be renewed every three years to enable the Company and those subsidiaries to enjoy the reduced EIT rate of 15%.

Pursuant to relevant laws and regulations in the PRC, several subsidiaries are eligible as a Small Low-profit Enterprise (小型微利企業) and are subject to preferential tax treatments during the Track Record Period. From January 1, 2023 to December 31, 2025, for Small Low-profit Enterprises, the annual taxable income not exceeding RMB3.0 million was reduced to 25% and taxed at a rate of 20%.

No provision for tax in Hong Kong have been made as the Group’s income neither arises in, nor is derived from, Hong Kong.

No provision for taxation in Singapore and Canada has been made as subsidiaries of the Group in these jurisdictions did not arise any assessable profits during the Track Record Period.

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

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Loss before tax	(289,168)	(344,281)	(245,156)
PRC income tax rate at 15%	(43,375)	(51,642)	(36,773)
Tax effect of expenses that are not deductible for tax purpose	1,744	2,085	1,012
Tax effect of super deduction on research and development expenses	(31,565)	(31,956)	(28,194)
Tax effect of tax losses not recognized	66,932	80,798	58,385
Tax effect of deductible temporary differences not recognized	16,269	16,984	22,591
Utilization of deductible temporary differences previously not recognized	(10,005)	(16,269)	(16,984)
Utilization of tax losses previously not recognized	–	–	(37)
Under provision in respect of prior years	–	–	14
Income tax expense	<u>–</u>	<u>–</u>	<u>14</u>

(ii) Deferred taxation:

For the purpose of presentation in the consolidated statement of financial position, 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 the deferred taxes relate to the same legal entity and fiscal authority. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deferred tax assets	5,559	4,992	3,354
Deferred tax liabilities	<u>(5,559)</u>	<u>(4,992)</u>	<u>(3,354)</u>
	<u>–</u>	<u>–</u>	<u>–</u>

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The following are the major deferred tax assets/(liabilities) recognized and movements thereon during the Track Record Period:

	Impairment losses recognized	Right-of-use assets	Lease liabilities	Financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount					
As at January 1, 2023	–	(5,344)	5,344	–	–
(Charge) credit to profit or loss.	–	(215)	215	–	–
As at December 31, 2023	–	(5,559)	5,559	–	–
Credit (charge) to profit or loss.	–	567	(567)	–	–
As at December 31, 2024	–	(4,992)	4,992	–	–
Credit (charge) to profit or loss.	790	2,343	(2,428)	(705)	–
As at December 31, 2025	790	(2,649)	2,564	(705)	–

No deferred tax asset has been recognized on deductible temporary differences of RMB108,461,000, RMB113,228,000 and RMB150,607,000, as at December 31, 2023, 2024 and 2025, respectively, as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

As at December 31, 2023, 2024 and 2025, the Group had unused tax losses of RMB1,872,192,000, RMB2,400,958,000 and RMB2,769,923,000 respectively, available to offset against future profits. For these unrecognized tax losses, pursuant to the relevant laws and regulations in the PRC and Singapore, these tax losses will be carried forward and expired in years as follows:

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
2024	9,889	–	–
2025	13,373	13,373	–
2026 (Note)	34,763	34,763	34,669
2027 (Note)	72,181	72,181	69,916
2028 (Note)	149,859	149,859	146,483
2029 (Note)	203,057	216,717	215,557
2030	218,709	218,709	233,834
2031	327,997	327,997	327,997
2032	407,203	407,203	407,203
2033	428,334	428,334	428,334
2034	–	519,360	519,360
2035	–	–	367,260
Infinitely	6,827	12,462	19,310
	<u>1,872,192</u>	<u>2,400,958</u>	<u>2,769,923</u>

Note: The unused tax losses as at December 31, 2025 changed as the Company updated its EIT filing record with the tax authority in August 2025 regarding the invoiced expenses for 2021 to 2024.

14. DIRECTORS’, SUPERVISORS’ AND CHIEF EXECUTIVE OFFICER’S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments paid or payable to the individuals who were appointed as directors, supervisors and the chief executive officer of the Company during the Track Record Period are as follows:

(a) Directors and supervisors

	Date of appointment	Director fees	Salaries and other benefits	Discretionary Bonuses (Note (i))	Retirement benefit scheme contributions	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2023							
<i>Executive director and chief executive officer:</i>							
Mr. Sun Yuanhao	April 17, 2014	–	1,256	282	70	–	1,608
<i>Executive director:</i>							
Mr. Lv Cheng	February 4, 2016	–	933	182	70	–	1,185
Mr. Zhu Junchen	April 30, 2017	–	853	107	70	–	1,030
Ms. Wen Ye	January 29, 2019	–	842	–	65	–	907

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	Date of appointment	Director fees	Salaries and other benefits	Discretionary Bonuses (Note (i))	Retirement benefit scheme contributions	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Liming	December 9, 2020	–	1,285	244	70	–	1,599
Mr. Guo Kai (Note (ii))	December 9, 2020	–	–	–	–	–	–
<i>Independent non-executive directors:</i>							
Mr. Huang Yihua	December 9, 2020	80	–	–	–	–	80
Mr. Ma Dongming	December 9, 2020	80	–	–	–	–	80
Ms. Wu Jianmin (Note (iii))	December 9, 2020	80	–	–	–	–	80
<i>Supervisors:</i>							
Mr. Liu Wanggen (Note (iv))	December 9, 2020	–	951	135	70	–	1,156
Mr. Hui Chengfeng (Note (v))	December 9, 2020	–	–	–	–	–	–
Mr. Zhao Jingwei (Note (v))	December 9, 2020	–	–	–	–	–	–
		<u>240</u>	<u>6,120</u>	<u>950</u>	<u>415</u>	<u>–</u>	<u>7,725</u>

	Date of appointment	Director fees	Salaries and other benefits	Discretionary Bonuses (Note (i))	Retirement benefit scheme contributions	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

For the year ended December 31, 2024

Executive director and chief executive officer:

Mr. SUN Yuanhao	April 17, 2014	–	1,395	–	73	–	1,468
<i>Executive director:</i>							
Mr. Lv Cheng	February 4, 2016	–	1,075	100	73	–	1,248
Mr. Zhu Junchen	April 30, 2017	–	878	–	73	–	951
Ms. Wen Ye	January 29, 2019	–	848	–	68	–	916
Mr. Zhang Liming	December 9, 2020	–	1,319	–	73	–	1,392
Ms. Li Yiduo	January 11, 2024	–	1,416	–	73	–	1,489
Mr. Guo Kai (Note (ii))	December 9, 2020	–	–	–	–	–	–

Independent non-executive directors:

Mr. Huang Yihua	December 9, 2020	80	–	–	–	–	80
Mr. Ma Dongming	December 9, 2020	80	–	–	–	–	80
Ms. Wu Jianmin (Note (iii))	December 9, 2020	2	–	–	–	–	2
Mr. Liu Dong	January 11, 2024	78	–	–	–	–	78

Supervisors:

Mr. Yang Yifan	January 11, 2024	–	877	–	73	–	950
Mr. Chen Zhenqiang	January 11, 2024	–	944	–	73	–	1,017
Mr. Kang Yi	January 11, 2024	–	690	–	73	–	763
Mr. Liu Wanggen (Note (iv))	December 9, 2020	–	985	–	73	–	1,058
Mr. Hui Chengfeng (Note (v))	December 9, 2020	–	–	–	–	–	–
Mr. Zhao Jingwei (Note (v))	December 9, 2020	–	–	–	–	–	–
		<u>240</u>	<u>10,427</u>	<u>100</u>	<u>725</u>	<u>–</u>	<u>11,492</u>

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	Date of appointment	Director fees	Salaries and other benefits	Discretionary Bonuses (Note (i))	Retirement benefit scheme contributions	Share-based payments	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2025							
<i>Executive director and chief executive officer:</i>							
Mr. SUN Yuanhao	April 17, 2014	–	1,408	176	73	–	1,657
<i>Executive director:</i>							
Mr. Lv Cheng	February 4, 2016	–	1,208	158	73	–	1,439
Mr. Zhu Junchen	April 30, 2017	–	878	53	73	–	1,004
Ms. Wen Ye	January 29, 2019	–	850	–	70	–	920
Mr. Zhang Liming	December 9, 2020	–	1,310	82	73	–	1,465
Ms. Li Yiduo	January 11, 2024	–	1,414	177	73	–	1,664
<i>Independent non-executive directors:</i>							
Mr. Huang Yihua	December 9, 2020	80	–	–	–	–	80
Mr. Ma Dongming	December 9, 2020	80	–	–	–	–	80
Mr. Liu Dong	January 11, 2024	80	–	–	–	–	80
<i>Supervisors:</i>							
Mr. Yang Yifan (Note (vi))	January 11, 2024	–	437	–	37	–	474
Mr. Chen Zhenqiang (Note (vi))	January 11, 2024	–	441	–	37	–	478
Mr. Kang Yi (Note (vi))	January 11, 2024	–	328	–	37	–	365
		<u>240</u>	<u>8,274</u>	<u>646</u>	<u>546</u>	<u>–</u>	<u>9,706</u>

Notes:

- (i) The discretionary bonuses were determined with reference to their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.
- (ii) Mr. Guo Kai was appointed as a director of the Company on December 9, 2020 and resigned on January 11, 2024. He was of the opinion that the service provided to the Group only occupies an insignificant portion of his time and therefore it is concluded that he was not remunerated for the service.
- (iii) Ms. Wu Jianmin was appointed as an independent director of the Company on December 9, 2020 and resigned on January 11, 2024.
- (iv) Mr. Liu Wanggen was elected as supervisor of the Company on December 9, 2020 and step down from supervisor on January 11, 2024. His emolument includes both as supervisor and as employee.
- (v) Mr. Hui Chengfeng and Mr. Zhao Jingwei resigned from supervisor of the Company on January 11, 2024. They were of the opinion that the service provided to the Group only occupies an insignificant portion of their time and therefore it is concluded that they were not remunerated for the service during the Track Record Period.
- (vi) Pursuant to the revised Company Law, the Company has abolished the Supervisory Committee and will no longer appoint supervisors. The functions and powers of the Supervisory Committee under the Company Law are exercised by the Audit Committee of the Board. The rules of procedure of the Supervisory Committee have been dissolved and repealed accordingly. Mr. Yang Yifan, Mr. Chen Zhenqiang and Mr. Kang Yi has ceased to act as a supervisor with effect from June 18, 2025.

The executive directors’ and supervisors’ emoluments shown above were for their services in connection with the management of the affairs of the Group and the Company, respectively.

The independent non-executive directors’ emoluments shown above were for their services as directors of the Company.

During the Track Record Period, one director was granted share options, in respect of her services to the Group. Details of the share-based payment are set out in note 38 to the Historical Financial Information.

During the Track Record Period, there have been no arrangement under which a director, or a supervisor, waived or agreed to waive any remuneration.

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(b) Five highest paid individuals

The five highest paid individuals of the Group included two, three and three directors of the Company for the years ended December 31, 2023, 2024 and 2025 respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining three, two and two highest paid individuals for the Track Record Period are as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries and other benefits	4,596	3,268	3,281
Discretionary bonuses (<i>Note</i>)	824	167	67
Retirement benefit scheme contributions	209	146	148
Share-based payments	1,610	–	–
	<u>7,239</u>	<u>3,581</u>	<u>3,496</u>

Note: Discretionary bonuses were determined based on their duties and responsibilities of the relevant individuals within the Group and the Group’s performance.

The emoluments of the five highest paid individuals for the Track Record Period are within the following bands:

	Year ended December 31,		
	2023	2024	2025
	No. of employees	No. of employees	No. of employees
Hong Kong Dollars (“HK\$”) 1,000,001 to HK\$1,500,000	–	–	–
HK\$1,500,001 to HK\$2,000,000	2	4	5
HK\$2,000,001 to HK\$2,500,000	1	1	–
HK\$2,500,001 to HK\$3,000,000	2	–	–
HK\$3,500,001 to HK\$4,000,000	–	–	–
	<u>5</u>	<u>5</u>	<u>5</u>
	<u>=</u>	<u>=</u>	<u>=</u>

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Loss			
Loss for the purpose of basic loss per share for the year attributable to owners of the Company	<u>(288,243)</u>	<u>(343,462)</u>	<u>(245,170)</u>
	'000	'000	'000
Number of shares			
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>120,842</u>	<u>120,842</u>	<u>121,059</u>
	RMB	RMB	RMB
Basic and diluted loss per share	<u>(2.39)</u>	<u>(2.84)</u>	<u>(2.03)</u>

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares.

For the Track Record Period, the Company has the unexercised share options granted to the directors and employees as set out in Note 38 to the Historical Financial Information. As the Group incurred losses for the Track Record Period, the share options were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the Track Record Period is the same as basic loss per share for the respective years.

16. DIVIDENDS

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

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17. PROPERTY AND EQUIPMENT

The Group

	Leasehold improvements	Electronic equipment	Office equipment	Vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
As at January 1, 2023 . . .	9,160	54,386	2,146	809	–	66,501
Additions	–	83,828	54	–	8,294	92,176
Transfer	4,636	–	–	–	(4,636)	–
Disposals	–	(1,118)	–	–	–	(1,118)
As at December 31,						
2023	13,796	137,096	2,200	809	3,658	157,559
Additions	–	67,595	70	–	2,696	70,361
Transfer	6,354	–	–	–	(6,354)	–
Disposals	–	(12)	–	–	–	(12)
As at December 31,						
2024	20,150	204,679	2,270	809	–	227,908
Additions	–	3,427	–	–	425	3,852
Transfer	425	–	–	–	(425)	–
Disposals	–	(1,400)	–	–	–	(1,400)
As at December 31,						
2025	20,575	206,706	2,270	809	–	230,360
DEPRECIATION						
As at January 1, 2023 . . .	(6,149)	(36,470)	(1,821)	(369)	–	(44,809)
Provided for the year . . .	(2,284)	(11,102)	(181)	(180)	–	(13,747)
Eliminated on disposals . .	–	1,059	–	–	–	1,059
As at December 31,						
2023	(8,433)	(46,513)	(2,002)	(549)	–	(57,497)
Provided for the year . . .	(4,198)	(29,641)	(179)	(219)	–	(34,237)
Eliminated on disposals . .	–	12	–	–	–	12
As at December 31,						
2024	(12,631)	(76,142)	(2,181)	(768)	–	(91,722)
Provided for the year . . .	(4,003)	(33,393)	(30)	–	–	(37,426)
Eliminated on disposals . .	–	1,095	–	–	–	1,095
As at December 31,						
2025	(16,634)	(108,440)	(2,211)	(768)	–	(128,053)
CARRYING AMOUNT						
As at December 31,						
2023	5,363	90,583	198	260	3,658	100,062
As at December 31,						
2024	7,519	128,537	89	41	–	136,186
As at December 31,						
2025	3,941	98,266	59	41	–	102,307

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The Company

	Leasehold improvements	Electronic equipment	Office equipment	Vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
As at January 1, 2023 . . .	2,029	53,537	1,631	809	–	58,006
Additions	–	83,435	53	–	8,294	91,782
Transfer	4,636	–	–	–	(4,636)	–
Disposals	–	(1,118)	–	–	–	(1,118)
As at December 31,						
2023	6,665	135,854	1,684	809	3,658	148,670
Additions	–	67,595	70	–	2,696	70,361
Transfer	6,354	–	–	–	(6,354)	–
Disposals	–	(12)	–	–	–	(12)
As at December 31,						
2024	13,019	203,437	1,754	809	–	219,019
Additions	–	3,093	–	–	425	3,518
Transfer	425	–	–	–	(425)	–
Disposals	–	(11,678)	–	–	–	(11,678)
As at December 31,						
2025	13,444	194,852	1,754	809	–	210,859
DEPRECIATION						
As at January 1, 2023 . . .	(621)	(36,113)	(1,531)	(369)	–	(38,634)
Provided for the year . . .	(1,347)	(10,887)	(82)	(180)	–	(12,496)
Eliminated on disposals . .	–	1,059	–	–	–	1,059
As at December 31,						
2023	(1,968)	(45,941)	(1,613)	(549)	–	(50,071)
Provided for the year . . .	(3,748)	(29,425)	(82)	(219)	–	(33,474)
Eliminated on disposals . .	–	12	–	–	–	12
As at December 31,						
2024	(5,716)	(75,354)	(1,695)	(768)	–	(83,533)
Provided for the year . . .	(3,787)	(32,587)	(27)	–	–	(36,401)
Eliminated on disposals . .	–	5,390	–	–	–	5,390
As at December 31,						
2025	(9,503)	(102,551)	(1,722)	(768)	–	(114,544)
CARRYING VALUES						
As at December 31,						
2023	4,697	89,913	71	260	3,658	98,599
As at December 31,						
2024	7,303	128,083	59	41	–	135,486
As at December 31,						
2025	3,941	92,301	32	41	–	96,315

The above items of property and equipment, other than construction in progress, are depreciated on a straight-line basis, after taking into account of the residual value, over the following period:

Leasehold improvements	Over the shorter of the relevant lease terms or 3 years
Electronic equipment	3 to 5 years
Office equipment	5 years
Vehicles	4 to 5 years

Details of the impairment assessment has been disclosed in note 19A.

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18. RIGHT-OF-USE ASSETS

The Group

	<u>Leased properties</u>
	<i>RMB'000</i>
Carrying amount	
As at January 1, 2023	35,629
Additions	23,903
Decrease for early termination	(119)
Depreciation charged for the year	<u>(22,353)</u>
As at December 31, 2023	37,060
Additions	15,852
Decrease for early termination	(2,148)
Depreciation charged for the year	<u>(17,482)</u>
As at December 31, 2024	33,282
Decrease for early termination	(107)
Depreciation charge for the year	<u>(16,188)</u>
As at December 31, 2025	<u>16,987</u>

	<u>Year ended December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expenses relating to short-term leases	2,224	1,746	2,009
Total cash outflow for leases	<u>24,902</u>	<u>22,583</u>	<u>14,846</u>

The Company

	<u>Leased properties</u>
	<i>RMB'000</i>
Carrying amount	
As at January 1, 2023	17,301
Additions	23,447
Depreciation charged for the year	<u>(14,792)</u>
As at December 31, 2023	25,956
Additions	7,114
Decrease for early termination	(98)
Depreciation charged for the year	<u>(10,958)</u>
As at December 31, 2024	22,014
Depreciation charged for the year	<u>(11,202)</u>
As at December 31, 2025	<u>10,812</u>

	<u>Year ended December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Expenses relating to short-term leases	1,631	711	1,175
Total cash outflow for leases	<u>15,716</u>	<u>14,286</u>	<u>8,898</u>

During the Track Record Period, the Group and the Company lease various properties for the operations. The Group’s and the Company’s lease contracts are entered into for fixed terms of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. There were no extension options in the lease contracts. In determining the lease term and assessing the length of the non-cancellable period, the Group and the Company apply the definition of a contract and determines the period for which the contract is enforceable.

The Group and the Company regularly entered into short-term leases for staff apartments.

Restrictions or covenants on leases

Lease liabilities of RMB38,957,000, RMB33,922,000 and RMB16,556,000 are recognized with related right-of-use assets of RMB37,060,000, RMB33,282,000 and RMB16,987,000 at December 31, 2023, 2024 and 2025, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

Details of the maturity analysis of lease liabilities are set out in Note 33.

Details of the impairment assessment have been disclosed in note 19A.

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ACCOUNTANTS’ REPORT

19. INTANGIBLE ASSETS

The Group

	Development costs	Intellectual properties	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST				
As at January 1, 2023	–	–	1,455	1,455
Additions	21,752	–	–	21,752
As at December 31, 2023	21,752	–	1,455	23,207
Additions	35,146	–	244	35,390
Transfer	(21,752)	21,752	–	–
As at December 31, 2024	35,146	21,752	1,699	58,597
Additions	46,472	–	615	47,087
Transfer	(35,146)	35,146	–	–
As at December 31, 2025	46,472	56,898	2,314	105,684
AMORTIZATION AND IMPAIRMENT				
As at January 1, 2023	–	–	(1,269)	(1,269)
Charged for the year	–	–	(72)	(72)
As at December 31, 2023	–	–	(1,341)	(1,341)
Charged for the year	–	(4,350)	(104)	(4,454)
As at December 31, 2024	–	(4,350)	(1,445)	(5,795)
Charged for the year	–	(11,380)	(122)	(11,502)
As at December 31, 2025	–	(15,730)	(1,567)	(17,297)
CARRYING VALUES				
As at December 31, 2023	21,752	–	114	21,866
As at December 31, 2024	35,146	17,402	254	52,802
As at December 31, 2025	46,472	41,168	747	88,387

The Company

	Development costs	Intellectual properties	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST				
As at January 1, 2023	–	–	1,455	1,455
Additions	13,304	–	–	13,304
As at December 31, 2023	13,304	–	1,455	14,759
Additions	21,331	–	244	21,575
Transfer	(13,304)	13,304	–	–
As at December 31, 2024	21,331	13,304	1,699	36,334
Additions	36,249	–	615	36,864
Transfer	(21,331)	21,331	–	–
As at December 31, 2025	36,249	34,635	2,314	73,198
AMORTIZATION AND IMPAIRMENT				
As at January 1, 2023	–	–	(1,270)	(1,270)
Charged for the year	–	–	(71)	(71)
As at December 31, 2023	–	–	(1,341)	(1,341)
Charged for the year	–	(2,661)	(104)	(2,765)
As at December 31, 2024	–	(2,661)	(1,445)	(4,106)
Charged for the year	–	(6,927)	(122)	(7,049)
As at December 31, 2025	–	(9,588)	(1,567)	(11,155)
CARRYING VALUES				
As at December 31, 2023	13,304	–	114	13,418
As at December 31, 2024	21,331	10,643	254	32,228
As at December 31, 2025	36,249	25,047	747	62,043

Development costs are internally generated and are not available for use.

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Except for the development costs, the above item has finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Intellectual properties	5 years
Software	5 years

Details of the impairment assessment have been disclosed in note 19A.

19A. IMPAIRMENT ASSESSMENT ON PROPERTY AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

The management has identified indicators of impairment for non-current assets including property and equipment, right-of-use assets and intangible assets as the continuing losses position as at December 31, 2023, 2024 and 2025. Also, the development costs which are intangible assets not yet ready for use should be tested impairment annually. Given that the Group operates as a single CGU, the management performed the impairment assessment on non-current assets at the Group level based on the recoverable amount of the CGU as at December 31, 2023, 2024 and 2025.

The basis of the recoverable amounts of the CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on the remaining useful lives of the non-current assets covering a 5 to 7 year period as at December 31, 2023, 2024 and 2025, respectively. The management considers the length of forecast period is appropriate, considering that the AI infrastructure software market is expected to achieve sustained growth in the following 7 years.

The key assumptions based on management’s best estimates as adopted for the recoverable amount calculations are as follows:

	As at December 31,		
	2023	2024	2025
Pre-tax discount rate	12.50%	12.00%	11.29%
Gross profit margin ratio	55.10%-66.30%	52.97%-60.45%	54.64%-61.02%

The discount rate used is pre-tax and reflect market assessments of time value and the specific risks relating to industry. The gross profit margin ratio is based on the Group’s past performance and management’s expectations for the market development.

Apart from pre-tax discount rate and gross profit margin ratio, the management of the Group considers there are no other key assumptions to the value in use calculation.

Impairment assessment — sensitivity analysis

The Group performed sensitivity analysis by increasing 1 percentage point of discounts rate or decreasing 2 percentage point of gross profit margin ratio, which are the key assumptions determine the recoverable amount, with all other variables held constant. The range of impact on the amount by which the recoverable amount above its carrying amount (“headroom”) are as below:

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Headroom	109,553	87,740	76,238
Negative impact by increasing discount rate	(45,649)	(47,138)	(28,141)
Negative impact by decreasing gross profit margin ratio	(108,343)	(82,499)	(74,407)

Based on the results of impairment assessment, there are no impairment losses recognized during the Track Record Period.

The management believes that any reasonable possible change in any of above assumptions would not cause the carrying amount to exceed the recoverable amount determined as at December 31, 2023, 2024 and 2025.

20. INTERESTS IN ASSOCIATES

The Group

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cost of investments.	—	450	5,240
Share of post-acquisition profits, net of dividends received	—	—*	(944)
	—	450	4,296
	—	—	—

* Amount is less than RMB1,000

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As at December 31, 2023, 2024 and 2025, the Group had interests in the following associates established and operating in the PRC:

Name of associates	Registered capital	Proportion of ownership interest and voting rights held by the Group/Company			Principal activities
		As at December 31,			
		2023	2024	2025	
西安數治科技有限公司 (Xi’an Shuzhi Technology Co., Ltd**) (“Xi’an Shuzhi”)	RMB10,000,000	N/A	15% (i)	15%	Research and development
貴州數安科技有限責任公司 (Guizhou Shu’an Technology Co., Ltd**) (“Guizhou Shu’an”)	RMB10,000,000	N/A	15% (ii)	15%	Research and development
南京睿通行至數字科技有限公司 (Nanjing Ruitong Xingzhi Digital Technology Co., Ltd**) (“Nanjing Ruitong”)	RMB8,000,000	N/A	N/A	28% (iii)	Research and development

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cost of investments	–	450	3,000
Share of post-acquisition profits, net of dividends received	–	–*	(413)
	–	450	2,587
	–	–	–

As at December 31, 2023, 2024 and 2025, the Company had interests in the following associates established and operating in the PRC:

Name of associates	Registered capital	Proportion of ownership interest and voting rights held by the Group/Company			Principal activities
		As at December 31,			
		2023	2024	2025	
Xi’an Shuzhi	RMB10,000,000	N/A	15% (i)	15%	Research and development
Guizhou Shu’an	RMB10,000,000	N/A	15% (ii)	15%	Research and development

Notes:

- (i) The Company was incorporated in 2024. According to the shareholder’s agreement of Xi’an Shuzhi, the Group has the right to appoint one out of three directors in the board of directors. The Group can exercise significant influence in deciding Xi’an Shuzhi’s financial or operating policies. Accordingly, the Group accounts for its interest in Xi’an Shuzhi using the equity method.
- (ii) The Company was incorporated in 2024. According to the shareholder’s agreement of Guizhou Shu’an, the Group has the right to appoint one out of five directors in the board of directors. The Group can exercise significant influence in deciding Guizhou Shu’an’s financial or operating policies. Accordingly, the Group accounts for its interest in Guizhou Shu’an using the equity method.
- (iii) The Company was incorporated in 2025. According to the shareholder’s agreement of Nanjing Ruitong, the Group has the right to appoint one out of five directors in the board of directors. The Group can exercise significant influence in deciding Nanjing Ruitong’s financial or operating policies. Accordingly, the Group accounts for its interest in Nanjing Ruitong using the equity method.

No associate was individually material to the Group and the Company for the Track Record Period.

21. INTERESTS IN SUBSIDIARIES

The Company

	As at December 31,		
	2023	2024	2025
	RMB’000	RMB’000	RMB’000
Cost of investments	186,411	215,092	253,907
Less: impairment losses on investments	–	–	–
	186,411	215,092	253,907
	–	–	–

* Amount is less than RMB1,000

** English name is for reference only

APPENDIX I

ACCOUNTANTS’ REPORT

22. TRADE AND BILLS RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables from third parties	411,310	381,072	344,614
Bills receivables from third parties	1,207	3,255	3,828
Trade receivables from a related party (Note 39 (iii)).	1,278	30	30
	<u>413,795</u>	<u>384,357</u>	<u>348,472</u>
Less: allowance for credit losses	<u>(36,363)</u>	<u>(46,995)</u>	<u>(83,037)</u>
	<u>377,432</u>	<u>337,362</u>	<u>265,435</u>

As at January 1, 2023, trade receivables from contracts with customers of the Group amounted to RMB239,223,000 and bills receivables amounted to RMB2,719,000.

Included in bills receivables were bank acceptances notes amounted to RMB957,000, RMB3,255,000 and 2,603,000 as at December 31, 2023, 2024 and 2025, respectively, and the remaining are commercial acceptance notes. All bills received by the Group and the Company are with a maturity period of less than one year. For bills receivables, based on the historical data and management’s analysis, the potential loss on collection of bills receivables is not material and no impairment loss is considered. As at December 31, 2024, bank acceptances notes amounted to RMB3,158,000 were discounted by the Group and the Company (December 31, 2023 and 2025: nil). The directors of the Company consider the substantial risks in relation to these bills are interest risk as the credit risk arising from these bills are minimal. Upon the discount of these bills, the Group and the Company has transferred substantially all the risks of these bills to relevant banks, hence the Group and the Company has derecognized these bills receivables.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables from third parties	388,178	361,053	328,273
Bills receivables from third parties	1,207	3,255	3,828
Trade receivables from a related party (Note 39 (iii)).	1,278	30	30
Trade receivables from subsidiaries (Note 39 (iii)).	7,266	8,045	4,818
	<u>397,929</u>	<u>372,383</u>	<u>336,949</u>
Less: allowance for credit losses	<u>(34,139)</u>	<u>(43,751)</u>	<u>(77,760)</u>
	<u>363,790</u>	<u>328,632</u>	<u>259,189</u>

As at January 1, 2023, trade receivables from contracts with customers of the Company amounted to RMB230,416,000 and bills receivables amounted to RMB2,719,000.

The following is an aging analysis of trade receivables net of allowance for credit losses presented based on dates of rendering of services or delivery of goods as at December 31, 2023, 2024 and 2025:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	313,327	173,434	159,429
1 to 2 years	48,872	135,180	40,936
2 to 3 years	14,026	25,493	61,242
	<u>376,225</u>	<u>334,107</u>	<u>261,607</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	301,614	174,070	157,114
1 to 2 years	47,603	126,660	42,010
2 to 3 years	13,366	24,647	56,237
	<u>362,583</u>	<u>325,377</u>	<u>255,361</u>

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The Group and the Company normally grants a credit period of 30 to 365 days or a particular period agreed with customers effective from the date when the services have been completed or control of goods has been transferred to the customer and billed to the customer.

The aging of bills receivables based on the issue dates of bills receivables were all within one year.

Details of expected credit loss assessment of trade and bills receivables are set out in Note 41(b) to the Historical Financial Information.

23. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deposits	10,813	20,604	20,659
Loans to a third party (<i>Note</i>)	2,000	2,000	2,000
Others	264	226	205
Less: allowance for credit losses	(4,704)	(5,389)	(6,082)
	<u>8,373</u>	<u>17,441</u>	<u>16,782</u>
Value-Added Tax (“VAT”) recoverable	47	47	–
Deferred issue costs	–	–	18,642
Prepayments	55,179	7,115	4,795
	<u>63,599</u>	<u>24,603</u>	<u>40,219</u>
Analyzed as			
Current	15,765	24,603	40,219
Non-current	47,834	–	–
	<u>63,599</u>	<u>24,603</u>	<u>40,219</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Deposits	8,489	18,113	18,324
Loans to a third party (<i>Note</i>)	2,000	2,000	2,000
Others	216	184	187
Amounts due from subsidiaries (<i>Note 39 (iii)</i>)	224,227	326,040	395,885
Less: allowance for credit losses	(19,109)	(31,208)	(32,129)
	<u>215,823</u>	<u>315,129</u>	<u>384,267</u>
Deferred issue costs	–	–	18,642
Prepayments	54,540	6,704	4,565
	<u>270,363</u>	<u>321,833</u>	<u>407,474</u>
Analyzed as			
Current	222,529	321,833	407,474
Non-current	47,834	–	–
	<u>270,363</u>	<u>321,833</u>	<u>407,474</u>

Note: As at December 31, 2023, 2024 and 2025, the Group and the Company has recognized a full impairment loss of RMB2,000,000 in respect of loans to a third party, as the debtor was assessed to be unable to repay.

Details of expected credit loss assessment of other receivables are set out in Note 41(b) to the Historical Financial Information.

24. CONTRACT ASSETS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Retention receivables	36,059	38,839	47,711
Consideration for the services performed to date	4,196	7,016	13,722
Less: allowance for credit losses	(4,518)	(6,393)	(13,326)
	<u>35,737</u>	<u>39,462</u>	<u>48,107</u>

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As at January 1, 2023, contract assets of the Group amounted to RMB25,597,000.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Retention receivables	34,331	36,981	45,880
Consideration for the services performed to date . . .	4,196	7,015	13,722
Less: allowance for credit losses	(4,346)	(6,058)	(12,457)
	<u>34,181</u>	<u>37,938</u>	<u>47,145</u>

As at January 1, 2023, contract assets of the Company amounted to RMB25,136,000.

The contract assets represent the Group’s right to consideration for the services performed to date because the rights are conditioned on the Group’s future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional.

The Group typically agrees to a retention period ranging from 3 months to 3 years for 5% to 20% of the contract value with certain customers in accordance with the terms specified in the relevant contracts. The Group transfers the contract assets to trade receivables upon maturity of retention period.

The Group and the Company classify these contract assets as current because the Group and the Company expect to realize them in its normal operating cycle.

Details of expected credit loss assessment of contract assets are set out in Note 41(b) to the Historical Financial Information.

25. CONTRACT COSTS

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Costs to fulfill contracts	<u>48,686</u>	<u>49,955</u>	<u>47,016</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Costs to fulfill contracts	<u>39,104</u>	<u>42,669</u>	<u>41,885</u>

The contract costs primarily relate to the staff costs. Contract costs are recognized as part of cost of sales in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related contract is recognized.

26. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Structured deposits (<i>Note (i)</i>)	575,000	61,500	50,083
Money market fund (<i>Note (i)</i>).	20,175	10,152	21,505
Unlisted fund investment (<i>Note (ii)</i>)	12,000	20,000	22,340
	<u>607,175</u>	<u>91,652</u>	<u>93,928</u>
Analyzed as			
Current	595,175	71,652	71,588
Non-current	12,000	20,000	22,340
	<u>607,175</u>	<u>91,652</u>	<u>93,928</u>

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The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Structured deposits (<i>Note (i)</i>)	570,000	60,000	50,083
Money market fund (<i>Note (i)</i>).	20,175	10,152	21,435
Unlisted fund investment (<i>Note (ii)</i>)	12,000	20,000	22,340
	<u>602,175</u>	<u>90,152</u>	<u>93,858</u>
Analyzed as			
Current	590,175	70,152	71,518
Non-current	12,000	20,000	22,340
	<u>602,175</u>	<u>90,152</u>	<u>93,858</u>

Notes:

- (i) The structured deposits and money market fund held by the Group and the Company are with variable interest rates and are classified as current as the management expects to realize these financial assets within twelve months after the reporting period.
- (ii) The amounts represent unlisted equity interest in an entity established in the PRC.

Details of the above fair value instruments are set out in Note 41(c).

27. BILLS RECEIVABLES AT FVTOCI

The Group and the Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bills receivables	—	—	<u>11,684</u>

As at December 31 2025, certain bills which were held by the Group and the Company for the practice of discounting or endorsing to suppliers before the bills due for payment were classified as “bills receivables at FVTOCI”. All the bills receivables at FVTOCI are with a maturity period of less than one year.

As at December 31, 2025, bank acceptances notes amounted to RMB986,000 were endorsed to suppliers by the Group. These bills are issued by reputable PRC banks with high credit ratings, therefore the directors of the Company consider the substantial risks in relation to these bills are interest risk as the credit risk arising from these bills are minimal. Upon the endorsement of these bills, the Group has transferred substantially all the risks of these bills to relevant banks, hence the Group has derecognized these bills receivables.

28. CASH AND CASH EQUIVALENTS/TERM DEPOSITS

The Group and the Company

Cash and cash equivalent

Cash and cash equivalents carry interest at prevailing market rates of 0.20%-0.30%, 0.15%-0.25% and 0.05%-3.67% per annum for years ended December 31, 2023, 2024 and 2025, respectively.

Term deposits

As at December 31, 2023, 2024 and 2025, term deposits carry interests at market rates, which was from 2.85% to 4.00%, 2.80% to 3.95% and 2.30% to 3.86%, respectively.

Details of impairment assessment of cash and cash equivalents and term deposits are set out in Note 41(b) to the Historical Financial Information.

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29. TRADE, BILLS AND OTHER PAYABLES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	94,160	93,979	98,158
Payroll payable	60,676	16,618	36,953
Other tax payables	25,479	25,630	25,850
Other payables	5,348	6,049	5,988
Accrued issue costs	–	–	5,188
Bills payables	–	–	5,098
	<u>185,663</u>	<u>142,276</u>	<u>177,235</u>
Trade, bills and other payables to third parties	<u>183,837</u>	<u>142,276</u>	<u>177,235</u>
Trade payables to a related party (<i>Note 39 (iii)</i>)	<u>1,826</u>	<u>–</u>	<u>–</u>
	<u>185,663</u>	<u>142,276</u>	<u>177,235</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade payables	96,359	100,537	108,809
Payroll payable	43,059	11,540	22,965
Other payables	3,816	4,395	6,079
Other tax payables	6,994	6,802	5,380
Accrued issue costs	–	–	5,188
Bills payables	–	–	5,098
	<u>150,228</u>	<u>123,274</u>	<u>153,519</u>
Trade, bills and other payables to third parties	<u>140,317</u>	<u>115,651</u>	<u>133,442</u>
Trade payables to a related party (<i>Note 39 (iii)</i>)	<u>1,826</u>	<u>–</u>	<u>–</u>
Amount due to subsidiaries (<i>Note 39 (iii)</i>)	<u>8,085</u>	<u>7,623</u>	<u>20,077</u>
	<u>150,228</u>	<u>123,274</u>	<u>153,519</u>

The average credit period ranges from 30 to 270 days. The following is an aging analysis of trade payables presented based on the invoice dates at the end of each reporting period:

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	78,446	63,220	54,008
1 to 2 years	10,408	22,232	23,154
2 to 3 years	1,602	3,671	13,882
Over 3 years	3,704	4,856	7,114
	<u>94,160</u>	<u>93,979</u>	<u>98,158</u>

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	77,354	65,683	57,054
1 to 2 years	12,341	22,936	26,360
2 to 3 years	3,252	5,601	14,180
Over 3 years	3,412	6,317	11,215
	<u>96,359</u>	<u>100,537</u>	<u>108,809</u>

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30. CONTRACT LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities	38,450	62,574	57,270

As at January 1, 2023, contract liabilities of the Group amounted to RMB22,576,000.

Contract liabilities that are expected to be settled within the Group’s normal operating cycle, are classified as current based on the Group’s earliest obligation to transfer goods or services to the customers.

Included in contract liabilities balance of the Group as at January 1, 2023, 2024 and 2025, RMB16,603,000, RMB33,439,000 and RMB52,324,000 were recognized as revenue during the years ended December 31, 2023, 2024 and 2025, respectively.

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contract liabilities	35,303	59,284	52,198

As at January 1, 2023, contract liabilities of the Company amounted to RMB19,898,000.

Contract liabilities that are expected to be settled within the Company’s normal operating cycle, are classified as current based on the Company’s earliest obligation to transfer goods or services to the customers.

Included in contract liabilities balance of the Company as at January 1, 2023, 2024 and 2025, RMB14,579,000, RMB30,574,000 and RMB49,510,000 were recognized as revenue during the years ended December 31, 2023, 2024 and 2025, respectively.

31. BORROWINGS

The Group and the Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At amortized cost			
Unsecured variable-rate bank borrowings	18,015	40,027	–
Unsecured fixed-rate bank borrowings	–	–	10,026
Secured variable-rate bank borrowings	37,531	–	20,010
	<u>55,546</u>	<u>40,027</u>	<u>30,036</u>

As of December 31, 2023, 2024 and 2025, the carrying amounts of the above borrowings are all repayable within one year.

As at December 31, 2023, 2024 and 2025, bank loans amounted to RMB37,531,000, nil and RMB20,010,000 respectively were secured by patent held by the Company.

The Group’s and Company’s variable-rate borrowings carry interest at Loan Prime Rate (“LPR”).

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group’s and Company’s borrowings are as follows:

	As at December 31,		
	2023	2024	2025
Effective interest rates:			
Variable-rate borrowings	2.70%-2.80%	2.40% to 2.45%	2.03%
Fixed-rate borrowings	N/A	N/A	2.00%

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32. FINANCIAL LIABILITIES AT FVTPL

The Group and the Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Derivative financial liabilities (<i>Note</i>)	—	—	44
Analyzed as			
Current	—	—	44
	—	—	—

Note: The derivative financial liabilities held by the Group and the Company mainly comprise foreign exchange forward contracts entered into by the Group to manage its exposure to foreign currency risk.

Details of the above fair value instruments are set out in Note 41(c).

33. LEASE LIABILITIES

The Group

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Lease liabilities payable:			
Within one year	14,899	17,206	15,295
Within a period of more than one year but not exceeding two years	12,997	15,418	1,261
Within a period of more than two years but not exceeding five years	11,061	1,298	—
	38,957	33,922	16,556
Less: Amount due for settlement within 12 months shown as current liabilities	14,899	17,206	15,295
Amount due for settlement after 12 months shown as non-current liabilities	24,058	16,716	1,261

The Company

	As at December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Lease liabilities payable:			
Within one year	8,999	11,926	10,964
Within a period of more than one year but not exceeding two years	9,723	11,043	—
Within a period of more than two years but not exceeding five years	8,843	—	—
	27,565	22,969	10,964
Less: Amount due for settlement within 12 months shown as current liabilities	8,999	11,926	10,964
Amount due for settlement after 12 months shown as non-current liabilities	18,566	11,043	—

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The weighted average incremental borrowing rates applied to the lease liabilities is 4.20%, 3.60% and 3.50% per annum for the Track Record Period.

34. PROVISIONS

The Group

	<u>Warranty provisions</u>
	<i>RMB'000</i>
As at January 1, 2023	15,663
Additional provision in the year	27,460
Utilization of provision	<u>(18,973)</u>
As at December 31, 2023	24,150
Additional provision in the year	16,812
Utilization of provision	<u>(23,390)</u>
As at December 31, 2024	17,572
Additional provision in the year	26,924
Utilization of provision	<u>(20,513)</u>
As at December 31, 2025	<u>23,983</u>

The Company

	<u>Warranty provisions</u>
	<i>RMB'000</i>
As at January 1, 2023	15,328
Additional provision in the year	24,622
Utilization of provision	<u>(17,111)</u>
As at December 31, 2023	22,839
Additional provision in the year	16,254
Utilization of provision	<u>(22,013)</u>
As at December 31, 2024	17,080
Additional provision in the year	26,918
Utilization of provision	<u>(20,020)</u>
As at December 31, 2025	<u>23,978</u>

The warranty provision represents management’s best estimate of the Group’s liability under 1 to 3 years assurance-type warranty related to AI and big data infrastructure software business and solution business, based on prior experience and industry averages for defective products and services.

35. DEFERRED INCOME

The Group

	<u>As at December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets-related government subsidies (<i>Note 8</i>).	7,227	2,955	3,742
Expense-related government subsidies (<i>Note 8</i>).	3,037	2,492	6,670
	<u>10,264</u>	<u>5,447</u>	<u>10,412</u>

The Company

	<u>As at December 31,</u>		
	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets-related government subsidies (<i>Note 8</i>).	7,030	2,809	3,654
Expense-related government subsidies (<i>Note 8</i>).	1,538	992	5,170
	<u>8,568</u>	<u>3,801</u>	<u>8,824</u>

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36. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of RMB1 each		
Authorized, issued and fully paid		
As at January 1, 2023, December 31, 2023 and 2024	120,842,068	120,842
Issuance of ordinary shares (Note)	293,848	294
As at December 31, 2025	<u>121,135,916</u>	<u>121,136</u>

Note: During the year ended December 31, 2025, the Group issued a total of 293,848 ordinary shares to the Group’s director and employees as the result of exercise of share options after vesting period with a total consideration of RMB13,241,000 at the exercise price of RMB45.06.

37. RESERVE OF THE COMPANY

	Share premium RMB'000	Share-based payments reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at January 1, 2023	2,219,200	58,702	(389,660)	1,888,242
Loss and total comprehensive expense for the year	–	–	(219,228)	(219,228)
Recognition of equity-settled share-based payments (Note 38)	–	20,320	–	20,320
As at December 31, 2023	<u>2,219,200</u>	<u>79,022</u>	<u>(608,888)</u>	<u>1,689,334</u>
Loss and total comprehensive expense for the year	–	–	(258,456)	(258,456)
Recognition of equity-settled share-based payments (Note 38)	–	(1,112)	–	(1,112)
As at December 31, 2024	<u>2,219,200</u>	<u>77,910</u>	<u>(867,344)</u>	<u>1,429,766</u>
Loss and total comprehensive expense for the year	–	–	(147,746)	(147,746)
Issue of ordinary shares under 2023 Share Incentive Scheme (Note 36 and 38)	29,387	(16,440)	–	12,947
As at December 31, 2025	<u>2,248,587</u>	<u>61,470</u>	<u>(1,015,090)</u>	<u>1,294,967</u>

38. SHARE-BASED PAYMENT TRANSACTIONS

Restricted A-share Scheme

In order to attract, motivate and retain certain eligible directors and employees, the Company established the direct stock ownership platform 上海贊星投資中心(有限合夥) and indirect stock ownership platforms (collectively referred to as “Employee Stock Ownership Platform”) in June 2014 and September 2019 respectively, to subscribe the Company’ registered capital for implementation of employee incentive schemes of the Company (“Restricted A-share Scheme”).

The Restricted A-share Scheme was adopted before the year of 2022. The directors of the Company may grant restricted shares to eligible employees, including directors of the Company and its subsidiaries, to indirectly hold the capital of the Company through Employee Stock Ownership Platform.

The vesting schedule is over four years with 25% will vest on the later of each anniversary of the vesting commencement date or the A-shares listed date as stipulated in respective grant notices.

The outstanding amount of restricted shares as at December 31, 2023, 2024 and 2025 was 4,079,874, 4,079,874 and 4,079,874, respectively.

The Black-Scholes pricing model has been used to estimate the fair value of Restricted A-share Scheme.

2023 Share Incentive Scheme

For the purpose of providing incentives to eligible participants who contribute to the success of the Group’s operations, as considered and approved at shareholders meeting of the Company on March 29, 2023, the Company adopted the 2023 Share Incentive Scheme.

On March 31, 2023 (“2023 March Batch”) and October 30, 2023 (“2023 October Batch”), 1,146,191 and 37,000 options were granted to a director and eligible employees with an exercise price of RMB45.06 per share, respectively. Share options are vested to rewarded employees, subject to performance evaluation at corporate level and individual level in which 40% of the total amount will be vested on from the first trading day after the expiry of the 12-month period from the date of grant and ending on the last trading day of the 24-month period from the date of grant, 20% of the total amount will be vested on from the first trading day after the expiry of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant, 20% of the total amount will be vested on from the first trading

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day after the expiry of the 36-month period from the date of grant and ending on the last trading day of the 48-month period from the date of grant and remaining 20% of the total amount will be vested on from the first trading day after the expiry of the 48-month period from the date of grant and ending on the last trading day of the 60-month period from the date of grant (the “Type A Vesting Period”).

On March 26, 2024, 66,809 options were granted to eligible employees with an exercise price of RMB45.06 per share (the “2024 March Batch”). Share options are vested to rewarded employees, subject to performance evaluation at corporate level and individual level in which 40% of the total amount will be vested on from the first trading day after the expiry of the 12-month period from the date of grant and ending on the last trading day of the 24-month period from the date of grant, 30% of the total amount will be vested on from the first trading day after the expiry of the 24-month period from the date of grant and ending on the last trading day of the 36-month period from the date of grant and remaining 30% of the total amount will be vested on from the first trading day after the expiry of the 36-month period from the date of grant and ending on the last trading day of the 48-month period from the date of grant (the “Type B Vesting Period”).

The 2023 Share Incentive Scheme, subject to performance evaluation at corporate level and individual level, shall be valid for a term of 66 months, commencing from the date of grant and ending on the date on which all the share options granted to the Incentive Participants have been exercised or cancelled.

Details of the share options granted under the 2023 Share Incentive Scheme are as follows:

Batch	Grantee	Grant during the year of	Vesting period defined in contract term	Number of options granted
2023 March Batch	Director	2023	Type A Vesting Period	30,797
2023 March Batch	Employees	2023	Type A Vesting Period	1,115,394
2023 October Batch	Employees	2023	Type A Vesting Period	37,000
2024 March Batch	Employees	2024	Type B Vesting Period	66,809

Set out below are details of the movements of the outstanding share options through the Track Record Period:

	Number of options	Weighted average exercise price RMB	Weighted average grant date fair value RMB	Exercisable at the end of the year	Weighted average remaining contractual life Years
Outstanding as of December 31, 2022	–	–	–	–	–
Granted	1,183,191	45.06	59.63		
Forfeited	(38,500)	45.06	61.00		
Outstanding as of December 31, 2023	1,144,691	45.06	59.58	–	4.77
Granted	66,809	45.06	15.80		
Forfeited	(177,102)	45.06	58.44		
Outstanding as of December 31, 2024	1,034,398	45.06	56.95	316,199	3.83
Exercised	(293,848)	45.06	56.23		
Forfeited	(363,224)	45.06	54.01		
Outstanding as of December 31, 2025	377,326	45.06	60.92	–	2.82

As at December 31, 2023, 2024 and 2025, the weighted average exercise prices per share option for outstanding share options are all RMB45.06.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors’ of the Company best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. These fair values and corresponding inputs into the model were as follows:

	Year ended December 31,		
	2023	2024	2025
Risk-free interest rate	2.23%~2.60%	1.17%~2.08%	Note
Expected dividend yield	0.00%	0.00%	Note
Expected volatility range	51.12%~56.35%	53.72%~58.68%	Note
Expected life	5.5 Years	5.5 Years	Note
Grant date option fair value	RMB13.10~66.75	RMB12.76~19.31	Note

Notes: The Company did not grant new option in 2025.

The Group recognized expense of RMB20,320,000 for the year ended December 31, 2023. As the performance evaluation at corporate level were no satisfied, the group reversed expenses of RMB1,112,000 for the year ended December 2024 and there is no expense recognized or reversed for the year ended December 31 2025 in relation to 2023 Share Incentive Scheme granted by the Company.

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39. RELATED PARTY TRANSACTIONS

(i) The relationships with related parties during the Track Record Period

Name of related parties	Relationship with the Group
Tencent Cloud Computing (Beijing) Co., Ltd.* 騰訊雲計算(北京)有限責任公司 (“Tencent Cloud”)	Under ultimate control with shareholders holding 5% or more of the Company’s shares
Shenzhen Tencent Computer Systems Co., Ltd.* 深圳市騰訊計算機系統有限公司 (“Shenzhen Tencent”)	Under ultimate control with shareholders holding 5% or more of the Company’s shares
Guangzhou Smart Software Co., Ltd.* 廣州思邁特軟件有限公司 (“Guangzhou Smart”)	Entity in which the Company’s supervisor serves as a director

(ii) Other than as disclosed elsewhere in the Historical Financial Information, the Group and the Company has following transactions and balances with related parties during the Track Record Period:

The Group

Sales of goods and rendering of services

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Tencent Cloud	66	(57)	–
	<u>66</u>	<u>(57)</u>	<u>–</u>

Purchase of goods and receipt of services

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Guangzhou Smart	1,413	–	–
Tencent Cloud	19	175	72
Shenzhen Tencent	–	5	5
	<u>1,432</u>	<u>180</u>	<u>77</u>

The Company

Sales of goods and rendering of services

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Tencent Cloud	66	(57)	–
Subsidiaries of the Company	11,819	7,495	1,744
	<u>11,885</u>	<u>7,438</u>	<u>1,744</u>

Sales of property and equipment

	Year ended December 31,		
	2023	2024	2025
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Subsidiaries of the Company	–	–	5,983
	<u>–</u>	<u>–</u>	<u>5,983</u>

* English name is for reference only.

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Purchase of goods and receipt of services

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Guangzhou Smart	1,413	–	–
Tencent Cloud	19	175	72
Shenzhen Tencent	–	5	4
Subsidiaries of the Company	121,249	103,144	69,433
	<u>122,681</u>	<u>103,324</u>	<u>69,509</u>

(iii) Other than as disclosed elsewhere the Historical Financial Information, as at the end of the Track Record Period, the Group and the Company had balances with related parties, which are all unsecured, as follows:

The Group and the Company

Trade receivables

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tencent Cloud	<u>1,278</u>	<u>30</u>	<u>30</u>

The above amounts due from a related party are presented before accumulative impairment losses.

Contract assets

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tencent Cloud	<u>141</u>	<u>6</u>	<u>6</u>

The above amounts due from a related party are presented before accumulative impairment losses.

Prepayment

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Tencent Cloud	<u>45</u>	<u>–*</u>	<u>–</u>

Trade payables

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Guangzhou Smart	<u>1,826</u>	<u>–</u>	<u>–</u>

The Company

Trade receivables

	Year ended December 31,		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade nature – subsidiaries of the Company	<u>7,266</u>	<u>8,045</u>	<u>4,818</u>

* Amount is less than RMB1,000

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Amounts due from subsidiaries

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-trade nature	224,227	326,040	395,885

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Amounts due to subsidiaries

	Year ended December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade nature	8,085	7,623	18,677
Non-trade nature	—	—	1,400

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

(iv) Compensation of key management personnel of the Group

The directors are regarded as the key management of the Group. The compensation paid or payable to the key management for employment services is disclosed in Note 14.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to investors through the optimization of the debt and equity balance. The Group’s overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debts, which includes borrowings disclosed in Note 31 and lease liabilities disclosed in Note 33, net of cash and cash equivalents and term deposits disclosed in Note 28 and total equity comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital. Based on recommendation of the management of the Group, the Group will balance its overall capital structure through the new share issues or issue of new debt.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Amortized cost	885,486	983,657	737,120
Financial assets at FVTPL	607,175	91,652	93,928
Financial assets at FVTOCI	—	—	11,684
Financial liabilities			
Amortized cost	155,054	140,055	139,280
Financial liabilities at FVTPL	—	—	44

The Company

	As at December 31,		
	2023	2024	2025
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets			
Amortized cost	1,054,662	1,232,350	1,047,136
Financial assets at FVTPL	602,175	90,152	93,858
Financial assets at FVTOCI	—	—	11,684
Financial liabilities			
Amortized cost	155,721	144,959	150,022
Financial liabilities at FVTPL	—	—	44

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(b) Financial risk management objectives and policies

The Group’s and the Company’s major financial instruments include trade and bills receivables, other receivables, cash and cash equivalents, term deposits, restricted bank deposits, financial assets at FVTPL, bills receivables at FVTOCI, trade, bills and other payables, lease liabilities, borrowings and financial liabilities at FVTPL. Details of these financial assets and liabilities are disclosed in respective notes.

The risks associated with the financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain financial assets and liabilities are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. The management of the Group monitors foreign exchange exposure and enters into the forward exchange contracts to mitigate the foreign exchange risk.

The carrying amounts of the Group’s foreign currencies denominated monetary assets and liabilities at the end of the Track Record Period are as follows:

The Group

		As at December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Currency	Financial assets			
Singapore dollar (“SGD”)	Trade and bills receivables	1,114	383	105
	Prepayment and other receivables	–	418	258
	Cash and cash equivalents	16,743	20,144	1,661
United States dollar (“USD”)	Cash and cash equivalents	1,610	12,499	29,018
	Term deposits	–	–	14,490
Canadian dollar (“CAD”)	Trade and bills receivables	–	12	–
	Cash and cash equivalents	726	908	480
		<u> </u>	<u> </u>	<u> </u>

		As at December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Currency	Financial liabilities			
SGD	Trade and other payables	116	205	281
CAD	Trade and other payables	61	73	60
Swiss franc (“CHF”)	Borrowings	–	–	9,956
		<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

The following table details the Group’s sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies, the foreign currencies with which the Group may have a material exposure. 5% represents management’s assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis uses outstanding foreign currencies denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit for the respective years.

		Year ended December 31,		
		2023	2024	2025
		RMB’000	RMB’000	RMB’000
Profit or loss				
SGD		887	1,037	87
USD		81	625	2,175
CAD		33	42	21
CHF		–	–	(498)
		<u> </u>	<u> </u>	<u> </u>

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(ii) *Interest rate risk*

The Group and the Company are primarily exposed to fair value interest rate risk in relation to term deposits (Note 28), fixed-rate bank borrowings (Note 31) and lease liabilities (Note 33) and cash flow interest rate risk in relation to variable-rate bank borrowings (Note 31) and cash and cash equivalents (Note 28). The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the Track Record Period. The analysis is prepared assuming the financial instruments outstanding at the end of Track Record Period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used which represents management’s assessment of the reasonably possible change in interest rates. Cash and cash equivalents are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group’s loss for the year ended December 31, 2023, 2024 and 2025 would increase/decrease by RMB278,000, RMB200,000 and RMB100,000.

(iii) *Other price risk*

The Group is also exposed to equity price risk through its investments in unlisted fund measured at FVTPL. In the opinion of the management, the exposure of equity price risk through its investments in unlisted fund measured at FVTPL is insignificant and thus no sensitivity analysis is prepared.

Credit risk and impairment assessment

Credit risk refers to the risk that a customer or counterparties will default on their contractual obligations resulting in financial losses to the Group and the Company. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

The Group’s and the Company’s credit risk exposures are primarily attributable to trade and bills receivables, other receivables, bills receivables at FVTOCI, contract assets, term deposits, restricted bank deposits and cash and cash equivalents. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimize the credit risk, the management of the Group and the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group’s and the Company’s credit risk is significantly reduced.

Trade receivables, contract assets and trade related amounts due from subsidiaries arising from contracts with customers

For trade receivables, contract assets and trade related amounts due from subsidiaries, the Group and the Company perform impairment assessment under ECL model individually and collectively. Except for trade receivables that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables, contract assets and trade related amounts due from subsidiaries are assessed collectively by using a provision matrix, estimated based on debtors’ aging because these customers consist of a large number of customers with common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms.

In order to minimize the credit risk, the Group and the Company has tasked its operation management committee to develop and maintain the Group’s and the Company’s credit risk gradings to categorize exposures according to their degree of risk of default.

Bills receivables and bills receivables at FVTOCI

The management of the Group and the Company considered the credit risk of bank-issued notes and commercial bills is insignificant and no impairment was provided on them at the year end.

Other receivables, deposits and non-trade related amounts due from subsidiaries

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and supportive forward-looking information. Except for the credit-impaired other receivables and deposits, there is no significant increase in credit risk for remaining other receivables and deposits since initial recognition and the Group and the Company provided impairment based on 12m ECL.

The ECL on non-trade related amounts due from subsidiaries are assessed individually based on the probability of defaults of non-trade related amounts due from subsidiaries, the management has taken into account the financial position of the counterparties as well as forward looking information that is available without undue cost or effort.

Cash and cash equivalents, restricted bank deposits and term deposits

The credit risk on cash and cash equivalents, restricted bank balances and term deposits is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

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The table below details the credit risk exposures of the Group’s and the Company’s financial assets and contract assets, which are subject to ECL assessment:

	Notes	12m or lifetime ECL	Gross carrying amounts					
			The Group			The Company		
			As at December 31,					
			2023	2024	2025	2023	2024	2025
RMB’000			RMB’000					
Financial assets at amortized cost								
Trade receivables and trade-related amounts due from subsidiaries	22	Lifetime ECL – not credit-impaired (collectively assessed)	403,495	363,186	326,327	389,041	354,052	317,947
		Lifetime ECL – credit-impaired (individually assessed)	9,093	17,916	18,317	7,681	15,076	15,174
Bills receivables	22	12m ECL	1,207	3,255	3,828	1,207	3,255	3,828
Other receivables and deposits	23	12m ECL	11,077	20,830	10,782	8,705	18,297	8,429
		Lifetime ECL – credit-impaired	2,000	2,000	12,082	2,000	2,000	12,082
Non-trade related amounts due from subsidiaries	39(iii)	12m ECL	–	–	–	224,227	326,040	395,885
Term deposits	28	12m ECL	146,927	85,587	100,944	146,927	85,587	86,454
Restricted bank deposits		12m ECL	6	6	8	6	6	8
Cash and cash equivalents	28	12m ECL	352,748	543,261	353,951	328,116	502,996	317,218
Other items								
Contract assets	24	Lifetime ECL – not credit-impaired (collectively assessed)	40,255	45,855	61,433	38,527	43,996	59,602
Financial assets at FVTOCI								
Bills receivables at FVTOCI	27	12m ECL	–	–	11,684	–	–	11,684

As part of the Group’s and the Company’s credit risk management, except for the debtors’ balances assessed individually, the Group and the Company use debtors’ aging to assess the impairment for its customers in relation to its operation because these customers have common risk characteristics that are representative of the customers’ abilities to pay all amounts due in accordance with the contractual terms.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at December 31, 2023, 2024 and 2025 within lifetime ECL.

The Group

Debtors with credit-impaired with gross carrying amounts of approximately RMB9,093,000, RMB17,916,000 and RMB18,317,000 as at December 31, 2023, 2024 and 2025 were assessed individually.

Debtor’s aging	Gross carrying amount as at					
	December 31, 2023		December 31, 2024		December 31, 2025	
	Expected credit loss rate	Trade receivables and contract assets	Expected credit loss rate	Trade receivables and contract assets	Expected credit loss rate	Trade receivables and contract assets
	RMB’000		RMB’000		RMB’000	
Within 1 year	3.17%	348,632	3.22%	200,286	4.79%	200,345
1 to 2 years	14.72%	66,798	9.71%	166,096	16.45%	58,780
2 to 3 years	30.58%	25,110	20.12%	37,261	30.48%	100,488
Over 3 years	100.00%	3,210	100.00%	5,398	100.00%	28,147
		443,750		409,041		387,760

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The Company

Debtors with credit-impaired with gross carrying amounts of approximately RMB7,681,000, RMB15,076,000 and RMB15,174,000 as at December 31, 2023, 2024 and 2025 were assessed individually.

Debtor's aging	Gross carrying amount as at					
	December 31, 2023		December 31, 2024		December 31, 2025	
	Expected credit loss rate	Trade receivables, contract assets and trade-related amount due from subsidiaries	Expected credit loss rate	Trade receivables, contract assets and trade-related amount due from subsidiaries	Expected credit loss rate	Trade receivables, contract assets and trade-related amount due from subsidiaries
	RMB'000		RMB'000		RMB'000	
Within 1 year	3.17%	335,576	3.28%	200,915	4.79%	197,915
1 to 2 years	14.72%	64,910	9.71%	155,483	16.45%	59,731
2 to 3 years	31.00%	23,891	20.12%	35,802	30.48%	92,122
Over 3 years	100.00%	3,191	100.00%	5,848	100.00%	27,781
		<u>427,568</u>		<u>398,048</u>		<u>377,549</u>

The following table shows the movement in lifetime ECL that has been recognized for trade receivables and contract assets under the simplified approach.

The Group

	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2023	18,328	6,703	25,031
– Transfer to credit-impaired	(2,390)	2,390	–
– Impairment losses recognized, net of reversal	15,850	–	15,850
As at December 31, 2023	31,788	9,093	40,881
– Transfer to credit-impaired	(8,823)	8,823	–
– Impairment losses recognized, net of reversal	12,507	–	12,507
As at December 31, 2024	35,472	17,916	53,388
– Transfer to credit-impaired	(401)	401	–
– Impairment losses recognized, net of reversal	42,975	–	42,975
As at December 31, 2025	<u>78,046</u>	<u>18,317</u>	<u>96,363</u>

The Company

	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
	RMB'000	RMB'000	RMB'000
As at January 1, 2023	18,537	5,291	23,828
– Transfer to credit-impaired	(2,390)	2,390	–
– Impairment losses recognized, net of reversal	14,657	–	14,657
As at December 31, 2023	30,804	7,681	38,485
– Transfer to credit-impaired	(7,395)	7,395	–
– Impairment losses recognized, net of reversal	11,324	–	11,324
As at December 31, 2024	34,733	15,076	49,809
– Transfer to credit-impaired	(98)	98	–
– Impairment losses recognized, net of reversal	40,408	–	40,408
As at December 31, 2025	<u>75,043</u>	<u>15,174</u>	<u>90,217</u>

Liquidity risk

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

The following table details the Group’s and the Company’s remaining contractual maturity for its financial liabilities and lease liabilities based on agreed repayment terms. 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 table includes both interest and principal cash flows.

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The Group

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023						
Trade, bills and other payables	–	99,508	–	–	99,508	99,508
Borrowings	2.73	56,419	–	–	56,419	55,546
Lease liabilities	4.20	16,388	13,851	11,294	41,533	38,957
		<u>172,315</u>	<u>13,851</u>	<u>11,294</u>	<u>197,460</u>	<u>194,011</u>

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024						
Trade, bills and other payables	–	100,028	–	–	100,028	100,028
Borrowings	2.42	40,513	–	–	40,513	40,027
Lease liabilities	3.60	18,355	15,792	1,311	35,458	33,922
		<u>158,896</u>	<u>15,792</u>	<u>1,311</u>	<u>175,999</u>	<u>173,977</u>

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2025 .						
Trade, bills and other payables	–	109,244	–	–	109,244	109,244
Derivative financial liabilities	–	44	–	–	44	44
Borrowings	2.01	30,164	–	–	30,164	30,036
Lease liabilities	3.50	15,667	1,273	–	16,940	16,556
		<u>155,119</u>	<u>1,273</u>	<u>–</u>	<u>156,392</u>	<u>155,880</u>

The Company

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2023						
Trade, bills and other payables	–	100,175	–	–	100,175	100,175
Borrowings	2.73	56,419	–	–	56,419	55,546
Lease liabilities	4.20	10,103	10,378	9,031	29,512	27,565
		<u>166,697</u>	<u>10,378</u>	<u>9,031</u>	<u>186,106</u>	<u>183,286</u>

	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2024						
Trade, bills and other payables	–	104,932	–	–	104,932	104,932
Borrowings	2.42	40,513	–	–	40,513	40,027
Lease liabilities	3.60	12,742	11,280	–	24,022	22,969
		<u>158,187</u>	<u>11,280</u>	<u>–</u>	<u>169,467</u>	<u>167,928</u>

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	Weighted average effective interest rate	Within 1 year and on demand	1 to 2 years	2 to 5 years	Total	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2025.						
Trade, bills and other payables	–	119,986	–	–	119,986	119,986
Derivative financial liabilities	–	44	–	–	44	44
Borrowings	2.01	30,164	–	–	30,164	30,036
Lease liabilities	3.50	11,201	–	–	11,201	10,964
		<u>161,395</u>	<u>–</u>	<u>–</u>	<u>161,395</u>	<u>161,030</u>

(c) Fair value measurements of financial instruments

(i) Fair value of the Group’s and the Company’s financial assets that are measured at fair value on a recurring basis

Some of the Group’s and the Company’s financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

The Group

	Notes	Fair value as at December 31,			Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
		2023	2024	2025			
		RMB'000	RMB'000	RMB'000			
Financial assets							
Structured deposits	26	575,000	61,500	50,083	Level 2	Discounted cash flow method. Future cash flows are estimated based on discount rate observed in the available market.	N/A
Money market fund	26	20,175	10,152	21,505	Level 2	Discounted cash flow method. Future cash flows are estimated based on expected return.	N/A
Unlisted fund investment	26	12,000	20,000	22,340	Level 3	Net assets value of unlisted fund.	The higher the net assets value, the higher the fair value (Note (i))
Bills receivables at FVTOCI	27	–	–	11,684	Level 3	Discounted cash flow method. Future cash flows are estimated based on expected discount rate.	The higher the expected discount rate, the lower the fair value (Note (ii))
Financial liabilities							
Derivative financial liabilities	32	–	–	44	Level 2	Discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at rates that reflect the credit risk of various counterparties.	N/A

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	Notes	Fair value as at December 31,			Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
		2023	2024	2025			
		RMB'000	RMB'000	RMB'000			
Financial assets							
Structured deposits	26	570,000	60,000	50,083	Level 2	Discounted cash flow method. Future cash flows are estimated based on discount rate observed in the available market.	N/A
Money market fund	26	20,175	10,152	21,435	Level 2	Discounted cash flow method. Future cash flows are estimated based on expected return.	N/A
Unlisted fund investment	26	12,000	20,000	22,340	Level 3	Net assets value of unlisted fund.	The higher the net assets value, the higher the fair value (Note (i))
Bills receivables at FVTOCI	27	–	–	11,684	Level 3	Discounted cash flow method. Future cash flows are estimated based on expected return rate.	The higher the return rate, the lower the fair value (Note (ii))
Financial liabilities							
Derivative financial liabilities	32	–	–	44	Level 2	Discounted cash flow method. Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at rates that reflect the credit risk of various counterparties.	N/A

Note:

- (i) A 10% increase/decrease in the net assets while holding all other variables constant would increase/decrease the fair value measurement of the unlisted fund investments by RMB1,200,000, RMB2,000,000 and RMB2,234,000 as at December 31, 2023, 2024 and 2025, respectively.
- (ii) A 10% increase/decrease in the expected return rate while holding all other variables constant would decrease/increase the fair value measurement of the bills receivables at FVTOCI by RMB nil, RMB nil and RMB1,168,400 as at December 31, 2023, 2024 and 2025 respectively.

There were no transfers between Level 1, Level 2 and Level 3 during the Track Record Period.

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(ii) *Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)*

The directors of the Company consider that the carrying amounts of the Group’s and the Company’s financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values.

(iii) *Reconciliation of Level 3 fair value measurements*

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	<u>Unlisted fund investments</u>	<u>Bills receivables at</u>
	<u>RMB’000</u>	<u>FVTOCI</u>
	<u>RMB’000</u>	<u>RMB’000</u>
As at January 1, 2023	–	–
Additions	12,000	–
December 31, 2023	12,000	–
Additions	8,000	–
As at December 31, 2024	20,000	–
Additions	–	21,682
Settlements	(2,189)	(9,998)
Gains recognized in profit or loss	4,529	–
As at December 31, 2025	<u>22,340</u>	<u>11,684</u>

42. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of the state-sponsored retirement benefit scheme organized by the relevant local government authority in the PRC. The PRC entities are required to contribute, based on a certain percentage of the payroll costs of their employees, to the retirement benefit scheme and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The total amount provided by the Group to the scheme in the PRC and charged to profit or loss and capitalized as contract costs and development costs are RMB55,150,000, RMB57,870,000 and RMB49,769,000 for the years ended December 31, 2023, 2024 and 2025 respectively.

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43 . PARTICULARS OF SUBSIDIARIES

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

Name of subsidiaries	Place/ country and date of establishment/ incorporation	Issued and fully paid-in/registered capital			Equity interest attributable to the Company			Principal activities
		As at December 31,			As at December 31,			
		2023	2024	2025	2023	2024	2025	
星環志科技(北京)有限公司 Transwarp Zhongzhi Technology (Beijing) Co., Ltd.	The PRC/ February 15, 2017	RMB30,000,000/ RMB30,000,000	RMB30,000,000/ RMB30,000,000	RMB30,000,000/ RMB30,000,000	100%	100%	100%	[100%] Information transmission, software and information technology services
星環志志信科技(南京)有限公司 Transwarp Zhongzhi Information Technology (Nanjing) Co., Ltd.	The PRC/ September 5, 2018	RMB20,000,000/ RMB20,000,000	RMB20,000,000/ RMB20,000,000	RMB20,000,000/ RMB20,000,000	100%	100%	100%	[100%] Information transmission, software and information technology services
河南星環志志信科技有限公司 Henan Transwarp Zhongzhi Information Technology Co., Ltd.	The PRC/ July 5, 2018	RMB10,000,000/ RMB10,000,000	RMB10,000,000/ RMB10,000,000	RMB10,000,000/ RMB10,000,000	100%	100%	100%	[100%] Information transmission, software and information technology services
重慶星環人工智能科技研究院有限公司 Chongqing Transwarp Artificial Intelligence Technology Co., Ltd.	The PRC/ November 15, 2019	RMB10,000,000/ RMB10,000,000	RMB10,000,000/ RMB10,000,000	RMB10,000,000/ RMB10,000,000	100%	100%	100%	[100%] Information transmission, software and information technology services
安徽星環人工智能科技有限公司 Anhui Transwarp Artificial Intelligence Technology Co., Ltd.	The PRC/ March 20, 2020	RMB9,790,000/ RMB20,000,000	RMB14,790,000/ RMB20,000,000	RMB18,390,000/ RMB20,000,000	100%	100%	100%	[100%] Information transmission, software and information technology services
上海星環大數據產業技術發展促進中心 Shanghai Transwarp Big Data Industry Technology Development Promotion Center	The PRC/ March 30, 2017	RMB100,000/ RMB100,000	RMB100,000/ RMB100,000	RMB100,000/ RMB100,000	100%	100%	100%	[100%] Information transmission, software and information technology services
南京星環智能科技有限公司 Nanjing Transwarp Intelligent Technology Co., Ltd.	The PRC/ September 30, 2019	RMB50,000,000/ RMB50,000,000	RMB50,000,000/ RMB50,000,000	RMB50,000,000/ RMB50,000,000	100%	100%	100%	[100%] Information transmission, software and information technology services

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Name of subsidiaries	Place/ country and date of establishment/ incorporation	Issued and fully paid-in/registered capital			Equity interest attributable to the Company			Principal activities
		As at December 31,			As at December 31,			
		2023	2024	2025	2023	2024	2025	
星耀智信科技(濟南)有限公司 Transwarp Chaoyi Information Technology (Jinan) Co., Ltd. (Transwarp Jinan)	The PRC/ November 18, 2020	RMB7,119,934/ RMB20,000,000	RMB9,169,934/ RMB20,000,000	RMB12,319,934/ RMB13,200,000	66%	66%	100% (Note)	[100%] Information transmission, software and information technology services
Transwarp Technology (Canada) Co., Ltd.	Canada/ January 1, 2020	CAD700,000/ CAD700,000	CAD1,000,000/ CAD1,000,000	[CAD1,000,000]/ [CAD1,000,000]	100%	100%	100%	[100%] Information transmission, software and information technology services
Transwarp Technology (Singapore) PTE Ltd.	Singapore/ November 16, 2018	SGD5,000,000/ SGD5,000,000	SGD8,700,000/ SGD8,700,000	[SGD8,700,000, USD4,000,000]/ [SGD8,700,000, USD4,000,000]	100%	100%	100%	[100%] Information transmission, software and information technology services
星耀智信科技有限公司 Transwarp Information Technology Co., Ltd.	Hong Kong/ November 30, 2023	RMBnil/ RMB80,000	RMB80,000/ RMB80,000	[RMB80,000]/ [RMB80,000]	100%	100%	100%	[100%] Information transmission, software and information technology services
星耀智信(西安)信息科技有限公司 Xinghuan Zhongzhi (Xi'an) Information Technology Co., Ltd.	The PRC/ January 18, 2025	N/A	N/A	[RMB3,000,000]/ [RMB3,000,000]	N/A	N/A	N/A	[100%] Information transmission, software and information technology services
Transwarp Malaysia SDN. BHD.	Malaysia/ December 31, 2025	N/A	N/A	[RMBnil]/ [MYR1000]	N/A	N/A	100%	[100%] Information transmission, software and information technology services

Note: In April 2025, the Group’s ownership interest in Transwarp Jinan increased from 66% to 100% as the minority shareholder withdraws of shares. No audited statutory financial statements were prepared for these entities for the years ended December 31, 2023, 2024 and 2025 as there are no statutory audit requirements.

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44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	<u>Lease liabilities</u>	<u>Borrowings</u>	<u>Trade and Bills payables</u>	<u>Accrued issue costs</u>	<u>Total</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
As at January 1, 2023	35,625	–	–	–	35,625
Financing cash flow (<i>note</i>)	(21,491)	54,299	–	–	32,808
<i>Non-cash changes:</i>					
Finance costs	1,558	1,247	–	–	2,805
New leases entered	23,903	–	–	–	23,903
Reclassification of the outstanding rental payables	(375)	–	–	–	–
Early termination of lease	(263)	–	–	–	(263)
As at December 31, 2023	<u>38,957</u>	<u>55,546</u>	<u>375</u>	<u>–</u>	<u>94,878</u>
Financing cash flow (<i>note</i>)	(19,450)	(16,879)	(375)	–	(36,704)
<i>Non-cash changes:</i>					
Finance costs	1,784	1,360	–	–	3,144
New leases entered	15,851	–	–	–	15,851
Early termination of lease	(3,220)	–	–	–	(3,220)
As at December 31, 2024	<u>33,922</u>	<u>40,027</u>	<u>–</u>	<u>–</u>	<u>73,949</u>
Financing cash flow	(12,837)	(11,027)	–	(13,584)	(37,448)
<i>Non-cash changes:</i>					
Finance costs	–	–	–	–	–
Deferred issue costs recognized	1,144	1,080	–	–	2,224
Net foreign exchange losses	–	–	–	18,642	18,642
Early termination of lease	(178)	(44)	–	–	(44)
Reclassification of the outstanding rental payables	(178)	–	–	–	(178)
As at December 31, 2025	<u>(5,495)</u>	<u>–</u>	<u>5,495</u>	<u>–</u>	<u>–</u>
As at December 31, 2025	<u><u>16,556</u></u>	<u><u>30,036</u></u>	<u><u>5,495</u></u>	<u><u>5,058</u></u>	<u><u>57,145</u></u>

Note: The financing cash flow excluded VAT impact on lease liabilities.

45. SUBSEQUENT EVENTS

There were no material events taken place subsequent to 31 December 2025.

46. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2025 and up to the date of this report.