The following is the text of a report set out on pages I-1 to I-[•], received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagements 200, "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHANDONG HUANNENG DESIGN INSTITUTE COMPANY LIMITED AND EDDID CAPITAL LIMITED

Introduction

We report on the historical financial information of Shandong Huanneng Design Institute Company Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[•] to I-[•], which comprises the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, and the statements of financial position of the Company as at 31 December 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 for each of the years ended 31 December 2023, 2024 and 2025 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[•] 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]** on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of 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, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Company’s and the Group’s financial position as at 31 December 2023, 2024 and 2025 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of 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-[•] have been made.

Dividends

We refer to Note [•] to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

BDO Limited
Certified Public Accountants

[•]
Practising Certificate no. [•]

Hong Kong
Date

I 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, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	7	581,629	678,079	810,656
Cost of services		(523,076)	(600,179)	(698,683)
Gross profit		58,553	77,900	111,973
Other income	10	313	138	859
Other gains/(losses), net	11	1,492	1,286	306
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	12	3,984	5,333	(1,832)
Selling expenses		(7,753)	(5,716)	(7,071)
Administrative expenses		(34,548)	(30,018)	(30,892)
Research and development expenses	8	(8,545)	(8,644)	(9,597)
Operating profit		13,496	40,279	63,746
Finance income	13	1,284	1,494	1,494
Finance cost	13	(2,279)	(3,428)	(2,434)
Finance costs – net	13	(995)	(1,934)	(940)
Profit before income tax	8	12,501	38,345	62,806
Income tax expense	14	(1,012)	(5,532)	(8,727)
Profit for the year		11,489	32,813	54,079
Profit/(loss) for the year attributable to:				
Owners of the Company		11,836	34,469	55,470
Non-controlling interests		(347)	(1,656)	(1,391)
		11,489	32,813	54,079
Earnings per share attributable to owners of the Company ***(in RMB)***				
Basic *(RMB per share)*	15	0.21	0.61	0.98

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	17	55,391	51,101	46,475
Investment properties	18	325	1,827	1,579
Intangible assets	19	1,819	1,667	1,596
Interests in associates	20	–	–	–
Deferred tax assets	21	27,076	21,544	19,413
Total non-current assets		84,611	76,139	69,063
Current assets				
Contract costs	22	56,758	61,243	46,637
Trade receivables	25	139,946	113,951	152,153
Note receivables	26	74,638	1,320	4,716
Prepayments, deposits and other receivables	23	164,055	237,038	242,587
Contract assets	24	27,520	61,811	39,528
Current tax assets		18	127	152
Restricted bank deposits	27	10,599	66,772	36,961
Cash and cash equivalents	27	55,861	56,387	94,175
Total current assets		529,395	598,649	616,909
Total assets		614,006	674,788	685,972

		As at 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Current liabilities				
Trade payables	28	227,119	191,072	204,817
Note payables	29	4,588	28,500	–
Other payables and accruals	30	79,000	84,228	96,330
Contract liabilities	31	283,218	317,455	251,292
Borrowings	32	49,579	46,274	61,306
Current tax liabilities		–	–	6,585
Total current liabilities		643,504	667,529	620,330
Net current liabilities		(114,109)	(68,880)	(3,421)
Total assets less current liabilities		(29,498)	7,259	65,642
Non-current liabilities				
Borrowings	32	239	4,183	8,487
Total non-current liabilities		239	4,183	8,487
Total liabilities		643,743	671,712	628,817
Net (liabilities)/assets		(29,737)	3,076	57,155

		As at 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY				
Share capital	33	56,350	56,350	56,350
Reserves	34	(85,740)	(51,271)	4,199
Equity attributable to owners of the Company		(29,390)	5,079	60,549
Non-controlling interests		(347)	(2,003)	(3,394)
Total (deficit)/equity		(29,737)	3,076	57,155

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS				
Non-current assets				
Property, plant and equipment	17	55,233	50,808	46,231
Investment properties	18	325	1,827	1,579
Intangible assets	19	1,819	1,667	1,596
Interests in associates		–	–	–
Deferred tax assets	21	27,122	21,544	19,430
Total non-current assets		84,499	75,846	68,836
Current assets				
Contract costs	22	56,758	60,662	46,055
Trade receivables	25	139,276	112,977	151,781
Note receivables	26	74,638	759	4,716
Prepayments, deposits and other receivables	23	164,577	234,265	237,240
Contract assets	24	27,238	61,811	39,528
Current tax assets		18	–	–
Restricted bank deposits	27	10,599	66,772	36,961
Cash and cash equivalents	27	55,705	55,981	93,112
Total current assets		528,809	593,227	609,393
Total assets		613,308	669,073	678,229

		As at 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
LIABILITIES				
Current liabilities				
Trade payables	28	226,270	188,103	197,906
Note payables	29	4,588	28,500	–
Other payables and accruals	30	78,371	86,603	95,161
Contract liabilities	31	283,393	317,409	251,246
Borrowings	32	49,579	36,191	53,297
Current tax liabilities		–	–	6,585
Total current liabilities		642,201	656,806	604,195
Net current (liabilities)/assets		(113,392)	(63,579)	5,198
Total assets less current liabilities		(28,893)	12,267	74,034
Non-current liabilities				
Borrowings	32	239	4,183	8,487
Total non-current liabilities		239	4,183	8,487
Total liabilities		642,440	660,989	612,682
Net (liabilities)/assets		(29,132)	8,084	65,547

		As at 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY				
Share capital	33	56,350	56,350	56,350
Reserves	34	(85,482)	(48,266)	9,197
Total (deficit)/equity		(29,132)	8,084	65,547

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	Capital reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	56,350	21,163	(118,739)	(41,226)	–	(41,226)
Profit for the year	–	–	11,836	11,836	(347)	11,489
As at 31 December 2023	56,350	21,163	(106,903)	(29,390)	(347)	(29,737)

	Attributable to owners of the Company					
	Share capital	Capital reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	56,350	21,163	(106,903)	(29,390)	(347)	(29,737)
Profit for the year	–	–	34,469	34,469	(1,656)	32,813
As at 31 December 2024	56,350	21,163	(72,434)	5,079	(2,003)	3,076

	Attributable to owners of the Company					
	Share capital	Capital reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2025	56,350	21,163	(72,434)	5,079	(2,003)	3,076
Profit for the year	–	–	55,470	55,470	(1,391)	54,079
As at 31 December 2025	56,350	21,163	(16,964)	60,549	(3,394)	57,155

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2023	2024	2025
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before income tax		12,501	38,345	62,806
Adjustments for:				
Depreciation of property, plant and equipment	8	4,846	5,026	5,032
Depreciation of investment properties	8	87	211	248
Amortisation of intangible assets	8	336	364	327
Net (gains)/loss on disposal of property, plant and equipment and intangible assets		(508)	–	56
Property, plant and equipment written off		164	–	–
Net finance costs	13	995	1,934	940
Impairment of contract costs	8	1,419	535	47
Impairment of trade receivables	12	(4,950)	(8,043)	1,716
Impairment of other receivables	12	710	1,595	911
Impairment of contract assets	12	256	1,115	(795)
Operating cash flow before movements in working capital		15,856	41,082	71,288
(Increase)/decrease in contract costs		(26,045)	(5,020)	14,559
Decrease/(increase) in trade receivables		35,179	34,038	(39,918)
(Increase)/decrease in note receivables		(73,003)	73,270	(3,396)
Increase in prepayments, deposits and other receivables		(139,415)	(74,577)	(6,460)
(Increase)/decrease in contract assets		(14,744)	(35,406)	23,078
Decrease/(increase) in contract liabilities		229,372	34,237	(66,163)
Increase/(decrease) in note payables		4,588	23,912	(28,500)
Increase/(decrease) in trade payables		11,897	(36,047)	13,745
(Decrease)/increase in other payables and accruals		(2,808)	12,599	12,213
Decrease in deferred income		(2,000)	–	–
Cash generated from/(used in) operations		38,877	68,088	(9,554)
Income taxes paid		(18)	(110)	(36)
Net cash generated from/(used in) operating activities		38,859	67,978	(9,590)

		Year ended 31 December		
		2023	**2024**	**2025**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income received		1,284	1,494	1,494
Payments for property, plant and equipment		(3,649)	(9,820)	(517)
Payments for intangible assets		(435)	(212)	(312)
Proceeds from disposal of property, plant and equipment		616	–	–
Placement of restricted bank deposits		(9,296)	(115,246)	(52,484)
Release of restricted bank deposits		3,494	59,073	82,295
Net cash (used in)/generated from investing activities		(7,986)	(64,711)	30,476
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	38	51,315	60,897	65,631
Repayments of borrowings	38	(39,974)	(60,540)	(46,003)
Interest paid for borrowings	38	(2,223)	(3,098)	(2,726)
Net cash generated from/(used in) financing activities		9,118	(2,741)	16,902
NET INCREASE IN CASH AND CASH EQUIVALENTS		39,991	526	37,788
Cash and cash equivalents at the beginning of the year		15,870	55,861	56,387
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		55,861	56,387	94,175

II NOTES TO HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Shandong Huanneng Design Institute Company Limited (the "**Company**") was incorporated on 29 October 2003 as a limited liability company under Company Law of the People's Republic of China (the "**PRC**"). The address of the Company's registered office is Room 2002, Area B, 20/F, Building 1, Shuntai Plaza, 2000 Shunhua Road, Gaoxin District, Jinan, Shandong, PRC.

The Company and its subsidiaries (together, the "**Group**") are principally engaged in the provision of engineering design and construction services. Particulars of the subsidiaries are disclosed in Note 16.

The directors of the Company consider the immediate holding company and the ultimate holding company of the Company to be Jinan Huanneng Investment Holding Co., Ltd., a limited liability company incorporated in the PRC, and the ultimate controlling shareholder of the Company is Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang Liangbo.

2 BASIS OF PREPARATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with all HKFRS Accounting Standards which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the Historical Financial Information also complies with the applicable disclosures requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The HKICPA has issued a number of new standards and amendments to standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all HKFRS Accounting Standards that are effective for the year ended 31 December 2025.

Accounting policies set out below has been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information has been prepared under the historical cost convention except for [certain financial instruments] which have been measured at fair value through other comprehensive income ("**FVOCI**") at the end of each of the reporting periods.

The preparation of the Historical Financial Information in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

3. IMPACT OF ISSUED BUT NOT YET EFFECTIVE NEW STANDARDS, INTERPRETATION AND AMENDMENTS

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not effective for the year ended 31 December 2025 and have not been early adopted by the Group. These new accounting standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions except the new HKFRS 18 as set out below.

The Group plans to adopt these new standards, amendments to standards and interpretations when they become effective:

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

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual periods beginning on or after 1 January 2027
3 The amendments shall be applied prospectively to sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals, It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. The new requirements are expected to impact the Group's presentation of the consolidated statements of profit or loss and disclosures of the Group's financial performance but are unlikely to have a significant impact on the Group's net profit and financial position in the period of initial application.

4. ACCOUNTING POLICIES

4.1 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 over the subsidiary.

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

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.

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

4.2 Investment in associates

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

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

4.3 Impairment of non-financial assets

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

- property, plant and equipment;
- investment properties measured using the cost model;
- intangible assets;
- investment in associates; and
- interests in subsidiaries in the Company's statement of financial position.

If the recoverable amount (i.e. the higher of the fair value less costs of disposal and value-in-use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised in profit or loss immediately.

Value-in-use is based on the estimated future cash flows expected to be derived from the asset or CGU, 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 CGU.

4.4 Property, plant and equipment

Buildings held for own use which are situated on leasehold land, where the fair value of the buildings could be measured separately from the fair value of the leasehold land at the inception of the lease, and other items of plant and equipment, are stated at acquisition cost less accumulated depreciation and any identified impairment.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their estimated residual values, over their estimate useful lives as follows:

Buildings	20 years
Machinery and equipment	10 years
Transportation vehicles	4 years
Office equipment and others	3 to 5 years
Leasehold improvements	Shorter of the remaining term of the related lease or 5 years

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

The gain or loss arising on retirement or disposal is determined as the difference between the net sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.5 Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for currently undetermined future use and property that is being constructed or developed for future use as investment properties.

Investment properties are stated at cost less accumulated depreciation and impairment losses. Any gain or loss arising from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 4.6.

Depreciation is calculated to write off the cost of investment properties, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	20 years

Transfers to investment properties shall be made when there is a change in use, evidenced by end of owner-occupation, for a transfer from owner-occupied property to investment property. Since the Group uses the cost model, transfers between investment properties and owner-occupied properties do not change the carrying amount of the property transferred and they do not change the cost of those properties for measurement or disclosure purposes.

4.6 Leases

The Group as lessor

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

4.7 Intangible assets

(a) Software

Software acquired separately are initially capitalised on the basis of the costs incurred to acquire and bring into use. Software are stated at historical cost less accumulated amortisation and impairment losses, if any.

Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives, as follows:

Software	10 years

When determining the useful life, the management of the Group has taken into the account the (i) estimated period that can bring economic benefits to the Group; (ii) the useful life estimated by the comparable companies in the market.

(b) Research and development

The expenditure on an internal research and development project is classified into expenditure in the research phase and expenditure in the development phase. Expenditure on research phases is recognised as an expense in the period in which it is incurred. Expenditure on development phase is capitalised and recognised as intangible assets if all the following can be demonstrated:

- it is technically feasible to complete the research and development project so that it will be available for use or sale;
- management intends to complete the research and development project and use or sell it;
- there is an ability to use or sell the research and development project;
- it can be demonstrated how the research and development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the research and development project are available; and
- the expenditure attributable to the research and development project during its development can be reliably measured.

4.8 Financial instruments

(i) Financial assets

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "Finance income" using the effective interest method. Foreign exchange gains and losses are included in "Other gains/(losses), net". Any gain or loss arising on derecognition and impairment losses are presented as separate line items in the consolidated statements of profit or loss and other comprehensive income.

- Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in "Finance income" using the effective interest method. Foreign exchange gains and losses are included in "Other gains/(losses), net" and impairment expenses are presented as separate line item in the consolidated statements of profit or loss and other comprehensive income.

(a) Impairment

The Group performs impairment assessment under ECL model on debt instruments which are measured at amortised cost and FVOCI. 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 represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the 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 both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measure loss allowances for trade receivables using HKFRS 9 simplified approach and always recognises lifetime ECL for trade receivables. The ECL on these financial assets are assessed collectively using a provision matrix and individually for credit-impaired receivable based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For other debt instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised 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 of each reporting date with the risk of a default occurring on the financial instrument as of 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.

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

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

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

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

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default 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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(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 recognised 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.

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.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI where the loss allowance is recognised in other comprehensive income without reducing the carrying amount of these debt instruments.

(ii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, note payables, other payables and accruals and borrowings issued by the Group are subsequently measured at amortised cost, using the effective interest method.

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

(iii) 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 recorded at the proceeds received, net of direct issue costs.

(iv) Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group shall continue to recognise the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of its continuing involvement is the lower of carrying amount of the asset and the maximum amount of the consideration received that the Group could be required to repay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the FVOCI reserve is reclassified to profit or loss.

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

4.9 Contract costs

Contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory, property, plant and equipment or other intangible assets.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or other intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised.

4.10 Revenue recognition

Construction service

Contract of construction service generally includes promises to provide labours and materials, as well as a guarantee that the constructed asset is free from defects for a period of 2 years after completion ("**defect liability period**"). The defect liability period serves as an assurance that the assets constructed comply with agreed upon specifications and such assurance cannot be purchased separately. In accordance with HKFRS 15, such warranties are not accounted for as separate performance obligations and hence no revenue is allocated to them. Instead, a provision is made for the costs of satisfying the guarantees in accordance with note 4.16. The Group has also determined that these contracts generally contains only a single performance obligation as there is significant integration of different promised goods or services underlying the contract. The Group acts as a principal in these transactions as the Group is primarily responsible for fulfilling the promise to provide the services, the third-party suppliers (including subcontractors) do not have a contractual relationship with the customer and the Group has discretion in establishing the prices and selecting the suppliers.

The Group has assessed that these contracts qualify for over time revenue recognition as either the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced or the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. The progress towards complete satisfaction of a performance obligation is measured based on input method. The Group determined that the input method is the best method in measuring the progress of the provision of construction services because information required to apply the output method is not available to the Group without undue cost and there is a direct relationship between the Group's effort (e.g., labour hours expended and materials consumed) and the transfer of services to the customer.

The stage of completion is assessed by reference to the contract costs incurred to date in proportion to the total estimated contract costs of each contract. Transaction price in a contract is based on the price specified in the contract, net of penalties and value added tax. Penalties represents a form of variable consideration and accumulated experience is used to estimate and provide for the penalties, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. At the end of each reporting period, the Group updates this estimates to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

The Group normally receives progress payment from customers with reference to the value of works performed. The Group also agrees [3]% to [5]% of the total contract sum as retention money, which generally will be paid after the expiry of the defect liability period. A contract liability is recognised when the Group receives consideration (or the amount is due) in advance of transferring control of the promised goods or services to a customer. A contract asset is recognised when the value of the promised goods or services transferred exceeds payments received, but the Group's right to consideration is not yet unconditional. Contract assets are reclassified to trade receivables when the right to consideration becomes unconditional, usually when the defect liability period expires. At each reporting date, contract assets are assessed for impairment on the same basis as trade receivables.

Generally, the Group does not have any construction contracts where the period between the transfer of the promised service to the customer and the payment by the customer exceeds one year, except for any retention receivable. Retention receivable is intended to protect the customer from the Group's failing to adequately complete its obligations under the defect liability period, rather than for the provision of finance. There is no significant financing component and the transaction price is not adjusted for the time value of money.

When there is a change in the scope and/or change in price of a contract (e.g. variation order and contract claims), the effect of the modification is recognised when either the modification is approved by the customer or the Group is entitled to such claims under the contract terms and there is legal basis in making those claims. Generally, modification to a contract is accounted for as if it were a part of the existing contract and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the contract sum and on the Group's measures of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis). For approved modifications where a change in price has not been agreed, they are accounted for following the requirement in relation to variable consideration.

Design and consultancy services

Consulting projects mainly consist of the development of a comprehensive study to assist clients in assessing the viability of a capital project. Design projects mainly consists of the preparation of construction drawings, and the customer will hire a separate contractor to carry out the construction work. As the Group were to enter into contract where it does not have an enforceable right to payment at all times and the customers cannot simultaneously receive and consume the benefits as the Group performs, revenue is recognised at the point in time, and when the deliverables are accepted by customers.

Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts. Customers are either required to pay in full upon acceptance or to provide upfront payment with final payment to be paid within [•] days after acceptance. As the time difference between receiving the consideration and transferring the control of services to its customer is one year or less, the Group takes advantage of the practical expedient not to account for any significant financing component.

4.11 Interest income

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVOCI and is calculated by applying the effective interest rate to the gross carrying amount of the debt instruments when the asset is not credit-impaired. For debt instruments that have become credit-impaired, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset.

4.12 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed or deducted from the related expense. Where the grant relates to an asset, it is credited to a deferred income and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the government grants is to compensate for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs, it is recognised in profit or loss in the period in which they become receivable.

4.13 Employee benefits

(a) Short-term employee benefits

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

(b) Defined contribution plans

Social insurances

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing funds and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable by the Group.

4.14 Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets may also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and does not give rise for equal taxable and deductible temporary differences (provided they are not part of a business combination), and temporary differences relating to investment in subsidiaries and associates to the extent that, in the case of taxable temporary differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, taxable profit will not be available against which the temporary difference can be utilised or the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax recognised is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - o the same taxable entity; or

  - o different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

4.15 Functional and presentation currencies

The functional currency of majority of the entities within the Group is RMB, which is the currency of the primary economic environment in which most of the Group's entities operate. The Group adopted RMB as its presentation currency in the preparation of the consolidated financial statements, which is also the functional currency of the Company.

4.16 Provisions and contingent liabilities

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

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

4.17 Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short term highly liquid investments that are readily convertible into known amounts of cash, that are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

4.18 Borrowings costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

5 CRITICAL ACCOUNTING JUDGEMENT AND 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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

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

(a) Revenue and costs of constructions service

The Group applies input method to measure the progress of constructions service provided by the Group, which is based on the entity's inputs to the satisfaction of constructions service relative to the total expected inputs to the satisfaction of constructions service. Because of the nature of the activity undertaken in constructions, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. In the contract progress, the management of the Group regularly reviews the transaction price and contract modification, contract costs in the budget prepared for each contract, the progress of the contract performance and the accumulatively actual cost. If there are circumstances that there are changes in the transaction price, the contract costs in the budget or the progress of the contract performance, estimates are revised. These revisions may result in increasing or decreasing in estimated revenues and are reflected in profit or loss in the current period. Where the actual contract revenue is less than actual contract costs, an expected loss may arise.

(b) Provision of ECL for financial assets at amortised cost, contract assets and financial assets at FVOCI

The Group calculates ECL for trade and other receivables, contract assets, note receivables, restricted bank deposits and cash and cash equivalent under HKFRS 9. The provision rates are based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Details of the key assumptions and inputs used are set out in Note 36.1(b). Changes in these assumptions and estimation could materially affect the assessment and it may be necessary to make additional loss allowance in future periods.

(c) Impairment of non-financial assets

Non-financial assets are reviewed for impairment, whenever events or changes in circumstances that may cause the carrying amounts of the assets to exceed their recoverable amounts. The recoverable amount of an asset or a cash generating unit is determined as the higher of their fair value less cost of disposal and its value-in-use which requires the use of assumptions and estimates.

(d) Income tax and deferred tax

The Group is mainly subject to income tax in the PRC. Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(e) Fair value measurement

A number of assets and liabilities included in the Group's Historical Financial Information require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**fair value hierarchy**"):

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: observable inputs other than quoted prices included within Level 1; and
- Level 3: unobservable inputs are inputs for which market data are not available.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the following items at fair value:

- Financial assets at FVOCI.

For more detailed information in relation to the fair value measurement of the items above, please refer to Note 36.3.

6 SEGMENT INFORMATION

The Group manages its businesses by business lines, in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker ("**CODM**") for the purposes of resource allocation and performance assessment.

The CODM considers the business from a product and service perspective. The Group is organised into certain business units according to the nature of the services provided. The CODM review operating results and financial information of each business unit separately. Accordingly, each business unit (including associates) is identified as an operating segment. These operating segments with similar economic characteristics and similar nature of services provided have been aggregated into the following reporting segments:

Engineering, procurement and construction ("**EPC**") segment – design, procurement, construction, installation of project infrastructure for a project.

Construction design and consultancy segment – provision of design, technical and consultancy services, undertaking electrical engineering and construction of power plant projects (the "**engineering, procurement and construction business**") services.

Others segment – provision of construction supervision and construction operations and maintenance services.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest and income tax. This measurement excludes the effects of non-recurring income and expenditure from the operating segments and corporate expenses.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' remuneration, certain other income, interest revenue and finance costs, after inter-segment elimination.

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to operating segments other than assets and liabilities attributable to head office.

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable operating segment.

	EPC	**Construction design and consultancy**	**Others**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2023				
Segment revenue	485,070	92,589	3,970	581,629
Segment results	38,034	3,128	(2,189)	38,973
Unallocated amount:				
Other income and gains/(losses), net				1,805
Corporate expenses				(27,282)
Finance costs – net				(995)
Profit before income tax				12,501
As at 31 December 2023				
Segment assets	339,583	110,249	2,018	451,850
Unallocated assets				162,156
Total assets				614,006
Segment liabilities	444,337	130,305	3,047	577,689
Unallocated liabilities				66,054
Total liabilities				643,743

	EPC	Construction design and consultancy	Others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2024				
Segment revenue	551,968	124,059	2,052	678,079
Segment results	38,334	27,180	(321)	65,193
Unallocated amount:				
Other income and gains/(losses), net				1,424
Corporate expenses				(26,338)
Finance costs – net				(1,934)
Profit before income tax				38,345
As at 31 December 2024				
Segment assets	348,713	114,997	2,751	466,461
Unallocated assets				208,327
Total assets				674,788
Segment liabilities	456,449	140,576	4,197	601,222
Unallocated liabilities				70,490
Total liabilities				671,712

	EPC	Construction design and consultancy	Others	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2025				
Segment revenue	651,032	158,118	1,506	810,656
Segment results	53,586	34,839	148	88,573
Unallocated amount:				
Other income and gains/(losses), net				1,165
Corporate expenses				(25,992)
Finance costs – net				(940)
Profit before income tax				62,806
As at 31 December 2025				
Segment assets	362,267	111,732	1,992	475,991
Unallocated assets				209,981
Total assets				685,972
Segment liabilities	411,793	110,089	1,516	523,398
Unallocated liabilities				105,419
Total liabilities				628,817

The geographical location of the Group's non-current assets (excluding deferred tax assets and financial assets) is based on the physical location of these assets.

As at the end of each reporting period, the geographical location of the Group's non-current assets is as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
PRC (country of domicile)	57,535	54,595	49,650
	57,535	54,595	49,650

The geographical location of customers is based on the location at which the services were provided.

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
PRC	576,209	677,491	792,038
Others *(Note)*	5,420	588	18,618
	581,629	678,079	810,656

Note

Others mainly included Mongolia, Cambodia, Gambia, Mozambique and Nigeria.

Revenue from customers contributing over 10% of the total revenue of the Group during each of the reporting period is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	141,160	332,626	402,864
Customer B	64,041	*	*
	205,201	332,626	402,864

They are customers for EPC services for the years ended 31 December 2023, 2024 and 2025.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7 REVENUE

(a) Disaggregation of revenue from contracts with customers

Revenue for each of the reporting period are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15:			
Transferred at point in time:			
Construction design and consultancy	92,589	124,059	158,118
Others	2,857	1,746	1,009
	95,446	125,805	159,127
Transferred over time:			
EPC services	485,070	551,968	651,032
Others	1,113	306	497
	486,183	552,274	651,529
Total	581,629	678,079	810,656

Remaining performance obligations

As at 31 December 2023, 2024 and 2025, the aggregate amount of transaction price allocated to the remaining performance obligations under the existing contracts as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Expected to be recognised within one year	1,618,756	1,232,859	1,475,483
	1,618,756	1,232,859	1,475,483

The Group had also applied the practical expedient in paragraph 121(a) of HKFRS 15 for not disclosing amount of transaction price allocated to the remaining performance obligations under the contracts that had an original expected duration of one year or less.

During the Track Record Period, the additions to the contract liabilities were primarily due to cash collections in advance of fulfilling performance obligations, while the reductions to the contract liability balance were primarily due to the recognition of revenues upon fulfilment of performance obligations.

Contract liabilities

The Group

As at 1 January 2023, 31 December 2023, 2024 and 2025, the Group recognised contract liabilities of RMB53,846,000 RMB283,218,000, RMB317,455,000 and RMB251,292,000, respectively.

The following table shows how much of the revenue recognised during each of the reporting period is included in the contract liabilities:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	53,846	283,218	317,455

The Group expects that the contract liabilities as at 31 December 2023, 2024 and 2025 will be recognised as revenue within a year or less.

The Company

As at 1 January 2023, 31 December 2023, 2024 and 2025, the Company recognised contract liabilities of RMB53,846,000, RMB283,393,000, RMB317,409,000 and RMB251,246,000, respectively.

The following table shows how much of the revenue recognised during each of the reporting period is included in the contract liabilities:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	53,846	283,393	317,409

The Company expects that the contract liabilities as at 31 December 2023, 2024 and 2025 will be recognised as revenue within a year or less.

8 PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Auditor's remuneration	–	–	–
Contract costs recognised as expenses	522,100	599,047	697,579
Depreciation of property, plant and equipment	4,846	5,026	5,032
Depreciation of investment properties	87	211	248
Amortisation of intangible assets	336	364	327
	5,269	5,601	5,607
Research and development expenses *(Note (a))*	8,545	8,644	9,597
Expenses relating to short-term leases	375	297	745
Employee benefit expenses *(Note 9)*	27,628	24,641	24,348

Notes:

(a) Research and development expenses mainly include amounts relating to employee benefit expenses, depreciation and amortisation expenses, which are also included in the respective total amounts disclosed separately above.

(b) Impairment loss of contract costs of RMB1,419,000, RMB535,000 and RMB47,000 is charged to the profit or loss for the years ended 31 December 2023, 2024 and 2025 and included in the contract costs recognised as expenses.

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances, bonus and benefits in kind	22,058	16,980	17,624
Contributions to defined contribution plans, housing funds and other social insurances *(Note (a))*	3,576	6,053	4,642
Other employee benefit expenses	1,994	1,608	2,082
	27,628	24,641	24,348

(a) Defined contribution plans, housing funds and other social insurances

The Group is required to contribute a specified percentage of payroll costs, subject to certain ceiling, as determined by local government authority to the pension obligations, housing funds and other social insurances to fund the benefits. The Group's full-time employees in the PRC are members of a state-managed retirement benefit schemes operated by the PRC government and liabilities in respect of benefits schemes are limited to the contribution payable in each period. Contributions to these plans are expensed as incurred.

As at 31 December 2023, 2024 and 2025, there are no forfeited contributions available to offset future retirement benefit obligations of the Group.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2023, 2024 and 2025, include 4, 5 and 4 directors respectively, whose emoluments are disclosed in Note 9(c). Details of the remuneration of the remaining individuals during the years ended 31 December 2023, 2024 and 2025 are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances, bonus and benefits in kind	463	–	505
Contributions to defined contribution plans, housing funds and other social insurances	25	–	25
	488	–	530

The highest paid individuals fell within the following bands:

	Year ended 31 December		
	2023	**2024**	**2025**
	Number of individuals		
Emolument bands			
Nil to HK$1,000,000	1	–	1
	1	–	1

(c) Details of emoluments in respect of the directors of the Company

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2023 are as follows:

Name	Director's fee	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Zhang Fuquan ("**Mr. Zhang**")	–	223	330	–	553
Mr. Zhang Guanzhou	–	272	248	30	550
Mr. Zhang Dan	–	202	248	25	475
Mr. Li Junying	–	283	248	51	582
Ms. Wang Youmei	–	176	248	77	501
Subtotal	–	1,156	1,322	183	2,661
Independent non-executive Directors					
Mr. Wong Wei Hua Derek	–	–	–	–	–
Mr. Liang Rongjin	–	–	–	–	–
Mr. Li Bao Cun	–	–	–	–	–
Subtotal	–	–	–	–	–
Total	–	1,156	1,322	183	2,661

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2024 are as follows:

Name	Director's fee	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Zhang	–	232	248	–	480
Mr. Zhang Guanzhou	–	214	248	30	492
Mr. Zhang Dan	–	211	248	26	485
Mr. Li Junying	–	214	248	–	462
Ms. Wang Youmei	–	166	248	83	497
Subtotal	–	1,037	1,240	139	2,416
Independent non-executive Directors					
Mr. Wong Wei Hua Derek	–	–	–	–	–
Mr. Liang Rongjin	–	–	–	–	–
Mr. Li Bao Cun	–	–	–	–	–
Subtotal	–	–	–	–	–
Total	–	1,037	1,240	139	2,416

The emoluments in respect of each of the directors paid/payable by the Group for the year ended 31 December 2025 are as follows:

Name	Director's fee	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors					
Mr. Zhang	–	232	248	–	480
Mr. Zhang Guanzhou	–	282	248	–	530
Mr. Zhang Dan	–	211	248	26	485
Mr. Li Junying	–	305	248	–	553
Ms. Wang Youmei	–	317	248	83	648
Subtotal	–	1,347	1,240	109	2,696
Independent non-executive Directors					
Mr. Wong Wei Hua Derek	–	–	–	–	–
Mr. Liang Rongjin	–	–	–	–	–
Mr. Li Bao Cun	–	–	–	–	–
Subtotal	–	–	–	–	–
Total	–	1,347	1,240	109	2,696

(d) Directors' retirement benefits and termination benefits

No director's retirement or termination benefit subsisted at the end of each year or at any time during the Track Record Period.

(e) Consideration provided to third parties for making available directors' services

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

(f) Information about borrowings, quasi-borrowings and other dealings in favour of directors, controlled bodies corporate and controlled entities with such directors

No borrowings, quasi-borrowings and other dealings in favour of directors, controlled bodies corporate and connected entities with such directors subsisted at the end of each year or at any time during the Track Record Period.

(g) Directors' material interest in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest whether directly or indirectly, subsisted at the end of each year or at any time during the Track Record Period.

10 OTHER INCOME

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(Note (a))*	304	111	821
Others	9	27	38
	313	138	859

Notes:

(a) The government grants were mainly incentives provided by local government authorities, to reward the Group's contribution for the research and development of technology. There are no unfulfilled obligations for the recognised income at the end of each reporting period.

11 OTHER GAINS/(LOSSES), NET

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Gain/(loss) on disposal of/written off of property, plant and equipment and intangible assets, net	344	–	(56)
Rental income	527	397	412
Others	621	889	(50)
	1,492	1,286	306

12 IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables *(Note 25)*	4,950	8,043	(1,716)
Other receivables *(Note 36.1(b)(iv))*	(710)	(1,595)	(911)
Contract assets *(Note 24)*	(256)	(1,115)	795
	3,984	5,333	(1,832)

Details of impairment losses under ECL model are set out in Note 36.1(b) to the Historical Financial Information.

13 FINANCE COSTS – NET

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Finance income:			
Bank interest income *(Note (a))*	4	505	814
Interest income from customers	1,280	989	680
	1,284	1,494	1,494
Finance costs:			
Interest expenses on bank and other borrowings	(2,228)	(3,380)	(2,434)
Interest expenses on discounted note receivables	(51)	(48)	–
	(2,279)	(3,428)	(2,434)
Finance costs – net	(995)	(1,934)	(940)

Note:

(a) Interest income represents interest income from cash and cash equivalent, including bank balances which could be withdrawn or transferred on demand.

14 INCOME TAX EXPENSE

(a) Income tax expense

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	–	–	6,596
Deferred income tax *(Note 21)*	1,012	5,532	2,131
	1,012	5,532	8,727

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

PRC (excluding Hong Kong)

In accordance with the Enterprise Income Tax Law ("**EIT Law**"), Foreign Investment Enterprises and domestic companies established in the PRC are subject to Enterprise Income Tax ("**EIT**") at a rate of 25%.

Besides, certain Group's subsidiaries are benefit from a preferential tax rate of 15% under the EIT Law if they are qualified as "High and New technology enterprises" under relevant regulations or located in applicable PRC regions, such as certain western regions and special economic zone, as specified in the relevant catalogue of encouraged industries, subject to certain general restrictions described in the EIT Law and the related regulations.

The income tax on the Group's profit before income tax differs from the theoretical amount that would arise using the enacted tax rate in the PRC applicable to the Group as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	12,501	38,345	62,806
Tax calculated at applicable rate of 15% in the PRC	1,875	5,752	9,421
Differential income tax rates applicable to subsidiaries	87	414	348
Tax effect of non-deductible expenses	288	459	227
Tax effect of tax losses not recognised	44	204	171
Additional deduction on research and development expenses *(Note)*	(1,282)	(1,297)	(1,440)
Income tax expense	1,012	5,532	8,727

Note: An additional 100% of qualified research and development expenses incurred was allowed to be deducted from taxable income under the EIT Law.

(b) Tax losses

As at 31 December 2023, 2024 and 2025, the Group did not recognise deferred income tax assets in respect of losses of RMB375,000, RMB3,952,000 and RMB6,259,000 respectively, because sufficient future profit streams is not probable of the related subsidiaries. The tax losses incurred by the Company's subsidiary in the PRC that are not recognised as deferred tax assets will expire from 2028 to 2030. Deductible losses that are not recognised for deferred income tax assets will expire as follows:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Expiry year			
2028	375	375	375
2029	–	3,577	3,577
2030	–	–	2,307
	375	3,952	6,259

15 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the respective periods, calculated as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
Profit for the year attributable to owners of the Company *(RMB'000)*	11,836	34,469	55,470
Weighted average number of ordinary shares in issue for the purpose of calculating basic earnings per share *(thousand shares)*	56,350	56,350	56,350
Basic earnings per share *(RMB per share)*	0.21	0.61	0.98

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the Track Record Period, therefore diluted earnings per share is the same as the basic earnings per share.

16 SUBSIDIARIES

(a) Subsidiaries of the Company

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

List of subsidiaries is as follows:

Name of subsidiaries	Place of incorporation/ establishment and kind of legal entity	Authorised shares capital/registered capital	Equity interest attributable to the Company						Principal activities	Place of operation	
			As at 31 December 2023		As at 31 December 2024		As at 31 December 2025				
			Direct	*Indirect*	*Direct*	*Indirect*	*Direct*	*Indirect*			
Shandong Zhongneng Engineering Construction Co., Ltd.	The PRC limited liability company	RMB50 million	60%	–	60%	–	60%	–	Engineering design consulting services and EPC projects	The PRC	*Note (a)*
Huanneng (Liaocheng) Photovoltaic Engineering Co., Ltd.	The PRC limited liability company	RMB1 million	100%	–	100%	–	100%	–	Engineering design consulting services and EPC projects	The PRC	*Note (a), (c)*
Huanneng (Liaocheng) New Energy Co., Ltd.	The PRC limited liability company	RMB1 million	100%	–	100%	–	–	–	Engineering design consulting services and EPC projects	The PRC	*Note (a), (b)*

Notes:

(a) No audited financial statements were prepared for the entities during the Track Record Period.

(b) This subsidiary was deregistered during the year ended 31 December 2025.

(c) This subsidiary was deregistered subsequent to the year ended 31 December 2025.

(b) Investment in subsidiaries

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Investment in subsidiaries, at cost			
At the beginning of the year	–	–	–
Additions	–	–	–
At the end of the year	–	–	–

(c) Material non-controlling interests ("NCI")

The following table lists out the information relating to Shandong Zhongneng Engineering Construction Co., Ltd., which has a NCIs. The summarised financial information presented below represents the amounts before any inter- company elimination.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
NCI percentage	40%	40%	40%
Current assets	10,219	14,153	26,758
Non-current assets	158	293	244
Current liabilities	(11,244)	(19,454)	(35,486)
Non-current liabilities	–	–	–
Net liabilities	(866)	(5,008)	(8,484)
Carrying amount of NCI	(347)	(2,003)	(3,394)

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	8,014	3,193	3,465
Loss for the year	(866)	(4,142)	(3,476)
Total comprehensive loss	(866)	(4,142)	(3,476)
Total comprehensive loss allocated to NCI	(347)	(1,656)	(1,391)
Cash flows used in operating activities	(4,523)	(1,581)	(3,000)

17 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery and equipment	Transportation vehicles	Office equipment and others	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023						
Cost	67,881	390	8,820	3,851	3,256	84,198
Accumulated depreciation	(13,665)	(141)	(7,225)	(3,064)	(1,303)	(25,398)
Net carrying amount	54,216	249	1,595	787	1,953	58,800
Year ended 31 December 2023						
Opening net carrying amount	54,216	249	1,595	787	1,953	58,800
Additions	–	–	1,462	371	–	1,833
Disposals	–	–	(108)	–	–	(108)
Written off	–	(6)	–	(158)	–	(164)
Depreciation	(2,929)	(25)	(877)	(364)	(651)	(4,846)
Transferred to investment properties	(124)	–	–	–	–	(124)
Closing net carrying amount	51,163	218	2,072	636	1,302	55,391
As at 31 December 2023 and 1 January 2024						
Cost	67,222	264	8,121	1,348	3,256	80,211
Accumulated depreciation	(16,059)	(46)	(6,049)	(712)	(1,954)	(24,820)
Net carrying amount	51,163	218	2,072	636	1,302	55,391

	Buildings	Machinery and equipment	Transportation vehicles	Office equipment and others	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2024						
Opening net carrying amount	51,163	218	2,072	636	1,302	55,391
Additions	–	22	1,854	573	–	2,449
Depreciation	(2,985)	(26)	(941)	(423)	(651)	(5,026)
Transferred to investment properties	(1,713)	–	–	–	–	(1,713)
Closing net carrying amount	46,465	214	2,985	786	651	51,101
As at 31 December 2024 and 1 January 2025						
Cost	64,067	286	9,975	1,921	3,256	79,505
Accumulated depreciation	(17,602)	(72)	(6,990)	(1,135)	(2,605)	(28,404)
Net carrying amount	46,465	214	2,985	786	651	51,101
Year ended 31 December 2025						
Opening net carrying amount	46,465	214	2,985	786	651	51,101
Additions	–	–	148	258	–	406
Depreciation	(2,879)	(27)	(1,102)	(373)	(651)	(5,032)
Closing net carrying amount	43,586	187	2,031	671	–	46,475
As at 31 December 2025						
Cost	64,067	286	10,123	2,179	3,256	79,911
Accumulated depreciation	(20,481)	(99)	(8,092)	(1,508)	(3,256)	(33,436)
Net carrying amount	43,586	187	2,031	671	–	46,475

The Company

	Buildings	Machinery and equipment	Transportation vehicles	Office equipment and others	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023						
Cost	67,881	390	8,820	3,851	3,256	84,198
Accumulated depreciation	(13,665)	(141)	(7,225)	(3,064)	(1,303)	(25,398)
Net carrying amount	54,216	249	1,595	787	1,953	58,800
Year ended 31 December 2023						
Opening net carrying amount	54,216	249	1,595	787	1,953	58,800
Additions	–	–	1,282	371	–	1,653
Disposals	–	–	(108)	–	–	(108)
Written off	–	(6)	–	(158)	–	(164)
Depreciation	(2,929)	(25)	(855)	(364)	(651)	(4,824)
Transferred to investment properties	(124)	–	–	–	–	(124)
Closing net carrying amount	51,163	218	1,914	636	1,302	55,233
As at 31 December 2023 and 1 January 2024						
Cost	67,222	264	7,941	1,348	3,256	80,031
Accumulated depreciation	(16,059)	(46)	(6,027)	(712)	(1,954)	(24,798)
Net carrying amount	51,163	218	1,914	636	1,302	55,233

	Buildings	Machinery and equipment	Transportation vehicles	Office equipment and others	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2024						
Opening net carrying amount	51,163	218	1,914	636	1,302	55,233
Additions	–	22	1,695	532	–	2,249
Depreciation	(2,985)	(26)	(880)	(419)	(651)	(4,961)
Transferred to investment properties	(1,713)	–	–	–	–	(1,713)
Closing net carrying amount	46,465	214	2,729	749	651	50,808
As at 31 December 2024 and 1 January 2025						
Cost	64,067	286	9,636	1,880	3,256	79,125
Accumulated depreciation	(17,602)	(72)	(6,907)	(1,131)	(2,605)	(28,317)
Net carrying amount	46,465	214	2,729	749	651	50,808
Year ended 31 December 2025						
Opening net carrying amount	46,465	214	2,729	749	651	50,808
Additions	–	–	148	210	–	358
Depreciation	(2,879)	(27)	(1,021)	(357)	(651)	(4,935)
Closing net carrying amount	43,586	187	1,856	602	–	46,231
As at 31 December 2025						
Cost	64,067	286	9,784	2,090	3,256	79,483
Accumulated depreciation	(20,481)	(99)	(7,928)	(1,488)	(3,256)	(33,252)
Net carrying amount	43,586	187	1,856	602	–	46,231

Note: Certain buildings and transportation vehicles as at 31 December 2023, 2024 and 2025 respectively were pledged to secure borrowings and facilities granted to the Group and the Company (Note 39).

As at 31 December 2023, 2024 and 2025, it was included in the buildings with a net carrying amount of approximately RMB44,881,000, RMB42,290,000 and RMB39,719,000, respectively for which the Group is still in the process of obtaining the building certificates. In the opinion of the directors of the Company, the Group has obtained the ownerships of these buildings. As confirmed by the Group's legal advisors, there is no legal impediment for the Group to obtain these building certificates.

18 INVESTMENT PROPERTIES

The Group and the Company

	RMB'000
As at 1 January 2023	
Cost	1,410
Accumulated depreciation	(1,122)
Net carrying amount	288
Year ended 31 December 2023	
Opening net carrying amount	288
Transfers from property, plant and equipment	124
Depreciation	(87)
Closing net carrying amount	325
As at 31 December 2023 and 1 January 2024	
Cost	2,069
Accumulated depreciation	(1,744)
Net carrying amount	325
Year ended 31 December 2024	
Opening net carrying amount	325
Transfers from property, plant and equipment	1,713
Depreciation	(211)
Closing net carrying amount	1,827
As at 31 December 2024 and 1 January 2025	
Cost	5,224
Accumulated depreciation	(3,397)
Net carrying amount	1,827
Year ended 31 December 2025	
Opening net carrying amount	1,827
Depreciation	(248)
Closing net carrying amount	1,579
As at 31 December 2025	
Cost	5,224
Accumulated depreciation	(3,645)
Net carrying amount	1,579

Notes:

(i) The fair value of investment properties has been determined by independent professionally qualified valuer to be RMB2,083,000, RMB4,125,000 and RMB4,013,000 as at 31 December 2023, 2024 and 2025, respectively.

All the Group's investment properties are located in the PRC and are held to earn rental income. The fair value measurement of the Group's investment properties is categorised within Level 3 of the fair value hierarchy. The fair value was determined by taking into account the net rental income derived from existing tenancies with due allowance for the reversionary income potential of the tenancies, which are then capitalised at appropriate capitalisation rates.

The fair value measurement is based on the properties' highest and best use, which does not differ from their actual use.

(ii) The Group leases out investment properties under operating leases. The leases typically run for an initial period of 3 to 4 years.

Undiscounted lease payments under non-cancellable operating leases in place at the end of each reporting period will be receivable by the Group and the Company in future periods as follows:

The Group and the Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	200	410	399
After 1 year but within 2 years	410	399	253
After 2 years but within 3 years	399	253	–
After 3 years but within 4 years	253	–	–
	1,262	1,062	652

(iii) The investment properties as at 31 December 2023 and 2024 were pledged to secure bank borrowings and facilities granted to the Group and the Company (Note 39).

19 INTANGIBLE ASSETS

The Group and the Company

	Software	Total
	RMB'000	*RMB'000*
As at 1 January 2023		
Cost	2,959	2,959
Accumulated amortisation	(1,239)	(1,239)
Net carrying amount	1,720	1,720
Year ended 31 December 2023		
Opening net carrying amount	1,720	1,720
Additions	435	435
Amortisation	(336)	(336)
Closing net carrying amount	1,819	1,819
As at 31 December 2023 and 1 January 2024		
Cost	3,262	3,262
Accumulated amortisation	(1,443)	(1,443)
Net carrying amount	1,819	1,819
Year ended 31 December 2024		
Opening net carrying amount	1,819	1,819
Additions	212	212
Amortisation	(364)	(364)
Closing net carrying amount	1,667	1,667
As at 31 December 2024 and 1 January 2025		
Cost	3,474	3,474
Accumulated amortisation	(1,807)	(1,807)
Net carrying amount	1,667	1,667
Year ended 31 December 2025		
Opening net carrying amount	1,667	1,667
Additions	312	312
Amortisation	(327)	(327)
Disposals	(56)	(56)
Closing net carrying amount	1,596	1,596
As at 31 December 2025		
Cost	3,724	3,724
Accumulated amortisation	(2,128)	(2,128)
Net carrying amount	1,596	1,596

20 INTERESTS IN ASSOCIATES

The Group and the Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	–	–	–

Details of the Group's associates as at 31 December 2023, 2024 and 2025 are as follows:

Name	Place of incorporation/ operation	Principal activities	Percentage of ownership interests/voting rights/ profit share: Direct	Indirect	
世紀福德(山東)氫能科技有限公司	PRC	[New energy technology development]	2023: 20 % 2024: – 2025: –	–	*Note (a)*
山東中能和譽能源科技有限公司	PRC	[New energy technology research and development]	–	2023: – 2024: – 2025: 29%	*Note (b)*

Notes:

(a) This associate was deregistered during the year ended 31 December 2024.

(b) This associate was deregistered subsequent to the year ended 31 December 2025.

21 DEFERRED TAX ASSETS

The following is a summary of the deferred tax balances of the Group for financial reporting purposes:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	27,076	21,544	19,413

The following is a summary of the deferred tax balances of the Company for financial reporting purposes:

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	27,122	21,544	19,430

The followings are the major deferred tax assets recognised and movements thereon before offsetting during each of the reporting period:

The Group

	Expected credit losses	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*
DEFERRED TAX ASSETS			
As at 1 January 2023	21,131	6,957	28,088
Charged to profit or loss *(Note 14)*	(547)	(465)	(1,012)
As at 31 December 2023 and 1 January 2024	20,584	6,492	27,076
Charged to profit or loss *(Note 14)*	(1,001)	(4,531)	(5,532)
As at 31 December 2024 and 1 January 2025	19,583	1,961	21,544
Charged to profit or loss *(Note 14)*	(170)	(1,961)	(2,131)
As at 31 December 2025	19,413	–	19,413

The Company

	Expected credit losses	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*
DEFERRED TAX ASSETS			
As at 1 January 2023	21,131	6,957	28,088
Charged to profit or loss	(501)	(465)	(966)
As at 31 December 2023 and 1 January 2024	20,630	6,492	27,122
Charged to profit or loss	(1,047)	(4,531)	(5,578)
As at 31 December 2024 and 1 January 2025	19,583	1,961	21,544
Charged to profit or loss	(153)	(1,961)	(2,114)
As at 31 December 2025	19,430	–	19,430

22 CONTRACT COSTS

The Group

Contract costs capitalised as at 31 December 2023, 2024 and 2025 mainly relate to the construction design and consultancy services. Contract costs are recognised as part of "cost of services" in the consolidated statements of profit or loss in the period in which revenue from the related services is recognised. The amount of capitalised costs recognised in profit or loss during the years ended 31 December 2023, 2024 and 2025 was RMB72,214,000, RMB85,525,000 and RMB106,113,000, respectively. Impairment loss of contract costs of RMB1,419,000, RMB535,000 and RMB47,000 in relation to the opening balance of capitalised costs or the costs capitalised during each of the year is recognised in the profit or loss for the years ended 31 December 2023, 2024 and 2025.

As at 31 December 2023, 2024 and 2025, all of the capitalised contract costs are expected to be recovered within one year.

The Company

Contract costs capitalised as at 31 December 2023, 2024 and 2025 mainly relate to the construction design and consultancy services. Contract costs are recognised as part of "cost of services" in the statements of profit or loss in the period in which revenue from the related services is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB72,214,000, RMB85,525,000 and RMB106,113,000, respectively. Impairment loss of contract costs of RMB1,419,000, RMB535,000 and RMB47,000 in relation to the opening balance of capitalised costs or the costs capitalised during each of the year is recognised in the profit or loss for the years ended 31 December 2023, 2024 and 2025.

As at 31 December 2023, 2024 and 2025, all of the capitalised contract costs are expected to be recovered within one year.

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments made to the third-party suppliers	142,985	217,944	224,045
Amounts due from related parties *(Note (a))*	–	1,500	2,471
VAT recoverable	2,009	318	781
Deposits and other receivables	32,545	32,355	31,280
	177,539	252,117	258,577
Less: provision for impairment	(13,484)	(15,079)	(15,990)
	164,055	237,038	242,587

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments made to the third-party suppliers	139,630	213,686	208,761
Prepayment to subsidiaries	–	5,278	11,233
Amounts due from related parties *(Note (a))*	–	1,500	2,471
Amounts due from subsidiaries *(Note (b))*	6,099	–	2,173
VAT recoverable	1,478	–	38
Deposits and other receivables	31,089	28,694	27,854
	178,296	249,158	252,530
Less: provision for impairment	(13,719)	(14,893)	(15,290)
	164,577	234,265	237,240

Notes:

(a) As at 31 December 2024 and 2025, the amounts due from related parties are unsecured, interest-free and repayable on demand.

(b) As at 31 December 2023, 2024 and 2025, the amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(c) Further details on the Group's and the Company's credit policy and credit risk arising from other receivables and deposits paid are set out in Note 36.1(b)(iv).

24 CONTRACT ASSETS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets	28,611	64,017	40,939
Less: provision for impairment	(1,091)	(2,206)	(1,411)
	27,520	61,811	39,528

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets	28,319	64,017	40,939
Less: provision for impairment	(1,081)	(2,206)	(1,411)
	27,238	61,811	39,528

As at 1 January 2023, the Group's and the Company's contract assets amounted to RMB13,032,000.

The Group

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January	835	1,091	2,206
Provision *(Note 12)*	872	1,927	570
Reversal of impairment loss *(Note 12)*	(616)	(812)	(1,365)
As at 31 December	1,091	2,206	1,411

The Company

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January	835	1,081	2,206
Provision	862	1,927	570
Reversal of impairment loss	(616)	(802)	(1,365)
As at 31 December	1,081	2,206	1,411

Further details on the Group's and the Company's credit policy and credit risk arising from contract assets are set out in Note 36.1(b)(ii).

25 TRADE RECEIVABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– Third parties	260,264	226,226	266,144
Gross carrying amount	260,264	226,226	266,144
Less: provision for impairment	(120,318)	(112,275)	(113,991)
	139,946	113,951	152,153

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– Third parties	259,185	224,438	264,356
– Subsidiaries	–	–	122
Gross carrying amount	259,185	224,438	264,478
Less: provision for impairment	(119,909)	(111,461)	(112,697)
	139,276	112,977	151,781

The Group's credit period is generally within 90 days to its customers. As at 31 December 2023, 2024 and 2025, the aging analysis of trade receivables based on invoice date of gross trade receivables are as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	88,277	49,585	96,736
1 to 2 years	33,538	51,918	28,785
2 to 3 years	64,081	15,019	37,631
3 to 4 years	22,870	49,312	12,912
4 to 5 years	41,478	16,895	32,899
Over 5 years	10,020	43,497	57,181
	260,264	226,226	266,144

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	87,198	48,856	96,858
1 to 2 years	33,538	50,859	28,054
2 to 3 years	64,081	15,019	36,573
3 to 4 years	22,870	49,312	12,912
4 to 5 years	41,478	16,895	32,899
Over 5 years	10,020	43,497	57,182
	259,185	224,438	264,478

Movements in impairment allowance on trade receivables were as follows:

The Group

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January	125,700	120,318	112,275
Provision *(Note 12)*	29,285	26,285	25,674
Reversal of impairment loss *(Note 12)*	(34,235)	(34,328)	(23,958)
Written-off	(432)	–	–
As at 31 December	120,318	112,275	113,991

The Company

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January	125,700	119,909	111,461
Provision	28,876	25,472	24,380
Reversal of impairment loss	(34,235)	(33,920)	(23,144)
Written-off	(432)	–	–
As at 31 December	119,909	111,461	112,697

Further details on the Group's and the Company's credit policy and credit risk arising from trade receivables are set out in Note 36.1(b)(ii).

26 NOTE RECEIVABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Note receivables at FVOCI			
– Bank acceptance bills	64,878	1,320	4,716
– Commercial acceptance bills	9,760	–	–
Gross carrying amount	74,638	1,320	4,716
Less: provision for impairment	–	–	–
	74,638	1,320	4,716
Note receivables at FVOCI	171,040	30,496	19,314
Endorsed and derecognised	(16,402)	(25,176)	(14,248)
Discounted and derecognised	(80,000)	(4,000)	(350)
	74,638	1,320	4,716

Transfers of financial assets

As at 31 December 2023, 2024 and 2025, the Group (i) endorsed certain note receivables accepted by banks in the PRC (the "**Endorsed Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB16,402,000, RMB25,176,000 and RMB14,248,000, respectively; and (ii) discounted certain note receivables to banks in the PRC and commercial acceptance bills issued by a PRC State-Owned Enterprise for raising of cash (the "**Discounted Bills**") with a carrying amount in aggregate of RMB80,000,000, RMB4,000,000 and RMB350,000, respectively. The Endorsed Bills and Discounted Bills had a maturity of one to twelve months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills and Discounted Bills have a right of recourse against the Group if the banks default (the "**Continuing Involvement**"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Endorsed Bills and Discounted Bills in the absence of a default of the accepted banks is remote to the extent of RMB96,402,000, RMB29,176,000 and RMB14,598,000 as at 31 December 2023, 2024 and 2025, respectively, and the Group has transferred substantially all risks and rewards relating to such Endorsed Bills and Discounted Bills. Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of RMB16,402,000, RMB25,176,000 and RMB14,248,000 and the associated trade payable of the same amount and Discounted Bills of RMB80,000,000, RMB4,000,000 and RMB350,000 (collectively the "**Derecognised Bills**"). The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

Further details on the Group's credit policy and credit risk arising from note receivables are set out in Note 36.1(b)(iii).

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Note receivables at FVOCI			
– Bank acceptance bills	64,878	759	4,716
– Commercial acceptance bills	9,760	–	–
Gross carrying amount	74,638	759	4,716
Less: provision for impairment	–	–	–
	74,638	759	4,716
Note receivables at FVOCI	171,040	17,351	19,314
Endorsed and derecognised	(16,402)	(16,592)	(14,248)
Discounted and derecognised	(80,000)	–	(350)
	74,638	759	4,716

Transfers of financial assets

As at 31 December 2023, 2024 and 2025, the Company (i) endorsed certain note receivables accepted by banks in the PRC (the "**Endorsed Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB16,402,000, RMB16,592,000 and RMB14,248,000, respectively; and (ii) discounted certain note receivables to banks in the PRC and commercial acceptance bills issued by a PRC State-Owned Enterprise for raising of cash (the "**Discounted Bills**") with a carrying amount in aggregate of RMB80,000,000, Nil and RMB350,000, respectively. The Endorsed Bills and Discounted Bills had a maturity of one to twelve months at the end of each reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Bills and Discounted Bills have a right of recourse against the Company if the banks default (the "**Continuing Involvement**"). In the opinion of the directors, the risk of the Company being claimed by the holders of the Endorsed Bills and Discounted Bills in the absence of a default of the accepted banks is remote to the extent of RMB96,402,000, RMB16,592,000 and RMB14,598,000 as at 31 December 2023, 2024 and 2025, respectively, and the Company has transferred substantially all risks and rewards relating to such Endorsed Bills and Discounted Bills. Accordingly, it has derecognised the carrying amounts of the Endorsed Bills of RMB16,402,000, RMB16,592,000 and RMB14,248,000 and the associated trade payable of the same amount and Discounted Bills of RMB80,000,000, Nil and RMB350,000 (collectively the "**Derecognised Bills**"). The maximum exposure to loss from the Company's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Company's Continuing Involvement in the Derecognised Bills are not significant.

Further details on the Company's credit policy and credit risk arising from note receivables are set out in Note 36.1(b)(iii).

27 CASH AND CASH EQUIVALENTS/RESTRICTED BANK DEPOSITS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents *(Note (a))*	55,861	56,387	94,175
Restricted bank deposits *(Note (b))*	10,599	66,772	36,961

The carrying amounts of the Group's cash and cash equivalents and restricted bank deposits are denominated in the following currencies:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
RMB	66,460	123,159	131,136
	66,460	123,159	131,136

The conversion of the RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. The Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes:

(a) At the end of each reporting period, cash and bank balances of the Group comprised of bank balances and cash held. Bank balances carried interest at prevailing market rates ranging from 0.05% to 0.20%, 0.05% to 1.05% and 0.05% per annum as at 31 December 2023, 2024 and 2025.

(b) During the Track Record Period, the restricted bank deposits consist of (i) deposits pledged as security for bank acceptance bills, amounting to approximately RMB4,588,000 and RMB24,250,000 as at 31 December 2023 and 2024, respectively; (ii) deposits pledged as security for guarantees, amounting to approximately RMB2,160,000, RMB443,000 and RMB42,000 as at 31 December 2023, 2024 and 2025, respectively; and (iii) frozen bank balances arising from legal cases, amounting to approximately RMB3,851,000, RMB42,079,000 and RMB36,919,000 as at 31 December 2023, 2024 and 2025, respectively. The restricted bank deposits carried interest at prevailing market rates ranging from 0.20% to 1.30%, 0% to 1.10% and 0% to 0.35% per annum as at 31 December 2023, 2024 and 2025.

(c) Further details on the Group's credit policy and credit risk arising from cash and cash equivalents and restricted bank deposits are set out in Note 36.1(b)(i).

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents *(Note (a))*	55,705	55,981	93,112
Restricted bank deposits *(Note (b))*	10,599	66,772	36,961

The carrying amounts of the Company's cash and cash equivalents and restricted bank deposits are denominated in the following currencies:

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
RMB	66,304	122,753	130,073
	66,304	122,753	130,073

The conversion of the RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC Government. The Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Notes:

(a) At the end of each reporting period, cash and bank balances of the Company comprised of bank balances and cash held. Bank balances carried interest at prevailing market rates ranging from 0.05% to 0.20%, 0.05% to 1.05% and 0.05% per annum as at 31 December 2023, 2024 and 2025.

(a) During the Track Record Period, the restricted bank deposits consist of (i) deposits pledged as security for bank acceptance bills, amounting to approximately RMB4,588,000 and RMB24,250,000 as at 31 December 2023 and 2024, respectively; (ii) deposits pledged as security for guarantees, amounting to approximately RMB2,160,000, RMB443,000 and RMB42,000 as at 31 December 2023, 2024 and 2025, respectively; and (iii) frozen bank balances arising from legal cases, amounting to approximately RMB3,851,000, RMB42,079,000 and RMB36,919,000 as at 31 December 2023, 2024 and 2025, respectively. The restricted bank deposits carried interest at prevailing market rates ranging from 0.20% to 1.30%, 0% to 1.10% and 0% to 0.35% per annum as at 31 December 2023, 2024 and 2025.

(b) Further details on the Company's credit policy and credit risk arising from cash and cash equivalents and restricted bank deposits are set out in Note 36.1(b)(i).

28 TRADE PAYABLES

The credit period provided by suppliers to the Group and Company is generally within 30 days. As at 31 December 2023, 2024 and 2025, the aging analysis of the trade payables based on transaction date are as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Third parties	227,119	191,072	204,817
	227,119	191,072	204,817

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Third parties	224,550	188,103	197,906
– Subsidiaries	1,720	–	–
	226,270	188,103	197,906

As at 31 December 2023, 2024 and 2025, the aging analysis of trade payables are as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Up to 1 year	227,119	191,072	204,817
	227,119	191,072	204,817

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Up to 1 year	226,270	188,103	197,906
	226,270	188,103	197,906

29 NOTE PAYABLES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Note payables			
– Bank acceptance bills	4,588	28,500	–

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Note payables			
– Bank acceptance bills	4,588	28,500	–

As at 31 December 2023, 2024 and 2025, certain of the Group and the Company's note payables were secured by certain of the Group's restricted bank deposits. Details of the Group and the Company's assets pledged for the Group and the Company's note payables are disclosed in Note 39.

These relate to trade payables in which the Group and the Company have issued bills to the relevant suppliers for settlement of trade payables. The suppliers can obtain the invoice amounts from the bank on the maturity date of the bills. The Group and the Company continue to recognise these note payables as the Group and the Company are obliged to make payments to the relevant banks on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statements of cash flows, settlements of these bills by the Group and the Company are included within operating cash flows based on the nature of the arrangements.

30 OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payables	26,275	26,798	36,638
Payables for purchase of equipment and property	11,489	4,118	4,007
Amount due to a related company *(Note (a))*	–	776	776
Other tax payables	24,155	34,708	38,586
Others	17,081	17,828	16,323
	79,000	84,228	96,330

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payables	26,109	26,584	36,397
Payables for purchase of equipment and property	11,489	4,118	4,007
Other tax payables	23,693	34,488	38,582
Others	17,080	17,655	16,175
Amounts due to subsidiaries *(Note (b))*	–	3,758	–
	78,371	86,603	95,161

Notes:

(a) Amount due to a related company is unsecured, interest free and repayable on demand.

(b) Amounts due to subsidiaries are unsecured, interest free and repayable on demand.

31 CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	283,218	317,455	251,292

Contract liabilities include unsatisfied performance obligation for payment in advance for EPC, design and consultancy projects.

As at 1 January 2023, the Group's contract liabilities amounted to RMB53,846,000.

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	283,393	317,409	251,246

Contract liabilities include unsatisfied performance obligation for payment in advance for EPC, design and consultancy projects.

As at 1 January 2023, the Company's contract liabilities amounted to RMB53,846,000.

32 BORROWINGS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank borrowings	45,698	28,043	38,329
Other borrowings	3,881	18,231	22,977
	49,579	46,274	61,306
Non-current			
Bank borrowings	–	3,400	7,957
Other borrowings	239	783	530
	239	4,183	8,487
Total	49,818	50,457	69,793
Effective interest rate per annum in the range of	4.00% to 16.04%	3.85% to 8.00%	3.00% to 7.06%

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank borrowings	45,698	28,043	30,320
Other borrowings	3,881	8,148	22,977
	49,579	36,191	53,297
Non-current			
Bank borrowings	–	3,400	7,957
Other borrowings	239	783	530
	239	4,183	8,487
Total	49,818	40,374	61,784
Effective interest rate per annum in the range of	4.00% to 16.04%	3.85% to 6.99%	3.75% to 7.06%

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings			
Secured and guaranteed *(Note a)*	21,631	21,630	–
Unsecured and guaranteed *(Note b)*	24,067	6,007	42,881
Unsecured and unguaranteed	–	3,806	3,405
	45,698	31,443	46,286
Other borrowings			
Secured and guaranteed *(Note c)*	3,652	8,672	23,468
Secured and unguaranteed *(Note d)*	468	259	39
Unsecured and guaranteed *(Note e)*	–	10,083	–
	4,120	19,014	23,507
Total	49,818	50,457	69,793

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings			
Secured and guaranteed *(Note a)*	21,631	21,630	–
Unsecured and guaranteed *(Note b)*	24,067	6,007	34,872
Unsecured and unguaranteed	–	3,806	3,405
	45,698	31,443	38,277
Other borrowings			
Secured and guaranteed *(Note c)*	3,652	8,672	23,468
Secured and unguaranteed *(Note d)*	468	259	39
	4,120	8,931	23,507
Total	49,818	40,374	61,784

Notes:

(a) During the Track Record Period, secured and guaranteed borrowings of the Group and Company were secured by certain buildings of the Group (Note 39). They were also guaranteed by the shareholders of the Company including Jinan Huanneng Investment Holdings Co., Ltd. ("**Jinan Huanneng**") and/or Mr. Zhang, and/or spouse of Mr. Zhang ("**Mrs. Zhang**"), and/or unrelated companies.

(b) During the Track Record Period, unsecured and guaranteed borrowings of the Group and Company were guaranteed by the shareholders of the Company including Jinan Huanneng, Mr. Zhang and/or Mr. Zhang Guanzhou, and/or spouse of Mrs. Zhang, and/or unrelated companies.

(c) Secured and guaranteed other borrowings of the Group and Company amounted to approximately RMB3,652,000 as at 31 December 2023 was secured by property held by a customer and certain buildings of the Group (Note 39). They were also guaranteed by the shareholders of the Company including Jinan Huanneng, Mr. Zhang, Mr. Zhang Guanzhou, Mr. Zhang Dan and Ms. Wang Youmei, and Mrs. Zhang.

Secured and guaranteed other borrowings of the Group and Company amounted to approximately RMB7,659,000 as at 31 December 2024 was secured by trade receivables and contract assets (Note 39) and guaranteed by the shareholders of the Company including Jinan Huanneng and Mr. Zhang.

Secured and guaranteed other borrowings of the Group and Company amounted to approximately RMB1,013,000 and RMB789,000 as at 31 December 2024 and 2025, respectively, represented a five-year instalment loan bearing interest at 3.99% per annum and was secured by the corresponding motor vehicle acquired (Note 39). It was guaranteed by a shareholder of the Company, Mr. Zhang.

Secured and guaranteed other borrowings of the Group and Company amounted to approximately RMB22,679,000 as at 31 December 2025 was secured by equipment used in the EPC project and guaranteed by the shareholders of the Company including Jinan Huanneng and Mr. Zhang.

(d) Secured and unguaranteed other borrowings of the Group and Company amounted to approximately RMB468,000, RMB259,000 and RMB39,000 as at 31 December 2023, 2024 and 2025, represented two three-year instalment loans. They were secured by the corresponding motor vehicles acquired (Note 39).

(e) Unsecured and guaranteed other borrowings of the Group amounted to RMB10,083,000 as at 31 December 2024, were guaranteed by the Company, the shareholders of the Company including Mr. Zhang and Ms. Wang Youmei, and Mrs. Zhang.

The following table sets out the maturity profile of the borrowings as at the end of each of the reporting periods:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount repayable:			
On demand or within one year	49,579	46,274	61,306
More than one year, but not exceeding two years	201	3,689	1,152
More than two year, but not exceeding five years	38	494	7,335
	49,818	50,457	69,793
Less: amounts due within one year shown under current liabilities	(49,579)	(46,274)	(61,306)
Amounts shown under non-current liabilities	239	4,183	8,487

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount repayable:			
On demand or within one year	49,579	36,191	53,297
More than one year, but not exceeding two years	201	3,689	1,152
More than two year, but not exceeding five years	38	494	7,335
	49,818	40,374	61,784
Less: amounts due within one year shown under current liabilities	(49,579)	(36,191)	(53,297)
Amounts shown under non-current liabilities	239	4,183	8,487

The amount of banking facilities and the facilities available for use as at 31 December 2023, 2024 and 2025 are set out as follows:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Maximum amounts under banking facilities	76,200	81,233	68,800
Facilities amount available for use	967	–	1,969

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Maximum amounts under banking facilities	76,200	81,233	50,800
Facilities amount available for use	967	–	1,969

33 SHARE CAPITAL

The Company was incorporated in the PRC on 29 October 2003 with an initial registered share capital of RMB56,350,000 divided into 56,350,000 shares with a par value of RMB1 per share.

The Group and Company

	Number of registered ordinary shares	Number of issued and fully paid ordinary shares	Equivalent nominal value of shares
	'000	*'000*	*RMB'000*
As at 1 January 2023, 31 December 2023 and 1 January 2024	56,350	56,350	56,350
Addition of registered ordinary shares	43,650	–	–
As at 31 December 2024, 1 January 2025 and 31 December 2025	100,000	56,350	56,350

34 RESERVE

Below table sets out the changes in equity of the Company and the nature and purpose of each reserve within equity:

The Company

	Share capital	Capital reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	56,350	21,163	(118,739)	(41,226)
Profit and total comprehensive income for the year	–	–	12,904	12,904
As at 31 December 2023	56,350	21,163	(106,645)	(29,132)

	Share capital	Capital reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	56,350	21,163	(106,645)	(29,132)
Profit and total comprehensive income for the year	–	–	37,216	37,216
As at 31 December 2024	56,350	21,163	(69,429)	8,084

	Share capital	Capital reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2025	56,350	21,163	(69,429)	8,084
Profit and total comprehensive income for the year	–	–	57,463	57,463
As at 31 December 2025	56,350	21,163	(11,966)	65,547

a) Capital reserves

Capital reserves represent the amount subscribed for share capital in excess of nominal value.

b) Accumulated losses

It represents cumulative net profit or loss recognised in the statements of profit or loss and other comprehensive income.

35 FINANCIAL INSTRUMENTS BY CATEGORY

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at FVOCI:			
– Note receivables *(Note 26)*	74,638	1,320	4,716
	74,638	1,320	4,716
Financial assets at amortised cost:			
– Trade receivables *(Note 25)*	139,946	113,951	152,153
– Deposits and other receivables (excluding prepayments and VAT recoverable) *(Note 23)*	19,061	18,776	17,761
– Restricted bank deposits *(Note 27)*	10,599	66,772	36,961
– Cash and cash equivalents *(Note 27)*	55,861	56,387	94,175
	225,467	255,886	301,050
Financial liabilities			
Financial liabilities at amortised cost:			
– Trade payables *(Note 28)*	227,119	191,072	204,817
– Note payables *(Note 29)*	4,588	28,500	–
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 30)*	28,570	22,722	21,106
– Borrowings *(Note 32)*	49,818	50,457	69,793
	310,095	292,751	295,716

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at FVOCI:			
– Note receivables *(Note 26)*	74,638	759	4,716
	74,638	759	4,716

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost:			
– Trade receivables *(Note 25)*	139,276	112,977	151,781
– Deposits and other receivables (excluding prepayments and VAT recoverable) *(Note 23)*	23,469	15,301	17,208
– Restricted bank deposits *(Note 27)*	10,599	66,772	36,961
– Cash and cash equivalents *(Note 27)*	55,705	55,981	93,112
	229,049	251,031	299,062
Financial liabilities			
Financial liabilities at amortised cost:			
– Trade payables *(Note 28)*	226,270	188,103	197,906
– Note payables *(Note 29)*	4,588	28,500	–
– Other payables and accruals (excluding payroll and welfare payables and other tax payables) *(Note 30)*	28,569	25,531	20,182
– Borrowings *(Note 32)*	49,818	40,374	61,784
	309,245	282,508	279,872

36 FINANCIAL RISK MANAGEMENT

36.1 Financial risk factors

The Group's and the Company's activities expose it to a variety of financial risks: mainly market risk, credit risk and liquidity risk. The Group's and the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's and the Company's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group and the Company's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies. Currently the Group and the Company does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

The Group and the Company's interest rate risk primarily arises from borrowings, cash and cash equivalents, and restricted bank deposits. The cash and cash equivalents, and restricted bank deposits are at variable interest rates which expose the Group and the Company to cash flow interest rate risk. The borrowing is at fixed interest rates which expose the Group and the Company to fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 32.

The Group and the Company has not used any derivative contracts to hedge its exposure to interest rate risk. The Group and the Company has not formulated a policy to manage the interest rate risk. Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely. Management considers the Group and the Company's exposure to fair value interest rate risk is not significant due to the short-term maturities of these instruments.

No sensitivity analysis has been presented for the exposure to interest rates for bank balances as the management of the Group and the Company considers that, taking into account that the fluctuation in interest rates on bank balances is minimal, the impact of the Group and the Company's profit for the year and accumulated losses is insignificant.

(b) Credit risk

The Group and the Company is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits, trade receivables, note receivables and deposits and other receivables. The carrying amount of each class of the above assets represents the Group and the Company's maximum exposure to credit risk in relation to the corresponding class of assets.

(i) Credit risk of cash and cash equivalents and restricted bank deposits

To manage this risk, the Group and the Company only make transactions with reputable commercial banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The credit losses are assessed to be immaterial.

(ii) Credit risk of trade receivables and contract assets

Before accepting any new customers, the Group and the Company applies an internal credit assessment policy to evaluate the potential customer's credit quality. Normally, the Group does not obtain collateral from customers.

Management has assessed the credit quality of customers on a case-by-case basis, taking into account of the financial positions, historical settlement record, amounts and timing of expected receipts and other factors. The Group and the Company has reviewed the credit risk exposure and the customers' expected pattern of settlement at each reporting date. The Group and the Company does not have significant concentration of credit risk in industries in which the customers operate. As at 31 December 2023, 2024 and 2025, 38.0%, 46.1%, and 48.8%, of the total trade receivables was due from the Group's largest 5 debtors, respectively; while 38.2%, 46.5%, and 48.9% of the total trade receivables was due from the Company's largest 5 debtors, respectively.

The Group and the Company applies the HKFRS 9 simplified approach in calculating ECLs for trade receivables and contract assets. Few customers of the Group and the Company which had an aggregate gross carrying amount of trade receivables of approximately RMB56,127,000, RMB53,806,000 and RMB53,209,000 as at 31 December 2023, 2024 and 2025, respectively were assessed for allowance for credit losses individually. One customer of the Group and the Company which had an aggregate gross carrying amount of contract assets of approximately RMB109,000, nil and nil as at 31 December 2023, 2024 and 2025, respectively were assessed for allowance for credit losses individually. The management assessed for the allowance for lifetime ECL by estimating default rate taking into account historical and forward-looking information. For customer subjected to individual assessment, the management has fully provided for impairment during the Track Record Period.

The remaining trade receivables and contract assets are grouped and collectively assessed for impairment allowance. Under the collective assessment, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customers with similar loss patterns. These include customers in the PRC. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The following table sets forth an aging analysis (based on past due date) of the gross trade receivables and the related loss allowances at the respective reporting dates:

The Group

	As at 31 December 2023		
	Gross amount	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
Collectively assessed:			
Not yet past due	58,478	(3,989)	6.8
Past due within 1 year	71,798	(14,004)	19.5
Past due 1–2 years	23,134	(8,669)	37.5
Past due 2–3 years	25,167	(13,276)	52.8
Past due over 3 years	25,560	(24,253)	94.9
	204,137	(64,191)	

The Company

	As at 31 December 2023		
	Gross amount	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
Collectively assessed:			
Not yet past due	58,478	(3,989)	6.8
Past due within 1 year	70,720	(13,595)	19.2
Past due 1–2 years	23,134	(8,669)	37.5
Past due 2–3 years	25,166	(13,276)	52.8
Past due over 3 years	25,560	(24,253)	94.9
	203,058	(63,782)	

The Group

	As at 31 December 2024		
	Gross amount	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
Collectively assessed:			
Not yet past due	34,785	(2,460)	7.1
Past due within 1 year	44,469	(6,699)	15.1
Past due 1–2 years	49,340	(14,493)	29.4
Past due 2–3 years	9,658	(4,155)	43.0
Past due over 3 years	34,168	(30,662)	89.7
	172,420	(58,469)	

The Company

	As at 31 December 2024		
	Gross amount	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
Collectively assessed:			
Not yet past due	34,785	(2,160)	6.2
Past due within 1 year	43,739	(6,366)	14.6
Past due 1–2 years	48,282	(14,012)	29.0
Past due 2–3 years	9,658	(4,455)	46.1
Past due over 3 years	34,168	(30,662)	89.7
	170,632	(57,655)	

The Group

	As at 31 December 2025		
	Gross amount	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
Collectively assessed:			
Not yet past due	50,540	(3,979)	7.9
Past due within 1 year	89,329	(14,486)	16.2
Past due 1–2 years	25,348	(8,646)	34.1
Past due 2–3 years	26,338	(13,000)	49.4
Past due over 3 years	21,380	(20,671)	96.7
	212,935	(60,782)	

The Company

	As at 31 December 2025		
	Gross amount	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
Collectively assessed:			
Not yet past due	50,662	(3,979)	7.9
Past due within 1 year	89,329	(14,486)	16.2
Past due 1–2 years	24,619	(8,269)	33.6
Past due 2–3 years	25,279	(12,083)	47.8
Past due over 3 years	21,380	(20,671)	96.7
	211,269	(59,488)	

The following table sets forth an aging analysis (based on past due date) of the gross contract assets and the related loss allowances at the respective reporting dates:

The Group

	As at 31 December 2023		
	Gross amount	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
Collectively assessed:			
Not yet past due	28,502	(1,091)	3.8
	28,502	(1,091)	

The Company

	As at 31 December 2023		
	Gross amount	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
Collectively assessed:			
Not yet past due	28,319	(1,081)	3.8
	28,319	(1,081)	

The Group and the Company

	As at 31 December 2024		
	Gross amount	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
Collectively assessed:			
Not yet past due	64,017	(2,206)	3.4
	64,017	(2,206)	

The Group and the Company

	As at 31 December 2025		
	Gross amount	**Loss allowance**	**Expected loss rate**
	RMB'000	*RMB'000*	*%*
Collectively assessed:			
Not yet past due	40,939	(1,411)	3.4
	40,939	(1,411)	

(iii) Credit risk of note receivables

Note receivables comprise bank acceptance bills and commercial acceptance bills. For bank acceptance bills, the issuers are reputable banks with high credit ratings and strong credit quality. Based on the Group and the Company's credit risk assessment, the credit risk associated with these bank acceptance bills is considered insignificant. Consequently, no loss allowance has been recognised for bank acceptance bills at the end of each reporting period. For commercial acceptance bills, the Group estimates ECL using an ECL rate based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The management of the Group and Company considered the loss allowance is insignificant, and thus no loss allowance has been recognised for commercial acceptance bills at the end of each reporting period. The Group monitors the credit risk of commercial acceptance bills by assessing the creditworthiness of the issuers and considering macroeconomic factors. No significant increase in credit risk was identified for the note receivables during the reporting periods.

(iv) Credit risk of other receivables and deposits

The Group

Other receivables and deposits subject to credit risk mainly comprise amounts due from the third parties and deposits paid. The management of the Group makes periodic individual assessment on the recoverability of amount due from the third parties and deposits paid based on quantitative and qualitative information that is reasonable and supportable, including historical settlement records, past experiences and forward-looking information. The Group measures credit risk using probability of default, exposure at default and loss given default.

For impairment on amount due from the third parties and deposits paid, it is measured at either 12-month ECL or lifetime ECL, depending on whether there has been significant increase in credit risk since initial recognition. Other financial assets that are not credit-impaired on initial recognition are classified in "Stage 1" and the ECL are measured at 12-month ECL. If a significant increase in credit risk of other financial asset has occurred since initial recognition, the financial asset is moved to "Stage 2" but is not yet deemed to be credit-impaired, the ECL are measured at lifetime ECL. If any financial asset is credit-impaired, it is then moved to "Stage 3" and the ECL is measured at lifetime ECL.

The management of the Group believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12 months ECL.

On that basis, movements of loss allowance for other receivables and deposits are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Loss allowance			
At the beginning of the year	12,774	13,484	15,079
Provision for impairment loss recognised, net *(Note 12)*	710	1,595	911
At the end of the year	13,484	15,079	15,990

The Company

Other receivables and deposits subject to credit risk mainly comprise amounts due from subsidiaries, amounts due from the third parties and deposits paid. The management of the Company makes periodic individual assessment on the recoverability of amounts due from subsidiaries, amounts due from the third parties and deposits paid based on quantitative and qualitative information that is reasonable and supportable, including historical settlement records, past experiences and forward-looking information. The Company measures credit risk using probability of default, exposure at default and loss given default.

For impairment on amounts due from subsidiaries, amounts due from the third parties and deposits paid, it is measured at either 12-month ECL or lifetime ECL, depending on whether there has been significant increase in credit risk since initial recognition. Other financial assets that are not credit-impaired on initial recognition are classified in 'Stage 1' and the ECL are measured at 12-month ECL. If a significant increase in credit risk of other financial asset has occurred since initial recognition, the financial asset is moved to 'Stage 2' but is not yet deemed to be credit-impaired, the ECL are measured at lifetime ECL. If any financial asset is credit-impaired, it is then moved to 'Stage 3' and the ECL is measured at lifetime ECL.

The management of the Company believes that there is no significant increase in credit risk of these amounts since initial recognition and the Company provided impairment based on 12 months ECL.

On that basis, movements of loss allowance for other receivables and deposits are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Loss allowance			
At the beginning of the year	12,774	13,719	14,893
Provision for impairment loss recognised, net	945	1,174	397
At the end of the year	13,719	14,893	15,290

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the ability to raise funds through debt and equity financing. Liquidity risk is centrally managed by the finance department of the Group. The finance department ensures that the Group and the Company maintain sufficient funding to meet its debt obligations under reasonably foreseeable scenarios by monitoring cash balances, marketable securities, and rolling 12-months cash flow forecasts.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at each reporting date to the contractual maturity date for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is immaterial.

The Group

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or repayable on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023						
Trade payables	227,119	227,119	227,119	–	–	–
Note payables	4,588	4,588	4,588	–	–	–
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	28,570	28,570	28,570	–	–	–
Borrowings (including interest accrual up to maturity)	49,818	51,389	51,150	201	38	–
	310,095	311,666	311,427	201	38	–
As at 31 December 2024						
Trade payables	191,072	191,072	191,072	–	–	–
Note payables	28,500	28,500	28,500	–	–	–
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	22,722	22,722	22,722	–	–	–
Borrowings (including interest accrual up to maturity)	50,457	51,762	47,502	3,766	494	–
	292,751	294,056	289,796	3,766	494	–
As at 31 December 2025						
Trade payables	204,817	204,817	204,817	–	–	–
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	21,106	21,106	21,106	–	–	–
Borrowings (including interest accrual up to maturity)	69,793	71,509	62,466	1,456	7,587	–
	295,716	297,432	288,389	1,456	7,587	–

The Company

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or repayable on demand	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023						
Trade payables	226,270	226,270	226,270	–	–	–
Note payables	4,588	4,588	4,588	–	–	–
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	28,569	28,569	28,569	–	–	–
Borrowings (including interest accrual up to maturity)	49,818	51,389	51,150	201	38	–
	309,245	310,816	310,577	201	38	–
As at 31 December 2024						
Trade payables	188,103	188,103	188,103	–	–	–
Note payables	28,500	28,500	28,500	–	–	–
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	25,531	25,531	25,531	–	–	–
Borrowings (including interest accrual up to maturity)	40,374	41,664	37,404	3,766	494	–
	282,508	283,798	279,538	3,766	494	–
As at 31 December 2025						
Trade payables	197,906	197,906	197,906	–	–	–
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	20,182	20,182	20,182	–	–	–
Borrowings (including interest accrual up to maturity)	61,784	63,450	54,407	1,456	7,587	–
	279,872	281,538	272,495	1,456	7,587	–

36.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents and restricted bank deposits. Total equity is calculated as equity as shown in the consolidated statements of financial position.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Borrowings	49,818	50,457	69,793
Less: Cash and cash equivalents	(55,861)	(56,387)	(94,175)
Restricted bank deposits	(10,599)	(66,772)	(36,961)
Net cash	(16,642)	(72,702)	(61,343)
Total equity	(29,737)	3,076	57,155
Net debt to equity ratio	N/A	N/A	N/A

36.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the Historical Financial Information. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under HKFRS Accounting Standards.

(i) Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(ii) Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(iii) Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between level 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

The carrying amounts of the financial assets and liabilities, which are measured at amortised cost, approximated their fair value as at 31 December 2023, 2024 and 2025.

The fair value of note receivables classified as financial assets at FVOCI is determined by the directors of the Company using the discounted cash flow method, representing a Level 3 recurring fair value measurement.

The Group's valuation of financial instruments classified within Level 3 of the fair value hierarchy is overseen by management. Management is responsible for performing the fair value measurements for the note receivables measured at FVOCI, reporting periodically to the directors of the Company at least once every three months, and these valuations are reviewed by the directors. As part of the valuation process, management assesses the reasonableness of key assumptions and inputs used in the valuation techniques.

The following table presents the Group's financial assets that are measured at fair value as at 31 December 2023, 2024 and 2025 respectively.

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2023				
Assets				
Financial assets at FVOCI				
– Note receivables	–	–	74,638	74,638

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2024				
Assets				
Financial assets at FVOCI				
– Note receivables	–	–	1,320	1,320

	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2025				
Assets				
Financial assets at FVOCI				
– Note receivables	–	–	4,716	4,716

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other technique, such as income approach, is used to determine fair value for the remaining financial instrument.

There were no changes in valuation techniques during the Track Record Period.

(c) Fair value measurements using significant unobservable inputs

The following table presents the movements in level 3 items for the years ended 31 December 2023, 2024 and 2025:

Level 3	**Note receivables**	**Total**
	RMB'000	*RMB'000*
As at 1 January 2023	1,686	1,686
Additions	243,853	243,853
Disposals	(170,901)	(170,901)
Fair value changes	–	–
As at 31 December 2023	74,638	74,638
As at 1 January 2024	74,638	74,638
Additions	191,268	191,268
Disposals	(264,586)	(264,586)
Fair value changes	–	–
As at 31 December 2024	1,320	1,320
As at 1 January 2025	1,320	1,320
Additions	44,388	44,388
Disposals	(40,992)	(40,992)
Fair value changes	–	–
As at 31 December 2025	4,716	4,716

(d) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

	Fair value					
	As at 31 December					
Description	**2023**	**2024**	**2025**	**Valuation techniques and key inputs**	**Significant unobservable inputs**	**Relationship of key assumptions to fair value**
	RMB'000	*RMB'000*	*RMB'000*			
Financial assets at FVOCI						
Note receivables	74,638	1,320	4,716	Discounted cash flows method	– Risk-adjusted discount rate	The estimated fair value would increase/ (decrease) if the risk-adjusted discount rate were lower (higher)

37 RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related party during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Name and relationship of related parties

Name of related parties	Relationship with the Group	Notes
Jinan Huanneng	Related company	(i)

Notes:

(i) Mr. Zhang Fuquan, Mr. Zhang Guanzhou and Mr. Yang Liangbo, the ultimate controlling shareholders of the Company, are the ultimate controlling shareholders of the related company.

(b) Transactions with related parties

(i) Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Compensation of the key management personnels of the Group, including amounts paid to the Company's Directors as disclosed in Note 9(c), was as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Directors' fee, salaries, allowances, bonus and benefits in kind	3,971	3,532	4,077
Contributions to defined contribution plans, housing funds and other social insurances	274	235	205
	4,245	3,767	4,282

(c) Related party balances

(i) Amounts due from/to related parties

The Group:

Other receivables

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Name of related party			
Related companies:			
Jinan Huanneng	–	1,424	2,346
	–	1,424	2,346

Other payables

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Name of related party			
Related companies:			
Jinan Huanneng	–	776	776
	–	776	776

38 RECONCILIATIONS OF LIABILITIES FROM FINANCING ACTIVITIES

	Borrowings *(Note 32)*	**Total**
	RMB'000	*RMB'000*
As at 1 January 2023	38,472	38,472
Changes from financing cash flows:		
Proceeds from borrowings	51,315	51,315
Repayments of borrowings	(39,974)	(39,974)
Interests paid	(2,223)	(2,223)
Total changes from financing cash flows	9,118	9,118
Other changes:		
Interest expenses *(Note 13)*	2,228	2,228
Total other changes	2,228	2,228
As at 31 December 2023 and 1 January 2024	49,818	49,818
Changes from financing cash flows:		
Proceeds from borrowings	60,897	60,897
Repayments of borrowings	(60,540)	(60,540)
Interests paid	(3,098)	(3,098)
Total changes from financing cash flows	(2,741)	(2,741)
Other changes:		
Interest expenses *(Note 13)*	3,380	3,380
Total other changes	3,380	3,380
As at 31 December 2024 and 1 January 2025	50,457	50,457
Changes from financing cash flows:		
Proceeds from borrowings	65,631	65,631
Repayments of borrowings	(46,003)	(46,003)
Interests paid	(2,726)	(2,726)
Total changes from financing cash flows	16,902	16,902

	Borrowings *(Note 32)*	Total
	RMB'000	*RMB'000*
Other changes:		
Interest expenses *(Note 13)*	2,434	2,434
Total other changes	2,434	2,434
As at 31 December 2025	69,793	69,793

39 PLEDGED ASSETS

At the end of each reporting period, the Group's and the Company's certain assets have been primarily pledged to secure note payables, borrowings and banking facilities granted to the Group and the Company. The carrying amounts of the pledged assets of the Group and the Company at the end of each reporting period are as follows:

The Group and Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Restricted bank deposits	6,748	24,693	42
Property, plant and equipment	17,309	15,298	1,168
Investment properties	325	1,827	–
Trade receivables	–	2	–
Contract assets	–	7,162	–
	24,382	48,982	1,210

40 CONTINGENT LIABILITIES

No material contingent liabilities undertaken by or impacted on the Company or the Group as at each reporting date during the Track Record Period.

41 SUBSEQUENT EVENTS

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42 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 31 December 2025.