

*Accountants' Report*

***Fujian Medical Union Health Care Information  
Technology Co., Ltd.***

*Years ended 31 December 2018, 2019 and 2020 and  
six months ended 30 June 2021*

## **INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF FUJIAN MEDICAL UNION HEALTH CARE INFORMATION TECHNOLOGY CO., LTD.**

The Directors  
**China Smartpay Group Holdings Limited**

### **Introduction**

We report on the historical financial information of Fujian Medical Union Health Care Information Technology Co., Ltd. (the **"Target Company"**, English translation of 福建醫聯康護信息技術有限公司 for identification purpose only) and its subsidiaries (hereinafter collectively referred to as the **"Target Group"**) set out on pages II-5 to II-70, which comprises the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company at 31 December 2018, 2019 and 2020 and 30 June 2021, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021 (the **"Relevant Periods"**), and a summary of significant accounting policies and other explanatory information (together the **"Historical Financial Information"**). The Historical Financial Information set out on pages II-5 to II-70 forms an integral part of this report, which has been prepared for inclusion in the circular of China Smartpay Group Holdings Limited (the **"Company"**) dated 26 October 2021 in connection with the acquisition of the Target Group by the Company.

### **Directors' responsibility for the Historical Financial Information**

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

### **Reporting accountants' responsibility**

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our 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, we considered internal control relevant to the Target Group’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation 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 Target Group’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Target Group at 31 December 2018, 2019 and 2020 and 30 June 2021, the financial position of the Target Company at 31 December 2018, 2019 and 2020 and 30 June 2021, and of its financial performance and cash flows for each of the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2020 and other explanatory information (together the “**Stub Period Comparative Financial Information**”). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 (Revised) “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED 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 II-4 have been made.

**Dividends**

We refer to Note 12 to the Historical Financial Information which contains information about the dividends paid or proposed by the Target Group in respect of the Relevant Periods.

**Preparation or audit of financial statements**

The statutory financial statements of the Target Company were audited by Mazars Certified Public Accountants LLP for the years ended 31 December 2018, 2019 and 2020. No statutory audited consolidated financial statements have been prepared by the Target Group in respect of any period subsequent to 30 June 2021.



**Mazars CPA Limited**  
*Certified Public Accountants*  
Hong Kong, 26 October 2021

## **HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP**

### **Preparation of the 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 Target Group for the Relevant Periods, on which the Historical Financial Information is based, were prepared by the directors of the Target Company in accordance with the accounting policies that conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA (the “**Underlying Financial Statements**”). The Underlying Financial Statements were audited by Mazars CPA Limited, *Certified Public Accountants*, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Notes	Year ended 31 December			Six months ended 30 June	
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
<b>Revenue</b>	5	116,598	148,724	140,712	53,926	55,580
Cost of sales		(61,138)	(69,812)	(66,237)	(25,044)	(23,729)
Gross profit		55,460	78,912	74,475	28,882	31,851
Other income	6	3,962	10,084	12,242	2,377	5,355
Administrative and selling expenses		(22,258)	(30,521)	(29,097)	(10,248)	(15,080)
Finance costs	7	(46)	(83)	(91)	(50)	(28)
Research and development expenses		(11,231)	(10,693)	(13,096)	(4,962)	(6,494)
(Provision for) Reversal of loss allowance for trade and other receivables	30	(1,099)	(1,628)	239	(940)	(473)
Share of results of associates	14	(10)	(309)	(559)	(270)	(207)
Gain on deemed disposal of an associate		—	—	—	—	619
<b>Profit before income tax</b>	7	24,778	45,762	44,113	14,789	15,543
Income tax credit (expenses)	10	1,647	(4,415)	(3,760)	(1,176)	(949)
<b>Profit for the year/period and total comprehensive income for the year/period</b>		<u>26,425</u>	<u>41,347</u>	<u>40,353</u>	<u>13,613</u>	<u>14,594</u>
<b>Attributable to:</b>						
Equity holders of the Company		26,431	40,604	40,430	13,843	14,474
Non-controlling interests		(6)	743	(77)	(230)	120
		<u>26,425</u>	<u>41,347</u>	<u>40,353</u>	<u>13,613</u>	<u>14,594</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December			At 30 June
		2018	2019	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>					
Interests in associates	14	710	1,121	11,802	12,934
Property, plant and equipment	15	882	20,670	46,097	50,438
Right-of-use assets	16	1,014	1,389	626	147
Intangible assets	17	—	3,180	6,030	6,868
Financial assets at FVPL	18	500	500	500	500
Deferred tax assets	24	2,709	4,416	6,648	7,689
		5,815	31,276	71,703	78,576
<b>Current assets</b>					
Inventories	19	18,595	28,045	29,225	41,637
Trade and other receivables	20	16,992	30,327	41,963	59,675
Contract assets	21	34,268	36,113	36,876	34,386
Restricted bank balances	22	—	386	1,472	941
Bank balances and cash		60,454	74,804	69,598	26,890
		130,309	169,675	179,134	163,529
<b>Current liabilities</b>					
Trade and other payables	23	53,880	71,895	82,777	68,717
Contract liabilities	21	20,476	22,429	21,565	18,049
Income tax payables		—	3,344	3,693	2,634
Interest-bearing borrowings	25	—	8,800	6,800	5,800
Lease liabilities	16	689	936	638	153
		75,045	107,404	115,473	95,353
<b>Net current assets</b>		55,264	62,271	63,661	68,176
<b>Total assets less current liabilities</b>		61,079	93,547	135,364	146,752

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

	Notes	At 31 December			At 30 June
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000
<b>Non-current liabilities</b>					
Lease liabilities	16	342	483	—	—
<b>NET ASSETS</b>		<b>60,737</b>	<b>93,064</b>	<b>135,364</b>	<b>146,752</b>
<b>Capital and reserves</b>					
Share capital	26	20,000	20,800	20,800	20,800
Reserves		40,253	70,057	110,487	123,642
<b>Equity attributable to equity holders of the Company</b>		<b>60,253</b>	<b>90,857</b>	<b>131,287</b>	<b>144,442</b>
Non-controlling interests	13	484	2,207	4,077	2,310
<b>TOTAL EQUITY</b>		<b>60,737</b>	<b>93,064</b>	<b>135,364</b>	<b>146,752</b>



**STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY**

	Notes	At 31 December			At 30 June
		2018 RMB '000	2019 RMB '000	2020 RMB '000	2021 RMB '000
<b>Non-current assets</b>					
Investment in subsidiaries	13	3,728	30,783	54,235	49,599
Interests in associates		710	1,121	2,050	3,226
Property, plant and equipment		878	20,654	45,785	50,154
Right-of-use assets		965	1,325	579	137
Intangible assets		—	3,180	5,847	6,345
Financial assets at FVPL		500	500	500	500
Deferred tax assets		2,112	2,777	3,291	3,311
		<u>8,893</u>	<u>60,340</u>	<u>112,287</u>	<u>113,272</u>
<b>Current assets</b>					
Inventories		18,574	26,493	28,018	40,554
Trade and other receivables		17,337	29,733	36,859	59,177
Contract assets		34,268	33,444	34,997	33,099
Restricted bank balances		—	386	1,472	941
Bank balances and cash		55,889	38,304	24,794	8,360
		<u>126,068</u>	<u>128,360</u>	<u>126,140</u>	<u>142,131</u>
<b>Current liabilities</b>					
Trade and other payables		53,244	64,352	76,007	95,347
Contract liabilities		20,476	20,904	20,756	6,859
Income tax payables		—	3,204	3,474	2,232
Interest-bearing borrowings		—	8,800	6,800	5,800
Lease liabilities		639	872	591	142
		<u>74,359</u>	<u>98,132</u>	<u>107,628</u>	<u>110,380</u>
<b>Net current assets</b>		<u>51,709</u>	<u>30,228</u>	<u>18,512</u>	<u>31,751</u>
<b>Total assets less current liabilities</b>		<u>60,602</u>	<u>90,568</u>	<u>130,799</u>	<u>145,023</u>
<b>Non-current liabilities</b>					
Lease liabilities		342	483	—	—
		<u>342</u>	<u>483</u>	<u>—</u>	<u>—</u>
<b>NET ASSETS</b>		<u>60,260</u>	<u>90,085</u>	<u>130,799</u>	<u>145,023</u>
<b>Capital and reserves</b>					
Share capital	26	20,000	20,800	20,800	20,800
Reserves	27(c)	40,260	69,285	109,999	124,223
<b>TOTAL EQUITY</b>		<u>60,260</u>	<u>90,085</u>	<u>130,799</u>	<u>145,023</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company				Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Capital reserves RMB'000 <i>(Note 27(a))</i>	Statutory reserves RMB'000 <i>(Note 27(b))</i>	Accumulated profits RMB'000			
At 1 January 2018	20,000	—	1,360	12,462	33,822	—	33,822
Profit for the year and total comprehensive income for the year	—	—	—	26,431	26,431	(6)	26,425
<b>Transactions with owners:</b>							
<i>Contributions and distributions</i>							
Transfer to statutory reserves	—	—	2,823	(2,823)	—	—	—
<i>Changes in ownership interests</i>							
Incorporation of subsidiaries	—	—	—	—	—	490	490
Total transactions with owners	—	—	2,823	(2,823)	—	490	490
<b>At 31 December 2018</b>	<b>20,000</b>	<b>—</b>	<b>4,183</b>	<b>36,070</b>	<b>60,253</b>	<b>484</b>	<b>60,737</b>
At 1 January 2019	20,000	—	4,183	36,070	60,253	484	60,737
Profit for the year and total comprehensive income for the year	—	—	—	40,604	40,604	743	41,347
<b>Transactions with owners:</b>							
<i>Contributions and distributions</i>							
Addition paid-up capital <i>(Note 26)</i>	800	9,200	—	—	10,000	—	10,000
Dividends <i>(Note 12)</i>	—	—	—	(20,000)	(20,000)	—	(20,000)
Transfer to statutory reserves	—	—	4,279	(4,279)	—	—	—
<i>Changes in ownership interests</i>							
Incorporation of subsidiaries	—	—	—	—	—	980	980
Total transactions with owners	800	9,200	4,279	(24,279)	(10,000)	980	(9,020)
<b>At 31 December 2019</b>	<b>20,800</b>	<b>9,200</b>	<b>8,462</b>	<b>52,395</b>	<b>90,857</b>	<b>2,207</b>	<b>93,064</b>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)**

	Attributable to equity holders of the Company				Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Capital reserves RMB'000 <i>(Note 27(a))</i>	Statutory reserves RMB'000 <i>(Note 27(b))</i>	Accumulated profits RMB'000			
At 1 January 2020	20,800	9,200	8,462	52,395	90,857	2,207	93,064
Profit for the year and total comprehensive income for the year	—	—	—	40,430	40,430	(77)	40,353
<b>Transactions with owners:</b> <i>Contributions and distributions</i>							
Transfer to statutory reserves	—	—	4,291	(4,291)	—	—	—
<i>Changes in ownership interests</i>							
Incorporation of subsidiaries	—	—	—	—	—	1,947	1,947
Total transactions with owners	—	—	4,291	(4,291)	—	1,947	1,947
<b>At 31 December 2020</b>	<b>20,800</b>	<b>9,200</b>	<b>12,753</b>	<b>88,534</b>	<b>131,287</b>	<b>4,077</b>	<b>135,364</b>
At 1 January 2021	20,800	9,200	12,753	88,534	131,287	4,077	135,364
Profit for the period and total comprehensive income for the period	—	—	—	14,474	14,474	120	14,594
<b>Transactions with owners:</b> <i>Contributions and distributions</i>							
Dividend paid to NCI of a non-wholly owned subsidiary	—	—	—	—	—	(1,470)	(1,470)
<i>Changes in ownership interests</i>							
Acquisition of non-controlling interest in a subsidiary	—	(1,319)	—	—	(1,319)	(417)	(1,736)
Total transactions with owners	—	(1,319)	—	—	(1,319)	(1,887)	(3,206)
<b>At 30 June 2021</b>	<b>20,800</b>	<b>7,881</b>	<b>12,753</b>	<b>103,008</b>	<b>144,442</b>	<b>2,310</b>	<b>146,752</b>

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY** *(Continued)*

	Attributable to equity holders of the Company				Total RMB'000	Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Capital reserves RMB'000 <i>(Note 27(a))</i>	Statutory reserves RMB'000 <i>(Note 27(b))</i>	Accumulated profits RMB'000			
<i>(Unaudited)</i>							
At 1 January 2020	20,800	9,200	8,462	52,395	90,857	2,207	93,064
Profit for the period and total comprehensive income for the period	—	—	—	13,843	13,843	(230)	13,613
<b>Transactions with owners:</b>							
<i>Contributions and distributions</i>							
Incorporation of subsidiaries	—	—	—	—	—	1,310	1,310
Total transactions with owners	—	—	—	—	—	1,310	1,310
At 30 June 2020	20,800	9,200	8,462	66,238	104,700	3,287	107,987

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2020 <i>RMB'000</i> <i>(Unaudited)</i>	2021 <i>RMB'000</i>
<b>OPERATING ACTIVITIES</b>					
Profit before income tax	24,778	45,762	44,113	14,789	15,543
Adjustments for:					
Amortisation	—	9	87	11	349
Depreciation	1,021	1,727	1,667	982	1,226
Gain on deemed disposal of an associate	—	—	—	—	(619)
Gain on financial assets at FVPL	—	(150)	(150)	—	—
Loss on disposal of property, plant and equipment	—	97	130	—	1,244
Provision for (Reversal of) loss allowance for trade and other receivables	1,099	1,628	(239)	940	473
Loss on early termination of leases	—	—	326	—	—
Share of results of associates	10	309	559	270	207
Interest income	(247)	(332)	(414)	(144)	(247)
Interest expenses	46	83	91	50	28
<b>Cash flows from operations before movements in working capital</b>	<b>26,707</b>	<b>49,133</b>	<b>46,170</b>	<b>16,898</b>	<b>18,204</b>
Inventories	(9,908)	(9,450)	(1,180)	(4,298)	(12,412)
Trade and other receivables	(8,363)	(14,867)	(11,298)	(50,209)	(18,342)
Contract assets	(9,335)	(1,941)	(862)	21,124	2,647
Restricted bank balances	—	(386)	(1,086)	(12,004)	531
Trade and other payables	12,960	18,015	10,882	(10,414)	(14,060)
Contract liabilities	10,629	1,953	(864)	5,296	(3,516)
<b>Cash generated from (used in) operations</b>	<b>22,690</b>	<b>42,457</b>	<b>41,762</b>	<b>(33,607)</b>	<b>(26,948)</b>
Interest received	247	332	414	144	247
Interest paid	(46)	(510)	(448)	(241)	(146)
Income tax paid	—	(2,778)	(5,643)	(2,980)	(3,049)
<b>Net cash from (used in) operating activities</b>	<b>22,891</b>	<b>39,501</b>	<b>36,085</b>	<b>(36,684)</b>	<b>(29,896)</b>
<b>INVESTING ACTIVITIES</b>					
Purchases of property, plant and equipment	(708)	(19,816)	(25,696)	(1,088)	(6,228)
Additions to intangible assets	—	(3,189)	(2,937)	(877)	(1,187)
Investment in associates	(720)	(720)	(11,240)	(1,960)	(720)
Investment in financial assets at FVPL	(400)	—	—	—	—
Dividends received from financial assets at FVPL	—	150	150	—	—
<b>Net cash used in investing activities</b>	<b>(1,828)</b>	<b>(23,575)</b>	<b>(39,723)</b>	<b>(3,925)</b>	<b>(8,135)</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

	Note	Year ended 31 December			Six months ended 30 June	
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
<b>FINANCING ACTIVITIES</b>	28					
Issue of share capital		—	10,000	—	—	—
Capital injection from NCI to subsidiaries		490	980	1,947	1,310	—
Acquisition of additional interest in a subsidiary		—	—	—	—	(1,736)
Dividend paid		—	(20,000)	—	—	—
Dividend paid to NCI of a non-wholly owned subsidiary		—	—	—	—	(1,470)
New loan raised		—	9,800	—	—	—
Repayment of interest-bearing borrowings		—	(1,000)	(2,000)	(1,000)	(1,000)
Repayment of lease liabilities		(776)	(1,356)	(1,515)	(761)	(471)
<b>Net cash used in financing activities</b>		<u>(286)</u>	<u>(1,576)</u>	<u>(1,568)</u>	<u>(451)</u>	<u>(4,677)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		20,777	14,350	(5,206)	(41,060)	(42,708)
<b>Cash and cash equivalents at the beginning of the reporting period</b>		<u>39,677</u>	<u>60,454</u>	<u>74,804</u>	<u>74,804</u>	<u>69,598</u>
<b>Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash</b>		<u><u>60,454</u></u>	<u><u>74,804</u></u>	<u><u>69,598</u></u>	<u><u>33,744</u></u>	<u><u>26,890</u></u>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

### 1. GENERAL INFORMATION

福建醫聯康護信息技術有限公司(Fujian Medical Union Health Care Information Technology Co., Ltd.)\* (the “**Target Company**”) is a limited liability company incorporated in the People’s Republic of China (the “**PRC**”) on 1 September 2016. The registered office and principal place of business of the Target Company are located at 25/F, Block 4, Zone F, Fuzhou Software Park, No. 89, Software Avenue, Gulou District, Fuzhou, Fujian, the PRC.

At the date of this report, in the opinion of the directors of the Target Company, the ultimate controlling party of the Target Company is Mr. Lu Linming (the “**Ultimate Controlling Party**”).

The principal activities of the Target Company and its subsidiaries (together as the “**Target Group**”) are provision of health and medical services related information technology solutions and smart terminal devices, utilising digitalisation and artificial intelligence technology in the PRC during the Relevant Periods.

\* *The English names represent the best effort made by the directors of the Target Company to translate the Chinese names as their names have not been registered officially in English.*

### 2. BASIS OF PREPARATION AND PRESENTATION

The Historical Financial Information presents the financial track record of the Target Group for the years ended 31 December 2018, 2019 and 2020 and for the six months ended 30 June 2021 (the “**Relevant Periods**”) and is prepared for the purposes of inclusion in a circular of China Smartpay Group Holdings Limited (the “**Company**”) to its shareholders for the acquisition of the Target Company, using the accounting policies which are materially consistent with those of the Company as applied in the Company’s consolidated financial statements for the year ended 31 March 2021, except for those HKFRSs that are effective for the financial years beginning on or after 1 April 2021 and applicable to the Historical Financial Information.

The Historical Financial Information was prepared by the directors of the Target Company, based on the Underlying Financial Statements of the Target Group for the Relevant Periods. In preparing the Historical Financial Information, no adjustments have been made to the Underlying Financial Statements by the directors of the Target Company. The Underlying Financial Statements were prepared by the directors of the Target Company with reference to the previously issued financial statements of the Target Group for the Relevant Periods.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conform with HKFRSs issued by the HKICPA.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The Historical Financial Information has been prepared in accordance with the basis set out below which conforms with HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Statement of compliance** *(Continued)*

The HKICPA has issued a number of new/revised HKFRSs during the Relevant Periods. For the purpose of the Historical Financial Information, the Target Group has consistently adopted all those new/revised HKFRSs, in particular, HKFRS 9 “*Financial Instruments*”, HKFRS 15 “*Revenue from Contracts with Customers*” and HKFRS 16 “*Leases*” and early adopted of Amendments to HKFRS 16 “*COVID-19-Related Rent Concessions Beyond 30 June 2021*” that are relevant to its operations and are effective during the Relevant Periods.

A summary of the principal accounting policies adopted by the Target Group in preparing the Historical Financial Information is set out below.

#### **Basis of measurement**

The measurement basis used in the preparation of the Historical Financial Information is historical cost, except for certain financial instruments which were stated at fair value as explained in the accounting policies set out below.

#### **Basis of consolidation**

The Historical Financial Information comprises the financial statements of the Target Company and all of its subsidiaries for the Relevant Periods. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Target Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Target Group obtains control and continue to be consolidated until the date when such control ceases.

Non-controlling interests (“NCI”) are presented, separately from equity holders of the Target Company, in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments’ proportionate share in the recognised amounts of the acquiree’s identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by HKFRSs.

#### ***Allocation of total comprehensive income***

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

#### ***Changes in ownership interests***

Changes in the Target Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Target Company.



### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Basis of consolidation** *(Continued)*

#### **Changes in ownership interests** *(Continued)*

When the Target Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when the control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when the control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the holding company had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when the control is lost.

#### **Subsidiaries**

A subsidiary is an entity that is controlled by the Target Group. The Target Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Target Company's statements of financial position, investment in subsidiaries is stated at cost less impairment loss, if any. The carrying amount of the investment is reduced to its recoverable amount on an individual basis, if it is higher than the recoverable amount. The results of the subsidiary are accounted for by the Target Company on the basis of dividends received and receivable.

#### **Associates**

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

The Target Group's interests in associates is accounted for under the equity method of accounting, except when the investment or a portion thereof is classified as held for sale. Under the equity method, the investment is initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Target Group's share of the investee's net assets and any impairment loss relating to the investment. Except to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the investee, the Target Group discontinues recognising its share of further losses when the Target Group's share of losses of the investee equals or exceeds the carrying amount of its interest in the investee, which includes any long term interests that, in substance, form part of the Target Group's net investment in the investee.

Goodwill arising on an acquisition of an associate is measured as the excess of the cost of investment over the Target Group's share of the net fair value of the identifiable assets and liabilities of the acquired associate. Such goodwill is included in interests in associates. On the other hand, any excess of the Target Group's share of its net fair value of identifiable assets and liabilities over the cost of investment is recognised immediately in profit or loss as an income.

Unrealised profits and losses resulting from transactions between the Target Group and its associates are eliminated to the extent of the Target Group's interest in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Associates (Continued)

If an investment in an associate becomes an investment in a joint venture, any retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, on the loss of significant influence, the Target Group remeasures any retained interest in the former investee at fair value. The difference between the fair value of any retained investment and proceeds from disposing of the partial interest in the investee and the carrying amount of the investment at the date when significant influence is lost is recognised in profit or loss. In addition, all amounts previously recognised in other comprehensive income in respect of the former investee are accounted for on the same basis as would be required if the former investee had directly disposed of the related assets or liabilities. The fair value of the retained interests on the date of ceasing to be an associate is regarded as the fair value on initial recognition as a financial asset.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is provided to write-off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Leasehold improvements	3-4 years
Buildings	20 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	6 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

#### Intangible assets

##### *Research and development costs*

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Target Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over a period of 10 years.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *Intangible assets (Continued)*

##### *Computer software*

Computer software represents costs incurred for the development of the technology systems which are mainly for medical care services. The costs are capitalised and amortised under the straight-line method over 10 years. Computer software are tested for impairment where an indicator of impairment appears.

#### **Financial instruments**

##### *Recognition and derecognition*

Financial assets are recognised when and only when the Target Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Target Group's contractual rights to future cash flows from the financial asset expire or (ii) the Target Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset.

If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

##### *Classification and measurement*

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income; (iii) equity investment measured at fair value through other comprehensive income; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Target Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Target Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Financial instruments (Continued)

##### Classification and measurement (Continued)

##### 1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVPL:

- (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Target Group's financial assets at amortised cost included trade and other receivables, restricted bank balances and bank balances and cash.

##### 2) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost, including financial assets held for trading, financial assets designated upon initial recognition at FVPL, financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which does not include any dividend or interest earned on the financial assets.

A financial asset is classified as held for trading if it is:

- (i) acquired principally for the purpose of selling it in the near term;
- (ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or
- (iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

The Target Group's financial assets mandatorily measured at FVPL included unlisted equity investments in the PRC.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial instruments** *(Continued)*

##### **Financial liabilities**

###### *Recognition and derecognition*

Financial liabilities are recognised when and only when the Target Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expires.

###### *Classification and measurement*

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Target Group's financial liabilities include trade and other payables, interest-bearing borrowings and lease liabilities. All financial liabilities, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

###### **Impairment of financial assets and other items**

The Target Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Target Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Target Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

###### *Measurement of ECL*

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

- (i) past due information
- (ii) nature of instrument
- (iii) nature of collateral

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial instruments** *(Continued)*

#### **Impairment of financial assets and other items** *(Continued)*

#### *Measurement of ECL (Continued)*

- (iv) industry of debtors
- (v) geographical location of debtors
- (vi) external credit risk ratings

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument, the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

#### *Definition of default*

The Target Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Target Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

- (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group); or
- (ii) there is a breach of financial covenants by the counterparty.

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

#### *Assessment of significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target 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 in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Target Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial instruments** *(Continued)*

#### **Impairment of financial assets and other items** *(Continued)*

#### **Assessment of significant increase in credit risk** *(Continued)*

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

#### **Low credit risk**

A financial instrument is determined to have low credit risk if:

- (i) it has a low risk of default;
- (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

No financial instruments are determined to have low credit risk.

#### **Simplified approach of ECL**

For trade receivables without a significant financing components, the Target Group applies a simplified approach in calculating ECL. The Target Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### **Credit-impaired financial asset**

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

- (a) significant financial difficulty of the issuer or the borrower.
- (b) a breach of contract, such as a default or past due event.
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider.
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Financial instruments** *(Continued)*

##### ***Impairment of financial assets and other items*** *(Continued)*

###### *Write-off*

The Target Group writes off a financial asset when the Target Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Target Group has a policy of writing off the gross carrying amount based on historical experience of recoveries of similar assets. The Target Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Target Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

###### **Cash equivalents**

For the purpose of the consolidated statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

###### **Revenue recognition**

##### ***Revenue from contracts with customers within HKFRS 15***

###### *Nature of goods or services*

The nature of the goods or services provided by the Target Group is as follows:

- (i) System integration services
- (ii) Software solution services
- (iii) Technical services
- (iv) Sales of hardware

###### *Identification of performance obligations*

At contract inception, the Target Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

- (a) a good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

- (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and
- (b) the Target Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).



### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Revenue recognition** *(Continued)*

##### **Revenue from contracts with customers within HKFRS 15** *(Continued)*

###### *Timing of revenue recognition*

Revenue is recognised when (or as) the Target Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Target Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- (a) the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- (b) the Target Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or
- (c) the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Target Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Target Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from system integration services and software solution services is recognised over time because the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Revenue from technical services is recognised over time when services are rendered.

Sales of hardware are recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

For revenue recognised over time under HKFRS 15, provided the outcome of the performance obligation can be reasonably measured, the Target Group applies the output method (i.e. based on the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract) to measure the progress towards complete satisfaction of the performance obligation because the method provides a faithful depiction of the Target Group's performance and reliable information is available to the Target Group to apply the method. Otherwise, revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

###### **Income from financial assets**

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Contract assets and contract liabilities

If the Target Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Target Group has a right to an amount of consideration that is unconditional, before the Target Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Target Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

It is common for the Target Group to receive from the customer the whole or some of the contractual payments before the services are completed or when the goods are delivered (i.e. the timing of revenue recognition for such transactions). The Target Group recognises a contract liability until it is recognised as revenue. During that period, any significant financing components, if applicable, will be included in the contract liability and will be expensed as accrued unless the interest expense is eligible for capitalisation.

On the other hand, in accordance with the payment schedules of certain customers of the Target Group, payments are normally not due or received from the customer until the services are completed or when the goods are delivered. However, for such transactions, revenue is recognised over time and therefore, a contract asset is recognised until it becomes a receivable or payments are received. During that period, any significant financing components, if applicable, will be included in the contract asset and recognised as interest income.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first in, first out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### Impairment of other assets

At the end of each reporting period, the Target Group reviews internal and external sources of information to assess whether there is any indication that its property, plant and equipment, right-of-use assets and intangible assets and the Company's investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit (the "CGU")).

If the recoverable amount of an asset or a CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment losses is limited to the carrying amount of the asset or CGU that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment losses is recognised as an income in profit or loss immediately.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Borrowing costs**

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as a deduction from the carrying amount of the relevant asset and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

#### **Leases**

The Target Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### *As lessee*

The Target Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Target Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Target Group accounts for each lease component within a lease contract as a lease separately. The Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

Amounts payable by the Target Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Target Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any leases payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the Target Group; and
- (d) an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases (Continued)

##### *As lessee (Continued)*

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Target Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Target Group will exercise a purchase option – in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Staff quarter	Over the term of lease
Office premises	Over the term of lease
Factory	Over the term of lease

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (b) variable lease payments that depend on an index or a rate;
- (c) amounts expected to be payable under residual value guarantees;
- (d) exercise price of a purchase option if the Target Group is reasonably certain to exercise that option; and
- (e) payments of penalties for terminating the lease, if the lease term reflects the Target Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Target Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Target Group remeasures the lease liability using a revised discount rate.

The Target Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Target Group recognises any remaining amount of the remeasurement in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### *Leases (Continued)*

##### *As lessee (Continued)*

A lease modification is accounted for as a separate lease if:

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

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

- (a) the Target Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above.
- (b) the Target Group determines the lease term of the modified contract.
- (c) the Target Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term.
- (d) for lease modifications that decrease the scope of the lease, the Target Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss.
- (e) for all other lease modifications, the Target Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Target Group has applied the practical expedient provided in Amendments to HKFRS 16: COVID-19-Related Rent Concessions and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Target Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying HKFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- (c) there is no substantive change to other terms and conditions of the lease.

The Target Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Employee benefits**

##### *Short term employee benefits*

Salaries, annual bonuses, paid annual leave, and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

##### *Defined contribution plans*

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Target Group in an independently administered fund.

#### **Taxation**

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill, or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investment in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Target Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### **Related parties**

A related party is a person or entity that is related to the Target Group, that is defined as:

- (a) A person or a close member of that person's family is related to the Target Group if that person:
  - (i) has control or joint control over the Target Group;
  - (ii) has significant influence over the Target Group; or
  - (iii) is a member of the key management personnel of the Target Group or of the holding company of the Target Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Related parties** *(Continued)*

- (b) An entity is related to the Target Group if any of the following conditions applies:
  - (i) the entity and the Target Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others).
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) both entities are joint ventures of the same third party.
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group. If the Target Group is itself such a plan, the sponsoring employers are also related to the Target Group.
  - (vi) the entity is controlled or jointly controlled by a person identified in (a).
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity).
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the holding company of the Target Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

#### **Segment reporting**

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Critical accounting estimates and judgements**

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the Historical Financial Information. They affect the application of the Target Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty are as follow:

#### ***Useful lives of property, plant and equipment, right-of-use assets and intangible assets***

The management determines the estimated useful lives of the Target Group's property, plant and equipment, right-of-use assets and intangible assets based on the historical experience of the actual useful lives of assets of similar nature and functions or expected useful lives of assets, after taking into account of the estimated technology life cycle. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation and amortisation charges included in profit or loss.

#### ***Impairment of property, plant and equipment, right-of-use assets and intangible assets***

The management determines whether the Target Group's property, plant and equipment, right-of-use assets and intangible assets are impaired when an indication of impairment exists or when annual impairment testing is required. This requires an estimation of the recoverable amount of the property, plant and equipment and intangible assets, which is equal to the higher of fair value less costs of disposal or the value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment, right-of-use assets and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

#### ***Loss allowance for ECL***

The Target Group's management estimates the loss allowance for trade receivables by using various inputs and assumptions including risk of a default and expected loss rate and loan receivables. The estimation involves high degree of uncertainty which is based on the Target Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables. Details of the key assumption and inputs used in estimating ECL are set out in Note 30 to the Historical Financial Information.

#### ***Revenue recognition***

The Target Group recognised revenue from system integration services and software solution services over a period of time by reference to the progress towards complete satisfaction of the performance obligations of each project at the reporting date. The management has to assess the relevancy of performance obligations for each project and the allocate the transaction prices among various performance obligations in order to determine the recognition point(s) of revenue. The recognition of revenue is therefore owing to the inherent risk associated with the management's judgement.



### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Future changes in HKFRSs

At the date of approving the Historical Financial Information, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the Relevant Periods, which the Target Group has not early adopted.

Amendments to HKAS 16	Proceeds before Intended Use <sup>[1]</sup>
Amendments to HKAS 37	Cost of Fulfilling a Contract <sup>[1]</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>[1]</sup>
Annual Improvements to HKFRSs	2018–2020 Cycle <sup>[1]</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>[2]</sup>
Amendments to HKAS 1	Disclosure of Accounting Policies <sup>[2]</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>[2]</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>[2]</sup>
HKFRS 17	Insurance Contracts <sup>[2]</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>[3]</sup>

<sup>[1]</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>[2]</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>[3]</sup> The effective date to be determined

The management of the Target Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Target Group's consolidated financial information.

### 4. SEGMENT INFORMATION

The Target Group's operating activities are attributable to a single operating segment focusing on health and medical services related information technology solutions and smart terminal devices, utilising digitalisation and artificial intelligence technology in the PRC during the Relevant Periods. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs that are regularly reviewed by the executive directors of the Target Company, being identified as the chief operating decision maker. They review the results of the Target Group as a whole in order to assess financial performance and allocation of resources. Accordingly, the operation of the Target Group constitutes only one single operating segment and no further analysis of this single segment is presented.

#### Geographical information

All of the Target Group's revenue from external customers during the Relevant Periods was derived from the PRC and all of the Target Group's assets and liabilities at the end of each Relevant Periods are located in the PRC.

#### 4. SEGMENT INFORMATION (Continued)

##### Information about major customers

During the Relevant Periods, revenue from customers individually contributing 10% or more of the total revenue of the Target Group for the relevant year/period is as follow:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Customer A	24,064	21,903	22,862	<Note>	17,182
Customer B	14,666	22,237	25,613	7,450	<Note>
Customer C	13,203	<Note>	<Note>	<Note>	<Note>
Customer D	<Note>	25,225	<Note>	8,272	<Note>

Note: The customer contributed less than 10% of the total revenue of the Target Group for the respective year/period.

#### 5. REVENUE

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Revenue from contracts with customers within HKFRS 15					
Over time					
— system integration services	85,066	89,944	84,572	36,307	27,949
— software solution services	12,239	26,899	24,328	7,113	14,794
— technical services	11,874	22,021	21,284	5,743	10,000
	109,179	138,864	130,184	49,163	52,743
At a point in time					
— sales of hardware	7,419	9,860	10,528	4,763	2,837
	116,598	148,724	140,712	53,926	55,580

#### 6. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Gain on financial assets at FVPL	—	150	150	—	—
Government subsidies (Note)	3,715	9,503	11,588	2,233	5,108
Interest income	247	332	414	144	247
Others	—	99	90	—	—
	3,962	10,084	12,242	2,377	5,355

Note: The government subsidies are included tax refund and subsidies for IT enterprise. In the opinion of the management of the Target Group, there was no unfulfilled condition or contingency relating to the government subsidies.

## 7. PROFIT BEFORE INCOME TAX

This is stated after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
<b>Finance costs</b>					
Finance costs on interest-bearing borrowings	—	427	357	191	118
Finance costs on lease liabilities	34	56	59	35	10
Others	12	27	32	15	18
	46	510	448	241	146
Less: finance costs capitalised	—	(427)	(357)	(191)	(118)
	46	83	91	50	28
<b>Staff costs and related expenses (including directors' emoluments)</b>					
Salaries, allowances and other benefits in kind	22,232	28,774	33,098	12,338	15,001
Contributions to defined contribution plans	2,776	3,773	2,553	1,185	2,349
	25,008	32,547	35,651	13,523	17,350
<i>Represented by:</i>					
Staff costs for administrative and sales staff	14,447	18,932	18,151	6,946	9,206
Staff costs for research and development expenses	10,544	10,184	12,490	4,819	6,324
Staff costs capitalised as "Intangible assets"	—	2,963	2,535	876	—
Staff costs allocated to "Cost of inventories"	17	468	2,475	882	1,820
	25,008	32,547	35,651	13,523	17,350
<b>Other items</b>					
Auditor's remuneration	20	67	82	51	45
Amortisation of intangible assets, included in administrative expenses	—	9	87	11	349
Cost of inventories	61,138	69,812	66,237	25,044	23,729
Depreciation	1,021	1,727	1,667	982	1,226
Loss on disposal of property, plant and equipment	—	97	130	—	—
Loss on early termination of leases	—	—	326	—	—
Provision for (Reversal of) loss allowance for trade and other receivables	1,099	1,628	(239)	940	473
Research and development expenses	11,231	10,693	13,096	4,962	6,494

## 8. DIRECTORS' EMOLUMENTS

The aggregate amounts of remuneration received and receivable by the directors of the Target Company during the Relevant Periods are set out below.

### Year ended 31 December 2018

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
<i>Executive directors</i>					
Wu Tianen (Note i)	—	—	—	—	—
Lu Linming	—	279	352	39	670
Chen Xi	—	—	—	—	—
	—	279	352	39	670

### Year ended 31 December 2019

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
<i>Executive directors</i>					
Wu Tianen (Note i)	—	—	—	—	—
Lu Linming	—	284	550	43	877
Chen Xi	—	—	—	—	—
Yan Xinyong (Note ii)	—	—	—	—	—
Chen Jianqi (Note iii)	—	201	210	37	448
Li Shenghao (Note iv)	—	—	—	—	—
	—	485	760	80	1,325

8. DIRECTORS' EMOLUMENTS (Continued)

Year ended 31 December 2020

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
<i>Executive directors</i>					
Wu Tianen (Note i)	—	—	—	—	—
Lu Linming	—	285	738	32	1,055
Chen Xi	—	—	—	—	—
Yan Xinyong (Note ii)	—	—	—	—	—
Li Shenghao (Note iv)	—	—	—	—	—
Wei Henan (Note v)	—	—	—	—	—
	<u>—</u>	<u>285</u>	<u>738</u>	<u>32</u>	<u>1,055</u>

Six months ended 30 June 2020 (Unaudited)

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
<i>Executive directors</i>					
Wu Tianen (Note i)	—	—	—	—	—
Lu Linming	—	139	—	16	155
Chen Xi	—	—	—	—	—
Yan Xinyong (Note ii)	—	—	—	—	—
Li Shenghao (Note iv)	—	—	—	—	—
Wei Henan (Note v)	—	—	—	—	—
	<u>—</u>	<u>139</u>	<u>—</u>	<u>16</u>	<u>155</u>

Six months ended 30 June 2021

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Discretionary bonus RMB'000	Contributions to defined contribution plans RMB'000	Total RMB'000
<i>Executive directors</i>					
Lu Linming	—	139	—	22	161
Chen Xi	—	—	—	—	—
Yan Xinyong (Note ii)	—	—	—	—	—
Li Shenghao (Note iv)	—	—	—	—	—
Wei Henan (Note v)	—	—	—	—	—
	<u>—</u>	<u>139</u>	<u>—</u>	<u>22</u>	<u>161</u>

## 8. DIRECTORS' EMOLUMENTS (Continued)

Notes:

- (i) Mr. Wu Tianen resigned as a director of the Target Company on 21 April 2020.
- (ii) Mr. Yan Xinyong was appointed as a director of the Target Company on 29 January 2019.
- (iii) Mr. Chen Jianqi was appointed as a director of the Target Company on 29 January 2019 and resigned as director of the Target Company on 28 February 2019.
- (iv) Mr. Li Shenghao was appointed as a director of the Target Company on 28 February 2019.
- (v) Mr. Wei Henan was appointed as a director of the Target Company on 21 April 2020.

During the Relevant Periods, no emoluments were paid by the Target Group to any of these directors as an inducement to join or upon joining the Target Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

## 9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Director	1	1	1	1	1
Non-director	4	4	4	4	4
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Details of the remuneration of the above highest paid individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Salaries, allowances and benefits in kind	1,927	2,147	2,472	452	569
Contributions to defined contribution plans	107	118	66	26	37
	<u>2,034</u>	<u>2,265</u>	<u>2,538</u>	<u>478</u>	<u>606</u>

9. **FIVE HIGHEST PAID INDIVIDUALS** (Continued)

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Nil to HK\$1,000,000	4	4	4	4	4

During the Relevant Periods, no remuneration was paid by the Target Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Target Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid individuals waived or agreed to waive any emoluments during the Relevant Periods.

10. **TAXATION**

The PRC Enterprise Income Tax (the "PRC EIT") is calculated at 25% of the estimated assessable profits for the Relevant Periods, except the Target Company was recognised as a qualified enterprise under relevant tax policy in the PRC and eligible to a reduction of tax rate of 12.5% for the Relevant Periods.

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
<b>Current tax</b>					
PRC EIT	—	6,122	5,992	2,037	1,990
<b>Deferred tax</b>					
Changes in temporary differences	(1,647)	(1,707)	(2,232)	(861)	(1,041)
<b>Total income tax (credit) expenses for the year/period</b>	<u>(1,647)</u>	<u>4,415</u>	<u>3,760</u>	<u>1,176</u>	<u>949</u>

10. TAXATION (Continued)

Reconciliation of income tax (credit) expenses

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Profit before income tax	24,778	45,762	44,113	14,789	15,543
Income tax at applicable tax rates	6,195	11,441	11,028	3,697	3,886
Non-deductible expenses	600	725	1,235	37	619
Recognition of previously unrecognised deferred tax assets	(1,066)	(783)	(538)	(489)	(19)
Unrecognised temporary differences	(581)	(924)	(1,694)	—	(1,022)
Tax concession	(6,795)	(6,044)	(6,271)	(2,069)	(2,515)
<b>Income tax (credit) expenses for the year/period</b>	<b>(1,647)</b>	<b>4,415</b>	<b>3,760</b>	<b>1,176</b>	<b>949</b>

11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

12. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Dividends declared and paid	—	20,000	—	—	—

No dividends per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.



### 13. INVESTMENT IN SUBSIDIARIES

Details of subsidiaries at the end of each Relevant Periods are as follows:

Name of the subsidiaries	Place and date of incorporation	Particulars of issued and paid up capital	Effective ownership interests held by the Company				Principal activities/place of operation
			31 December 2018	31 December 2019	31 December 2020	30 June 2021	
<u>Directly held by the Company</u>							
徐州醫聯康護信息技術有限公司 (「徐州醫聯」) (Note i)	The PRC, 29 November 2017	Paid up capital, RMB10,000,000	100%	100%	100%	100%	Provision of software and information technology services/ The PRC
山西醫聯康護科技有限公司 (「山西醫聯康護」) (Note i)	The PRC, 19 October 2018	Paid up capital, Nil	51%	51%	51%	51%	Provision of software and information technology services/ The PRC
廈門醫聯康護科技有限公司 (Note i)	The PRC, 10 January 2019	Paid up capital, RMB30,000,000	N/A	100%	100%	100%	Provision of technology promotion and application services/ The PRC
福州醫聯訊通信息技術服務有限公司 (Note i)	The PRC, 8 April 2020	Paid up capital, RMB1,000,000	N/A	N/A	67%	67%	Provision of software and information technology services/ The PRC
福建醫聯康護銀醫通科技有限公司 (Note i)	The PRC, 18 September 2020	Paid up capital, RMB20,000,000	N/A	N/A	100%	100%	Provision of software and information technology services/ The PRC
福建醫聯康養養老服務有限公司 (Note i)	The PRC, 18 September 2020	Paid up capital, Nil	N/A	N/A	100%	100%	Social services/ The PRC
陝西醫聯康護信息技術有限公司 (Note i)	The PRC, 7 June 2021	Paid up capital, Nil	N/A	N/A	N/A	51%	Wholesales/ The PRC
<u>Indirectly held by the Company</u>							
廈門醫聯智邦科技有限公司 (Note i)	The PRC, 5 December 2019	Paid up capital, RMB3,300,000	N/A	51%	51%	100%	Research and development/ The PRC
福建醫聯睿萬信息科技有限公司 (「福建醫聯睿萬」) (Note i)	The PRC, 19 May 2020	Paid up capital, RMB2,000,000	N/A	N/A	51%	51%	Provision of software and information technology services/ The PRC

Note:

- (i) Registered under the laws of the PRC as domestic enterprise
- (ii) The financial statements, as prepared in accordance with respective local financial reporting standards, of 徐州醫聯 were audited by Mazars Certified Public Accountants LLP for the years ended 31 December 2018, 2019 and 2020. No statutory audited financial statements have been prepared for other subsidiaries for the period from their respective dates of incorporation to the date of this report as they are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

13. INVESTMENT IN SUBSIDIARIES (Continued)

Financial information of subsidiaries with individually material NCI

The following table shows the information relating to each of the non-wholly owned subsidiaries that has material NCI of respective Relevant Period. The summarised financial information represents amounts before inter-company eliminations.

	山西醫聯康護
<b>At 31 December 2020</b>	
Proportion of NCI's ownership interests	49%
	<u>          </u>
	<i>RMB '000</i>
Current assets	9,514
Non-current assets	127
Current liabilities	<u>(4,811)</u>
Net assets	<u>4,830</u>
Carrying amount of NCI	<u>2,367</u>
<b>Year ended 31 December 2020</b>	
Revenue	5,517
Expenses	<u>(3,193)</u>
Profit and total comprehensive income	<u>2,324</u>
Profit and total comprehensive income attributable to NCI	<u>1,139</u>
Net cash flows used in:	
Operating activities	(639)
Investing activities	—
Financing activities	<u>(8)</u>
Total cash outflows	<u>(647)</u>

13. INVESTMENT IN SUBSIDIARIES (Continued)

Financial information of subsidiaries with individually material NCI (Continued)

	山西醫聯康護	福建醫聯睿雋
<b>At 30 June 2021</b>		
Proportion of NCI's ownership interests	49%	49%
	<u>RMB'000</u>	<u>RMB'000</u>
Current assets	6,237	1,827
Non-current assets	107	47
Current liabilities	(4,209)	(17)
Net assets	<u>2,135</u>	<u>1,857</u>
Carrying amount of NCI	<u>1,046</u>	<u>910</u>
<b>Six months ended 30 June 2021</b>		
Revenue	619	—
Expenses	(314)	(73)
Profit (Loss) and total comprehensive income	<u>305</u>	<u>(73)</u>
Profit (Loss) and total comprehensive income (expenses) attributable to NCI	<u>149</u>	<u>(36)</u>
Dividends paid to NCI	<u>(1,470)</u>	<u>—</u>
Net cash flows used in:		
Operating activities	(1,358)	(97)
Investing activities	—	—
Financing activities	—	—
Total cash outflows	<u>(1,358)</u>	<u>(97)</u>

#### 14. INTERESTS IN ASSOCIATES

	At 31 December			At 30 June
	2018	2019	2020	2021
	RMB '000	RMB '000	RMB '000	RMB '000
Share of net assets	710	1,121	11,802	12,934

Details of all associates at the end of each Relevant Periods are as follows:

Name of the subsidiaries	Principal place of business and place of incorporation	Registered and paid up capital	Effective ownership interests held by the Company				Principal activities
			31 December	31 December	31 December	30 June	
			2018	2019	2020	2021	
Directly held by the Company							
廈門康護在線科技有限公司 (「廈門康護在線」)	The PRC	RMB5,880,000	36%	36%	32%	29%	Provision of software and information technology services
廈門醫聯康護工集團有限公司 (「廈門醫聯康護」)	The PRC	RMB11,840,000	N/A	N/A	49%	49%	Provision of software and information technology services

14. INTERESTS IN ASSOCIATES (Continued)

Financial information of individually material associates

Summarised financial information of each of the material associates of the Target Group of respective Relevant Periods is set out below, which represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs and adjusted by the Group for equity accounting purposes including any differences in accounting policies and fair value adjustments.

	廈門康護在線 RMB '000	廈門醫聯康護 RMB '000
<b>At 31 December 2020</b>		
<i>Gross amount</i>		
Current assets	3,548	11,783
Non-current assets	985	33
Current liabilities	(348)	(34)
Equity	<u>4,185</u>	<u>11,782</u>
<i>Reconciliation</i>		
Gross amount of equity	<u>4,185</u>	<u>11,782</u>
Target Group's ownership interests	<u>32%</u>	<u>49%</u>
Target Group's share of equity and carrying amount of interests	<u>2,050</u>	<u>9,752</u>
<b>Year ended 31 December 2020</b>		
<i>Gross amount</i>		
Revenue	<u>12</u>	<u>—</u>
Loss and total comprehensive expenses	<u>(1,573)</u>	<u>(100)</u>
Target Group's share of:		
Loss and total comprehensive expenses	<u>(510)</u>	<u>(49)</u>

14. INTERESTS IN ASSOCIATES (Continued)

Financial information of individually material associates (Continued)

	廈門康護在線 RMB'000	廈門醫聯康護 RMB'000
<b>At 30 June 2021</b>		
<i>Gross amount</i>		
Current assets	9,972	11,693
Non-current assets	1,158	63
Current liabilities	(79)	(27)
Equity	<u>11,051</u>	<u>11,729</u>
<i>Reconciliation</i>		
Gross amount of equity	<u>11,051</u>	<u>11,729</u>
Target Group's ownership interests	<u>29%</u>	<u>49%</u>
Target Group's share of equity and carrying amount of interests	<u>3,226</u>	<u>9,708</u>
<b>Six months ended 30 June 2021</b>		
<i>Gross amount</i>		
Revenue	<u>8</u>	<u>—</u>
Loss and total comprehensive expenses	<u>(559)</u>	<u>(90)</u>
Target Group's share of:		
Loss and total comprehensive expenses	<u>(163)</u>	<u>(44)</u>

## 15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	Leasehold improvements RMB'000	Building RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicle RMB'000	Total RMB'000
<b>Reconciliation of carrying amount —</b>						
<b>Year ended 31 December 2018</b>						
At 1 January 2018	97	190	—	115	—	402
Additions	—	350	—	178	180	708
Depreciation	—	(176)	—	(33)	(19)	(228)
At 31 December 2018	<u>97</u>	<u>364</u>	<u>—</u>	<u>260</u>	<u>161</u>	<u>882</u>
<b>Reconciliation of carrying amount —</b>						
<b>Year ended 31 December 2019</b>						
At 1 January 2019	97	364	—	260	161	882
Additions	19,355	100	—	788	—	20,243
Depreciation	—	(154)	—	(176)	(28)	(358)
Disposals	(97)	—	—	—	—	(97)
At 31 December 2019	<u>19,355</u>	<u>310</u>	<u>—</u>	<u>872</u>	<u>133</u>	<u>20,670</u>
<b>Reconciliation of carrying amount —</b>						
<b>Year ended 31 December 2020</b>						
At 1 January 2020	19,355	310	—	872	133	20,670
Additions	24,735	125	—	853	340	26,053
Transfer of construction in progress	(275)	—	—	275	—	—
Depreciation	—	(161)	—	(266)	(69)	(496)
Disposals	(130)	—	—	—	—	(130)
At 31 December 2020	<u>43,685</u>	<u>274</u>	<u>—</u>	<u>1,734</u>	<u>404</u>	<u>46,097</u>
<b>Reconciliation of carrying amount —</b>						
<b>Six months ended 30 June 2021</b>						
At 1 January 2021	43,685	274	—	1,734	404	46,097
Additions	4,800	15	—	287	—	5,102
Transfer of construction in progress	(36,314)	430	35,507	377	—	—
Depreciation	—	(105)	(377)	(238)	(41)	(761)
At 30 June 2021	<u>12,171</u>	<u>614</u>	<u>35,130</u>	<u>2,160</u>	<u>363</u>	<u>50,438</u>

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Construction in progress RMB'000	Leasehold improvements RMB'000	Building RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicle RMB'000	Total RMB'000
<b>At 31 December 2018</b>						
Cost	97	592	—	315	180	1,184
Accumulated depreciation	—	(228)	—	(55)	(19)	(302)
	<u>97</u>	<u>364</u>	<u>—</u>	<u>260</u>	<u>161</u>	<u>882</u>
<b>At 31 December 2019</b>						
Cost	19,355	693	—	1,104	180	21,332
Accumulated depreciation	—	(383)	—	(232)	(47)	(662)
	<u>19,355</u>	<u>310</u>	<u>—</u>	<u>872</u>	<u>133</u>	<u>20,670</u>
<b>At 31 December 2020</b>						
Cost	43,685	818	—	2,231	520	47,254
Accumulated depreciation	—	(544)	—	(497)	(116)	(1,157)
	<u>43,685</u>	<u>274</u>	<u>—</u>	<u>1,734</u>	<u>404</u>	<u>46,097</u>
<b>At 30 June 2021</b>						
Cost	12,171	1,263	35,507	2,895	520	52,356
Accumulated depreciation	—	(649)	(377)	(735)	(157)	(1,918)
	<u>12,171</u>	<u>614</u>	<u>35,130</u>	<u>2,160</u>	<u>363</u>	<u>50,438</u>



16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Staff quarter RMB'000	Office premises RMB'000	Factory RMB'000	Total RMB'000
<b>Reconciliation of carrying amount — Year ended 31 December 2018</b>				
At 1 January 2018 — upon adoption of HKFRS 16	49	331	—	380
Additions	433	536	458	1,427
Depreciation	(177)	(554)	(62)	(793)
At 31 December 2018	<u>305</u>	<u>313</u>	<u>396</u>	<u>1,014</u>
<b>Reconciliation of carrying amount — Year ended 31 December 2019</b>				
At 1 January 2019	305	313	396	1,014
Additions	472	1,272	—	1,744
Depreciation	(482)	(747)	(140)	(1,369)
At 31 December 2019	<u>295</u>	<u>838</u>	<u>256</u>	<u>1,389</u>
<b>Reconciliation of carrying amount — Year ended 31 December 2020</b>				
At 1 January 2020	295	838	256	1,389
Additions	589	330	—	919
Depreciation	(555)	(523)	(93)	(1,171)
Termination of contracts	(77)	(271)	(163)	(511)
At 31 December 2020	<u>252</u>	<u>374</u>	<u>—</u>	<u>626</u>
<b>Reconciliation of carrying amount — Six months ended 30 June 2021</b>				
At 1 January 2021	252	374	—	626
Depreciation	(212)	(253)	—	(465)
Termination of contracts	(14)	—	—	(14)
At 30 June 2021	<u>26</u>	<u>121</u>	<u>—</u>	<u>147</u>

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

Right-of-use assets (Continued)

	Staff quarter RMB'000	Office premises RMB'000	Factory RMB'000	Total RMB'000
<b>At 31 December 2018</b>				
Cost	433	630	419	1,482
Accumulated depreciation	(128)	(317)	(23)	(468)
	<u>305</u>	<u>313</u>	<u>396</u>	<u>1,014</u>
<b>At 31 December 2019</b>				
Cost	620	1,005	419	2,044
Accumulated depreciation	(325)	(167)	(163)	(655)
	<u>295</u>	<u>838</u>	<u>256</u>	<u>1,389</u>
<b>At 31 December 2020</b>				
Cost	579	951	—	1,530
Accumulated depreciation	(327)	(577)	—	(904)
	<u>252</u>	<u>374</u>	<u>—</u>	<u>626</u>
<b>At 30 June 2021</b>				
Cost	226	951	—	1,177
Accumulated depreciation	(200)	(830)	—	(1,030)
	<u>26</u>	<u>121</u>	<u>—</u>	<u>147</u>
<b>Lease liabilities</b>				
	<b>At 31 December</b>			<b>At 30 June</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion	689	936	638	153
Non-current portion	342	483	—	—
	<u>1,031</u>	<u>1,419</u>	<u>638</u>	<u>153</u>

16. **RIGHT-OF-USE ASSETS AND LEASE LIABILITIES** (Continued)

**Lease liabilities** (Continued)

The Target Group has recognised the following amounts for the Relevant Periods:

	Year ended 31 December			Six months ended
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Depreciation of right-of-use assets	793	1,369	1,171	465
Finance costs on lease liabilities	34	56	59	10
Expenses related to short-term leases	212	564	192	10
	<u>1,039</u>	<u>1,989</u>	<u>1,422</u>	<u>485</u>

The Target Group leases various staff quarter, office premises and factory for its daily operations and the lease terms ranging from one to three years. The total cash outflow for leases was approximately RMB1,021,000, RMB1,976,000, RMB1,765,000 and RMB492,000, respectively, for the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021.

At 31 December 2018, 2019 and 2020 and 30 June 2021, the weighted average effective interest rate for the lease liabilities of the Target Group was 2.56%, 2.21%, 3.29% and 2.69% per annum, respectively.

**Commitment under leases**

At 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group was committed to pay approximately RMB13,000, nil, RMB9,000 and nil, respectively, for short-term leases.

17. INTANGIBLE ASSETS

	Computer software <i>RMB '000</i>	Internally developed technologies <i>RMB '000</i>	Total <i>RMB '000</i>
<b>Reconciliation of carrying amount — Year ended 31 December 2018</b>			
At 1 January 2018 and 31 December 2018	—	—	—
<b>Reconciliation of carrying amount — Year ended 31 December 2019</b>			
At 1 January 2019	—	—	—
Additions	226	2,963	3,189
Amortisation	(9)	—	(9)
At 31 December 2019	217	2,963	3,180
<b>Reconciliation of carrying amount — Year ended 31 December 2020</b>			
At 1 January 2020	217	2,963	3,180
Additions	402	2,535	2,937
Amortisation	(41)	(46)	(87)
At 31 December 2020	578	5,452	6,030
<b>Reconciliation of carrying amount — Six months ended 30 June 2021</b>			
At 1 January 2021	578	5,452	6,030
Additions	814	373	1,187
Amortisation	(74)	(275)	(349)
At 30 June 2021	1,318	5,550	6,868

17. INTANGIBLE ASSETS (Continued)

	Computer software <i>RMB '000</i>	Internally developed technologies <i>RMB '000</i>	Total <i>RMB '000</i>
<b>At 31 December 2018</b>			
Cost	—	—	—
Accumulated amortisation	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>
<b>At 31 December 2019</b>			
Cost	226	2,963	3,189
Accumulated amortisation	(9)	—	(9)
	<u>217</u>	<u>2,963</u>	<u>3,180</u>
	<u><u>217</u></u>	<u><u>2,963</u></u>	<u><u>3,180</u></u>
<b>At 31 December 2020</b>			
Cost	628	5,498	6,126
Accumulated amortisation	(50)	(46)	(96)
	<u>578</u>	<u>5,452</u>	<u>6,030</u>
	<u><u>578</u></u>	<u><u>5,452</u></u>	<u><u>6,030</u></u>
<b>At 30 June 2021</b>			
Cost	1,442	5,871	7,313
Accumulated amortisation	(124)	(321)	(445)
	<u>1,318</u>	<u>5,550</u>	<u>6,868</u>
	<u><u>1,318</u></u>	<u><u>5,550</u></u>	<u><u>6,868</u></u>

Development costs represented costs incurred at the development phase of certain new technologies, which are capitalised and amortised (if applicable) in accordance with the accounting policies set out in Note 3 to the Historical Financial Information.

At 31 December 2018, 2019 and 2020 and 30 June 2021, the carrying amounts of intangible assets yet to be available for use were approximately nil, RMB2,963,000, nil and RMB373,000, respectively.

The Target Group carried out annual impairment test for intangible assets already in use where an indicator of impairment appears by comparing their recoverable amounts to their carrying amounts at the end of each reporting period. The Target Group carries out annual impairment test for intangible assets yet to be available for use by comparing their recoverable amounts to their carrying amounts at the end of each reporting period.

At 31 December 2018, 2019 and 2020 and 30 June 2021, the management is of the view that there is no impairment indication for the intangible assets already in use; and the intangible assets yet to be available for use were not impaired as their recoverable amounts exceed their carrying amounts.

18. FINANCIAL ASSETS AT FVPL

	At 31 December			At 30 June
	2018	2019	2020	2021
	RMB '000	RMB '000	RMB '000	RMB '000
<b>Unlisted equity investment in the PRC</b>				
Mandatorily measured at FVPL	500	500	500	500

The amount represents 2.5% interest in a private entity incorporated in the PRC at the end of each Relevant Periods. Its principal activities are provision of software and information technology services.

19. INVENTORIES

	At 31 December			At 30 June
	2018	2019	2020	2021
	RMB '000	RMB '000	RMB '000	RMB '000
Raw materials	423	306	289	410
Work-in-progress	5,325	8,251	2,784	12,462
Finished goods	12,847	19,488	26,152	28,765
	18,595	28,045	29,225	41,637

20. TRADE AND OTHER RECEIVABLES

	Notes	At 31 December			At 30 June
		2018	2019	2020	2021
		RMB '000	RMB '000	RMB '000	RMB '000
<b>Trade receivables</b>					
Third parties		10,383	27,919	39,188	51,189
Less: loss allowance		(1,025)	(2,469)	(2,182)	(2,756)
	20(a)	9,358	25,450	37,006	48,433
<b>Other receivables</b>					
Deposits, prepayment and other receivables		7,708	5,039	5,068	11,409
Less: loss allowance		(74)	(162)	(111)	(167)
	20(b)	7,634	4,877	4,957	11,242
		16,992	30,327	41,963	59,675

The Target Group would normally grant credit term up to 90 days from the date of issuance of invoices to its customers for their processing of billing settlement.

Information about the Target Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 30 to the Historical Financial Statements.

20. **TRADE AND OTHER RECEIVABLES** (Continued)

- (a) At the end of each Relevant Periods, the ageing analysis of trade receivables (net of loss allowance) based on invoice date is as follows:

	At 31 December			At 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	4,503	16,940	20,828	10,928
91 to 180 days	926	2,528	7,761	13,590
181 to 365 days	51	5,113	3,893	15,566
Over 365 days	3,878	869	4,524	8,349
	<u>9,358</u>	<u>25,450</u>	<u>37,006</u>	<u>48,433</u>

At the end of each Relevant Periods, the ageing analysis of the trade receivables (net of loss allowance) by due date is as follows:

	At 31 December			At 30 June
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Not yet due	<u>4,278</u>	<u>16,140</u>	<u>19,792</u>	<u>10,382</u>
Past due:				
Within 90 days	957	2,672	7,623	13,626
91 to 180 days	34	3,425	2,347	9,919
181 to 365 days	1,311	2,198	5,958	7,324
Over 365 days	2,778	1,015	1,286	7,182
	<u>5,080</u>	<u>9,310</u>	<u>17,214</u>	<u>38,051</u>
	<u>9,358</u>	<u>25,450</u>	<u>37,006</u>	<u>48,433</u>

- (b) At 31 December 2018, 2019 and 2020 and 30 June 2021, included in deposits, prepayments and other receivables were prepayment to suppliers of approximately RMB6,330,000, RMB2,688,000, RMB3,236,000 and RMB4,837,000, respectively.

## 21. CONTRACT ASSETS/CONTRACT LIABILITIES

	Notes	At 31 December			At 30 June
		2018 RMB '000	2019 RMB '000	2020 RMB '000	2021 RMB '000
<b>Contract assets</b>					
Gross amount		36,072	38,013	38,875	36,228
Less: loss allowance		(1,804)	(1,900)	(1,999)	(1,842)
<b>Contract liabilities</b>					
	21(a)	34,268	36,113	36,876	34,386
	21(b)	(20,476)	(22,429)	(21,565)	(18,049)
		<u>13,792</u>	<u>13,684</u>	<u>15,311</u>	<u>16,337</u>

At 31 December 2018, 2019 and 2020 and 30 June 2021, no retention was held by customers on service contracts. At 31 December 2018, 2019 and 2020 and 30 June 2021, the contract assets and liabilities are expected to be received or settled within 12 months.

The movements (excluding those arising from increases and decreases both occurred within the same year) of contract assets and contract liabilities with customers within HKFRS 15 during the year ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2021 are as follows:

### (a) Contract assets

	Year ended 31 December			Six months ended
	2018 RMB '000	2019 RMB '000	2020 RMB '000	30 June 2021 RMB '000
At the beginning of the reporting period	25,400	34,268	36,113	36,876
Transferred to trade receivables	(25,400)	(34,268)	(36,113)	(36,876)
Recognition of revenue	33,801	36,017	36,777	34,543
Increase (Decrease) in allowance	<u>467</u>	<u>96</u>	<u>99</u>	<u>(157)</u>
At the end of the reporting period	<u>34,268</u>	<u>36,113</u>	<u>36,876</u>	<u>34,386</u>



21. CONTRACT ASSETS/CONTRACT LIABILITIES (Continued)

(b) Contract liabilities

	Year ended 31 December			Six months ended
	2018	2019	2020	30 June 2021
	RMB '000	RMB '000	RMB '000	RMB '000
At the beginning of the reporting period	9,847	20,476	22,429	21,565
Recognition of revenue	(25,262)	(12,401)	(24,194)	(29,233)
Receipt of advances or recognition of receivables	35,891	14,354	23,330	25,717
At the end of the reporting period	<u>20,476</u>	<u>22,429</u>	<u>21,565</u>	<u>18,049</u>

At 31 December 2018, 2019 and 2020 and 30 June 2021, the contract liabilities that are expected to be settled after more than 12 months are approximately RMB432,000, RMB1,265,000, RMB1,692,000 and RMB1,452,000, respectively.

*Unsatisfied or partially unsatisfied performance obligations*

At 31 December 2018, 2019 and 2020 and 30 June 2021, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) is as follow:

	At 31 December			At 30 June
	2018	2019	2020	2021
	RMB '000	RMB '000	RMB '000	RMB '000
<i>Expected timing of revenue recognition:</i>				
Within 1 year	20,044	21,164	19,873	16,597
More than 1 year but within 2 years	432	1,265	1,136	896
More than 2 years but within 3 years	—	—	556	556
	<u>20,476</u>	<u>22,429</u>	<u>21,565</u>	<u>18,049</u>

22. RESTRICTED BANK BALANCES

At the end of each Relevant Periods, restricted bank balances represented balances placed in certain creditworthy banks as bank guarantees to customers in respect of the Target Group's fulfilment of related contracts.

23. TRADE AND OTHER PAYABLES

	Notes	At 31 December			At 30 June
		2018 RMB '000	2019 RMB '000	2020 RMB '000	2021 RMB '000
<b>Trade payables</b>					
Third parties	23(a)	38,313	58,221	70,466	64,953
<b>Other payables</b>					
Accruals and other payables	23(b)	15,567	13,674	12,311	3,764
		<u>53,880</u>	<u>71,895</u>	<u>82,777</u>	<u>68,717</u>

- (a) At the end of each Relevant Periods, the ageing analysis of the trade payables based on invoice date is as follows:

	At 31 December			At 30 June
	2018 RMB '000	2019 RMB '000	2020 RMB '000	2021 RMB '000
Within 90 days	13,150	24,673	27,500	20,254
91 to 180 days	2,282	5,523	8,717	4,829
181 to 365 days	—	—	2,848	4,238
Over 365 days	22,881	28,025	31,401	35,632
	<u>38,313</u>	<u>58,221</u>	<u>70,466</u>	<u>64,953</u>

The credit term on trade payables is up to 90 days.

- (b) At 31 December 2018, 2019 and 2020 and 30 June 2021, included in accruals and other payables were salary payables of approximately RMB8,551,000, RMB10,991,000, RMB9,820,000 and RMB3,003,000, respectively.

## 24. DEFERRED TAXATION

The movement for the Relevant Periods in the Target Group's deferred tax assets was as follows:

	Provisions <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2018	1,061	1	1,062
Credit to profit or loss ( <i>Note 10</i> )	<u>1,066</u>	<u>581</u>	<u>1,647</u>
At 31 December 2018 and 1 January 2019	2,127	582	2,709
Credit to profit or loss ( <i>Note 10</i> )	<u>783</u>	<u>924</u>	<u>1,707</u>
At 31 December 2019 and 1 January 2020	2,910	1,506	4,416
Credit to profit or loss ( <i>Note 10</i> )	<u>538</u>	<u>1,694</u>	<u>2,232</u>
At 31 December 2020 and 1 January 2021	3,448	3,200	6,648
Credit to profit or loss ( <i>Note 10</i> )	<u>19</u>	<u>1,022</u>	<u>1,041</u>
At 30 June 2021	<u><u>3,467</u></u>	<u><u>4,222</u></u>	<u><u>7,689</u></u>

## 25. INTEREST-BEARING BORROWINGS

	At 31 December			At 30 June
	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest-bearing borrowings (Secured)	<u>—</u>	<u>8,800</u>	<u>6,800</u>	<u>5,800</u>
Carrying amounts of interest-bearing borrowings that are repayable				
Within 1 year	<u>—</u>	<u>8,800</u>	<u>6,800</u>	<u>5,800</u>

The interest-bearing borrowings represent amount due to a bank in the PRC with maturity period of less than one year at 30 June 2021.

At 31 December 2018, 2019 and 2020 and 30 June 2021, the interest-bearing borrowings bore a floating interest rate at the loan prime rate issued by the People's Bank of China plus 0.44% per annum. The effective interest rates on interest-bearing borrowings at 31 December 2018, 2019 and 2020 and 30 June 2021 are nil, 4.84%, 4.58% and 3.76% per annum, respectively.

## 25. INTEREST-BEARING BORROWINGS (Continued)

The interest-bearing borrowings are secured and guaranteed by:

- (i) properties owned by the Target Group represented by construction in progress and building included in property, plant and equipment with aggregate net carrying amount of nil, approximately RMB16,592,000, RMB35,389,000 and RMB35,130,000 at 31 December 2018, 2019 and 2020 and 30 June 2021, respectively, as set out in Note 15 to the Historical Financial Information;
- (ii) guarantees provided by the Ultimate Controlling Party.

## 26. SHARE CAPITAL

	<i>RMB '000</i>
Issued and fully paid:	
At 1 January 2018, 31 December 2018 and 1 January 2019	20,000
Issue of share capital ( <i>Note</i> )	800
	<hr/>
At 31 December 2019 and 2020 and 30 June 2021	20,800
	<hr/> <hr/>

*Note:* On 28 February 2019, the Target Company issued and allotted new ordinary shares of RMB800,000 to an independent third party at a total consideration of RMB10,000,000. These shares rank pari passu with the existing shares in all respect.

## 27. RESERVES

### (a) Capital reserves

It represents the excess of the net proceeds from issuance of the Target Company's shares over its par value. Under the law of the PRC and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

### (b) Statutory reserve

In accordance with the relevant laws and regulations in the PRC and the relevant articles of association of the group entities incorporated in the PRC (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the paid-up capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into paid-up capital provided that the remaining balance of the statutory surplus reserve fund after such conversion is no less than 25% of the paid-up capital.

27. RESERVES (Continued)

(c) Movement of reserves of the Target Company

	Capital reserves RMB '000	Statutory reserves RMB '000	Accumulated profits RMB '000	Total RMB '000
At 1 January 2018	—	1,360	12,466	13,826
Profit for the year and total comprehensive income for the year	—	—	26,434	26,434
<b>Transactions with owners: Contributions and distributions</b>				
Transfer to statutory reserves	—	2,823	(2,823)	—
Total transactions with owners	—	2,823	(2,823)	—
<b>At 31 December 2018</b>	<b>—</b>	<b>4,183</b>	<b>36,077</b>	<b>40,260</b>
At 1 January 2019	—	4,183	36,077	40,260
Profit for the year and total comprehensive income for the year	—	—	39,825	39,825
<b>Transactions with owners: Contributions and distributions</b>				
Addition paid-up capital	9,200	—	—	9,200
Dividends	—	—	(20,000)	(20,000)
Transfer to statutory reserves	—	4,279	(4,279)	—
Total transactions with owners	9,200	4,279	(24,279)	(10,800)
<b>At 31 December 2019</b>	<b>9,200</b>	<b>8,462</b>	<b>51,623</b>	<b>69,285</b>
At 1 January 2020	9,200	8,462	51,623	69,285
Profit for the year and total comprehensive income for the year	—	—	40,714	40,714
<b>Transactions with owners: Contributions and distributions</b>				
Transfer to statutory reserves	—	4,291	(4,291)	—
Total transactions with owners	—	4,291	(4,291)	—
<b>At 31 December 2020</b>	<b>9,200</b>	<b>12,753</b>	<b>88,046</b>	<b>109,999</b>
At 1 January 2021	9,200	12,753	88,046	109,999
Profit for the year and total comprehensive income for the period	—	—	14,224	14,224
<b>Transactions with owners: Contributions and distributions</b>				
Acquisition of non-controlling interest in a subsidiary	—	—	—	—
Total transactions with owners	—	—	—	—
<b>At 30 June 2021</b>	<b>9,200</b>	<b>12,753</b>	<b>102,270</b>	<b>124,223</b>

## 28. OTHER CASH FLOWS INFORMATION

### Reconciliation of liabilities arising from financing activities

The movements during the Relevant Periods in the Target Group's liabilities arising from financing activities are as follows:

#### Year ended 31 December 2018

	At 1 January 2018 <i>RMB '000</i>	Net Cash flows <i>RMB '000</i>	<u>Non-cash changes</u>		At 31 December 2018 <i>RMB '000</i>
			Adoption of HKFRS 16 <i>RMB '000</i>	Addition <i>RMB '000</i>	
Lease liabilities	—	(776)	380	1,427	1,031
Total liabilities from financing activities	<u>—</u>	<u>(776)</u>	<u>380</u>	<u>1,427</u>	<u>1,031</u>

#### Year ended 31 December 2019

	At 1 January 2019 <i>RMB '000</i>	Net Cash flows <i>RMB '000</i>	<u>Non-cash changes</u>		At 31 December 2019 <i>RMB '000</i>
			Addition <i>RMB '000</i>	Addition <i>RMB '000</i>	
Interest-bearing borrowings	—	8,800	—	—	8,800
Lease liabilities	1,031	(1,356)	1,744	—	1,419
Total liabilities from financing activities	<u>1,031</u>	<u>7,444</u>	<u>1,744</u>	<u>1,744</u>	<u>10,219</u>

#### Year ended 31 December 2020

	1 January 2020 <i>RMB '000</i>	Net Cash flows <i>RMB '000</i>	<u>Non-cash changes</u>		At 31 December 2020 <i>RMB '000</i>
			Addition <i>RMB '000</i>	Termination of contracts <i>RMB '000</i>	
Interest-bearing borrowings	8,800	(2,000)	—	—	6,800
Lease liabilities	1,419	(1,515)	919	(185)	638
Total liabilities from financing activities	<u>10,219</u>	<u>(3,515)</u>	<u>919</u>	<u>(185)</u>	<u>7,438</u>

28. OTHER CASH FLOWS INFORMATION (Continued)

Reconciliation of liabilities arising from financing activities (Continued)

Six months ended 30 June 2020 (Unaudited)

	At 1 January 2020 <i>RMB'000</i>	Net Cash flows <i>RMB'000</i>	<u>Non-cash changes</u> Addition <i>RMB'000</i>	At 30 June 2020 <i>RMB'000</i>
Interest-bearing borrowings	8,800	(1,000)	—	7,800
Lease liabilities	1,419	(761)	475	1,133
Total liabilities from financing activities	<u>10,219</u>	<u>(1,761)</u>	<u>475</u>	<u>8,933</u>

Six months ended 30 June 2021

	At 1 January 2021 <i>RMB'000</i>	Net Cash flows <i>RMB'000</i>	<u>Non-cash changes</u> Termination of contracts <i>RMB'000</i>	At 30 June 2021 <i>RMB'000</i>
Interest-bearing borrowings	6,800	(1,000)	—	5,800
Lease liabilities	638	(471)	(14)	153
Total liabilities from financing activities	<u>7,438</u>	<u>(1,471)</u>	<u>(14)</u>	<u>5,953</u>

## 29. RELATED/CONNECTED PARTIES TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Historical Financial Information, during the Relevant Periods, the Target Group had the following transactions with related/connected parties:

### (a) Transactions with related/connected parties:

Relationship	Nature of transaction	Year ended 31 December			Six months ended 30 June	
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
易聯眾信息技術股份有限公司, shareholder of the Target Company and its affiliates	Sales	12,495	7,493	11,494	2,271	4,622
	Purchases	4,089	7,221	5,984	2,936	—
	Rental expenses	290	137	300	137	—
		<u>16,874</u>	<u>14,851</u>	<u>17,778</u>	<u>5,344</u>	<u>4,622</u>

In the opinion of the management, they are under normal commercial terms that are fair and reasonable and in the best interests of the Target Group.

### (b) Remuneration for key management personnel (including directors) of the Target Group:

	Year ended 31 December			Six months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000 (Unaudited)	2021 RMB'000
Salaries, allowances and other benefits in kind	3,096	3,638	4,432	849	1,031
Contributions to defined contribution plans	200	219	150	74	106
	<u>3,296</u>	<u>3,857</u>	<u>4,582</u>	<u>923</u>	<u>1,137</u>

Further details of the directors' remuneration are set out in Note 8 to the Historical Financial Information.

### (c) Personnel guarantees obtained

The Ultimate Controlling Party has provided personal guarantees in respect of the interest-bearing borrowings obtained by the Target Group from a bank in the PRC as set out in Note 25 to the Historical Financial Information.



### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise financial assets at FVPL interest-bearing borrowings, lease liabilities, restricted bank balance and bank balances and cash. The main purpose of these financial instruments is to raise and maintain finance for the Target Group's operations. The Target Group has various other financial instruments such as trade and other receivables/payables, contract assets and contract liabilities which arise directly from its business activities.

The main risks arising from the Target Group's financial instruments are interest rate risk, credit risk and liquidity risk. The management generally adopts conservative strategies on its risk management and limits the Target Group's exposure to these risks to a minimum level as follows:

#### **Interest rate risk**

The Target Group's exposure to market risk for changes in interest rates relates primarily to the Target Group's interest-bearing borrowings with floating interest rates. The interest rates and terms of repayment of the interest-bearing borrowings of the Target Group are disclosed in Note 25 to the Historical Financial Information.

At the end of each Relevant Periods, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Target Group's profit before income tax would decrease/increase by nil, approximately RMB44,000, RMB34,000, RMB39,000 (unaudited) and RMB29,000 for the year ended 31 December 2018, 2019 and 2020 and six months ended 30 June 2020 and 2021, respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the Relevant Periods.

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the Relevant Periods.

#### **Credit risk**

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to the Target Group, resulting in a loss to the Target Group. The Target Group's credit risk is mainly attributable to trade and other receivables, restricted bank balances and bank balances and cash. The Target Group limits its exposure to credit risk by selecting counterparties with reference to their past credit history and/or market reputation.

The carrying amount of financial assets recognised on the consolidated statements of financial position, which is net of impairment losses, represents the Target Group's exposure to credit risk without taking into account the value of any collateral held or other credit enhancements.

#### ***Trade receivables and contract assets***

The Target Group trades only with recognised and creditworthy third parties. It is the Target Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Target Group limits its exposure to credit risk from trade receivables and contract assets by establishing a maximum payment period of three months.

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Target Group's own trading records.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

The Target Group's customer base consists of a wide range of clients and the trade receivables and contract assets are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Target Group applies a simplified approach in calculating ECL for trade receivables and contract assets and recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on historical observed loss rates over the expected life of the trade receivables and contract assets and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Target Group's estimate on future economic conditions over the expected lives of the receivables.

The information about the exposure to credit risk and ECL for trade receivables and contract assets using a provision matrix at 31 December 2018, 2019 and 2020 and 30 June 2021 is summarised below.

At 31 December 2018

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000	Credit- impaired
<b>Trade receivables</b>					
Not past due	5.00	4,503	225	4,278	No
Past due:					
Within 90 days	9.58	1,058	101	957	No
91 to 180 days	9.58	38	4	34	No
181 to 365 days	9.58	1,450	139	1,311	No
Over 365 days	16.67	3,334	556	2,778	No
		<u>10,383</u>	<u>1,025</u>	<u>9,358</u>	
<b>Contract assets</b>	5.00	<u>36,072</u>	<u>1,804</u>	<u>34,268</u>	No

At 31 December 2019

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000	Credit- impaired
<b>Trade receivables</b>					
Not past due	5.00	16,989	849	16,140	No
Past due:					
Within 90 days	13.98	3,106	434	2,672	No
91 to 180 days	13.98	3,982	557	3,425	No
181 to 365 days	13.98	2,555	357	2,198	No
Over 365 days	21.13	1,287	272	1,015	No
		<u>27,919</u>	<u>2,469</u>	<u>25,450</u>	
<b>Contract assets</b>	5.00	<u>38,013</u>	<u>1,900</u>	<u>36,113</u>	No

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

At 31 December 2020

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000	Credit- impaired
<b>Trade receivables</b>					
Not past due	5.00	20,828	1,036	19,792	No
Past due:					
Within 90 days	5.87	8,098	475	7,623	No
91 to 180 days	5.87	2,493	146	2,347	No
181 to 365 days	5.87	6,330	372	5,958	No
Over 365 days	10.60	1,439	153	1,286	No
		<u>39,188</u>	<u>2,182</u>	<u>37,006</u>	
<b>Contract assets</b>	5.00	<u>38,875</u>	<u>1,999</u>	<u>36,876</u>	No

At 30 June 2021

	Expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000	Credit- impaired
<b>Trade receivables</b>					
Not past due	5.00	10,928	546	10,382	No
Past due:					
Within 90 days	5.05	14,351	725	13,626	No
91 to 180 days	5.05	10,447	528	9,919	No
181 to 365 days	5.05	7,714	390	7,324	No
Over 365 days	7.32	7,749	567	7,182	No
		<u>51,189</u>	<u>2,756</u>	<u>48,433</u>	
<b>Contract assets</b>	5.00	<u>36,228</u>	<u>1,842</u>	<u>34,386</u>	No

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Trade receivables and contract assets (Continued)

At 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group recognised loss allowance of approximately RMB2,829,000, RMB4,369,000, RMB4,181,000 and RMB4,598,000, respectively, on the trade receivables and contract assets. The movement in the loss allowance for trade receivables and contract assets is summarised below.

	Year ended 31 December			Six months ended
	2018	2019	2020	30 June
	RMB '000	RMB '000	RMB '000	2021
				RMB '000
<b>Trade receivables</b>				
At the beginning of the reporting period	435	1,025	2,469	2,182
Increase (Decrease) in allowance	590	1,444	(287)	574
At the end of the reporting period	1,025	2,469	2,182	2,756
<b>Contract assets</b>				
At the beginning of the reporting period	1,337	1,804	1,900	1,999
Increase (Decrease) in allowance	467	96	99	(157)
At the end of the reporting period	1,804	1,900	1,999	1,842

There was no change in the estimation techniques or other significant assumptions made during the Relevant Periods. No trade receivables or contract assets were written off during the Relevant Periods.

The Target Group does not hold any collateral over trade receivables and contract assets at 31 December 2018, 2019 and 2020 and 30 June 2021.

Other receivables

Other receivables include deposits, prepayment and other receivables. Impairment on other receivables is measured on lifetime ECL and reflects the short maturities of the exposures.

In estimating the ECL, the Target Group has taken into account the financial position of the counterparties by reference to, among others, its management or audited accounts and available press information, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of the financial asset, as well as the loss upon default.

At 31 December 2018, 2019 and 2020 and 30 June 2021, the Target Group recognised loss allowance of approximately RMB74,000, RMB162,000, RMB111,000 and RMB167,000, respectively, on other receivables. The movement in the loss allowance for other receivables is summarised below.

	Year ended 31 December			Six months ended
	2018	2019	2020	30 June
	RMB '000	RMB '000	RMB '000	2021
				RMB '000
At the beginning of the reporting period	32	74	162	111
Increase (Decrease) in allowance	42	88	(51)	56
At the end of the reporting period	74	162	111	167

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Other receivables (Continued)

The Target Group does not hold any collateral over other receivables at 31 December 2018, 2019 and 2020 and 30 June 2021.

Restricted bank balances and bank balances and cash

The management considers the credit risk on restricted bank balances and bank balances and cash is minimal because the counterparties are authorised financial institutions with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

Liquidity risk

Management of the Target Group aims at maintaining sufficient level of cash and cash equivalents to finance the Target Group's operations and expected expansion. The Target Group finances its working capital requirements mainly by the funds generated from operations, public fund raisings and inception of interest-bearing borrowings (if any).

The Target Group's financial liabilities at the end of the Relevant Periods based on contractual undiscounted payments are summarised below:

	Total carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000
<b>At 31 December 2018</b>					
Trade and other payables	53,880	53,880	53,880	—	—
Lease liabilities	1,031	1,075	739	198	138
	<u>54,911</u>	<u>54,955</u>	<u>54,619</u>	<u>198</u>	<u>138</u>
<b>At 31 December 2019</b>					
Trade and other payables	71,895	71,895	71,895	—	—
Interest-bearing borrowings (Note)	8,800	9,636	9,636	—	—
Lease liabilities	1,419	1,471	979	492	—
	<u>82,114</u>	<u>83,002</u>	<u>82,510</u>	<u>492</u>	<u>—</u>

### 30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### Liquidity risk (Continued)

	Total carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000
<b>At 31 December 2020</b>					
Trade and other payables	82,777	82,777	82,777	—	—
Interest-bearing borrowings (Note)	6,800	7,123	7,123	—	—
Lease liabilities	638	649	649	—	—
	<u>90,215</u>	<u>90,549</u>	<u>90,549</u>	<u>—</u>	<u>—</u>
<b>At 30 June 2021</b>					
Trade and other payables	68,717	68,717	68,717	—	—
Interest-bearing borrowings (Note)	5,800	5,938	5,938	—	—
Lease liabilities	153	154	154	—	—
	<u>74,670</u>	<u>74,809</u>	<u>74,809</u>	<u>—</u>	<u>—</u>

*Note:* The amounts repayable under bank loan agreement that include a clause that gives the bank an unconditional right to call the borrowings at any time are classified under the category of "On demand or less than 1 year". However, the management of the Target Group does not expect that the bank would exercise such right to demand the repayment, and accordingly to the terms as set out in the bank loan agreement, the Target Group has to settle the loan within the loan period which is detailed in the withdrawal receipt.

#### Fair value

The carrying amount of the financial assets and liabilities carried at amortised cost in the Historical Financial Information approximate their fair values at 31 December 2018, 2019 and 2020 and 30 June 2021.

### 31. CAPITAL MANAGEMENT

The objectives of the Target Group's capital management are to safeguard the Target Group's ability to continue as a going concern and to provide returns for equity owners. The Target Group manages its capital structure and makes adjustments, including payment of dividends to equity owners, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Relevant Periods.

**32. CAPITAL COMMITMENTS**

The Target Company had the following capital commitments at the end of each Relevant Periods:

	At 31 December			At 30 June
	2018	2019	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Additional capital injection to subsidiaries	2,040	22,040	102,040	104,590

**33. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared in accordance with HKFRSs and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2021.