The following is the text of a report set out on pages [I-[1]] to [I-[3]], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this **[REDACTED]**. *It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*

[Letterhead of PricewaterhouseCoopers] ***[DRAFT]***

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF XUAN WU CLOUD TECHNOLOGY HOLDINGS LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Xuan Wu Cloud Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-[4]] to [I-[75]], which comprises the consolidated statements of financial position as at 31 December 2019, 2020 and 2021, and the Company's statement of financial position as at 31 December 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-[4]] to [I-[75]] forms an integral part of this report, which has been prepared for inclusion in the **[REDACTED]** of the Company dated [●] (the "**[REDACTED]**") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2021 and the consolidated financial position of the Group as at 31 December 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to Note 29 to the Historical Financial Information which contains information about the dividends paid by the companies now comprising the Group and states that no dividends have been paid by Xuan Wu Cloud Technology Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

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

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong

[●]

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December		
		2019	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*6*	600,201	796,762	991,941
Cost of sales	*7*	(403,507)	(602,969)	(759,549)
Gross profit		196,694	193,793	232,392
Selling and distribution expenses	*7*	(93,430)	(77,149)	(91,024)
Administrative expenses	*7*	(45,819)	(39,754)	(68,515)
Research and development expenses	*7*	(50,580)	(53,022)	(66,126)
Net impairment losses on financial assets	*3.1.2*	(2,888)	(4,342)	(5,370)
Other income	*9*	7,378	9,671	12,557
Other gains – net	*10*	601	466	393
Operating profit		11,956	29,663	14,307
Finance income	*11*	379	706	750
Finance costs	*11*	(1,754)	(3,011)	(2,577)
Finance costs – net	*11*	(1,375)	(2,305)	(1,827)
Profit before income tax		10,581	27,358	12,480
Income tax credit	*12*	2,897	1,949	2,871
Profit and total comprehensive income for the year		13,478	29,307	15,351
Profit/(loss) and total comprehensive income/(loss) for the year is attributable to:				
– Owners of the Company		14,398	27,748	14,513
– Non-controlling interests		(920)	1,559	838
		13,478	29,307	15,351
Earnings per share (expressed in RMB per share)				
– Basic and diluted earning per share	*13*	0.274	0.528	0.276

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		
		2019	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Property, plant and equipment	*14*	5,660	4,952	8,374
Right-of-use assets	*15*	13,498	7,435	31,953
Intangible assets	*16*	14,537	15,107	14,113
Deferred income tax assets	*28*	3,613	5,577	8,464
Prepayments	*20*	535	565	336
		37,843	33,636	63,240
Current assets				
Contract fulfilment costs	*18*	7,787	7,624	5,587
Contract assets	*6*	120	361	95
Financial assets at fair value through profit or loss	*19*	–	30,200	21,476
Trade, bill and other receivables and prepayments	*20*	240,567	299,303	369,312
Restricted cash	*21*	9	38	1
Cash and cash equivalents	*22*	43,070	97,077	88,256
		291,553	434,603	484,727
Total assets		329,396	468,239	547,967
Equity				
Equity attributable to owners of the Company				
Share capital	*23*	–	–	34
Share premium	*23*	–	–	269,292
Other reserves	*24*	181,441	245,769	(19,894)
(Accumulated losses)/retained earnings		(517)	25,085	35,969
		180,924	270,854	285,401
Non-controlling interests		(644)	915	1,753
Total equity		180,280	271,769	287,154

	Note	As at 31 December		
		2019	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Liabilities				
Non-current liabilities				
Lease liabilities	*27*	6,191	269	24,236
Deferred income tax liabilities	*28*	150	113	32
		6,341	382	24,268
Current liabilities				
Borrowings	*25*	39,935	39,512	58,480
Contract liabilities	*6*	29,278	34,021	31,924
Trade and other payables	*26*	66,352	115,071	138,375
Lease liabilities	*27*	7,129	7,391	7,644
Current income tax liabilities		81	93	122
		142,775	196,088	236,545
Total liabilities		149,116	196,470	260,813
Total equity and liabilities		329,396	468,239	547,967

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2021
		RMB'000
Assets		
Non-current assets		
Investment in a subsidiary *(Note (a))*		269,292
Current assets		
Prepayments	*20*	956
Cash and cash equivalents		38
Total assets		270,286
Equity		
Share capital	*23*	34
Share premium	*23*	269,292
Accumulated losses		(16,478)
Total equity		252,848
Liabilities		
Current liabilities		
Other payables	*26*	17,438
Total liabilities		17,438
Total equity and liabilities		270,286

(a) Investment in a subsidiary represents the investment in Xuan Wu Cloud (BVI) Limited and its subsidiaries at the aggregate net asset values of the [**REDACTED**] Business at date of completion of the Reorganisation.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 23)	*(Note 23)*	*(Note 24)*				
Balance at 1 January 2019	–	–	211,856	(14,121)	197,735	276	198,011
Comprehensive income/(loss)							
Profit/(loss) for the year	–	–	–	14,398	14,398	(920)	13,478
Transactions with owners of the Company							
Appropriation of statutory reserves	–	–	794	(794)	–	–	–
Capital contribution from owners	–	–	186	–	186	–	186
Capital withdrawal from owners	–	–	(31,395)	–	(31,395)	–	(31,395)
Balance at 31 December 2019	–	–	181,441	(517)	180,924	(644)	180,280
Balance at 1 January 2020	–	–	181,441	(517)	180,924	(644)	180,280
Comprehensive income							
Profit for the year	–	–	–	27,748	27,748	1,559	29,307
Transactions with owners of the Company							
Appropriation of statutory reserves	–	–	2,146	(2,146)	–	–	–
Capital contribution from owners	–	–	62,182	–	62,182	–	62,182
Balance at 31 December 2020	–	–	245,769	25,085	270,854	915	271,769

	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 23)	*(Note 23)*	*(Note 24)*				
Balance at 1 January 2021	–	–	245,769	25,085	270,854	915	271,769
Comprehensive income							
Profit for the year	–	–	–	14,513	14,513	838	15,351
Transactions with owners of the Company							
Appropriation of statutory reserves	–	–	3,629	(3,629)	–	–	–
Issue of ordinary shares to the owners of the Company	34	–	–	–	34	–	34
Completion of the Reorganisation	–	269,292	(269,292)	–	–	–	–
Balance at 31 December 2021	34	269,292	(19,894)	35,969	285,401	1,753	287,154

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December		
		2019	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities				
Cash (used in)/generated from operations	*30(a)*	(40,171)	36,255	(18,110)
Interest received		379	706	750
Income tax paid		(101)	(12)	(99)
Net cash (used in)/generated from operating activities		(39,893)	36,949	(17,459)
Cash flows from investing activities				
Purchase of property, plant and equipment		(2,602)	(1,362)	(6,153)
Purchase of intangible assets		(455)	(2,570)	(803)
Acquisition of financial assets at fair value through profit or loss		(15,200)	(111,000)	(163,500)
Proceeds from disposal of financial assets at fair value through profit or loss		41,466	81,339	173,433
Net cash generated from/(used in) investing activities		23,209	(33,593)	2,977
Cash flows from financing activities				
Advances from related parties	*30(b)*	–	5	125
Repayment to related parties	*30(b)*	(2,580)	–	(130)
Dividends paid to owners	*30(b)*	(10,219)	–	–
Principal elements and interest elements of lease payments	*30(b)*	(9,491)	(8,659)	(10,775)
Proceeds from borrowings	*30(b)*	59,890	102,240	88,258
Repayments of borrowings	*30(b)*	(20,000)	(102,890)	(69,240)
Interest paid for borrowings	*30(b)*	(815)	(2,227)	(1,993)
Capital contributions from owners		186	62,182	–
Capital withdrawal from owners		(31,395)	–	–
[REDACTED] expenses paid		–	–	**[REDACTED]**
Net cash (used in)/generated from financing activities		(14,424)	50,651	5,661
Net (decrease)/increase in cash and cash equivalents		(31,108)	54,007	(8,821)
Cash and cash equivalents at beginning of the year		74,178	43,070	97,077
Cash and cash equivalents at the end of the year		43,070	97,077	88,256

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated in the Cayman Islands on 26 April 2021 as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the provision of intelligent customer relationship management ("CRM") services (the "[**REDACTED**] Business") in the People's Republic of China (the "PRC"). The ultimate controlling shareholders of the [**REDACTED**] Business are Mr. Chen Yonghui ("Mr. Chen"), Mr. Huang Fangjie ("Mr. Huang") and Mr. Li Hairong ("Mr. Li") (the "Controlling Shareholders"), who entered into an agreement to acting in concert with each other. The ultimate holding companies of the [**REDACTED**] Business are Zhenghao Global, Honghan Worldwide Limited ("Honghan Worldwide") and Double Winner Worldwide Limited ("Double Winner"). The three companies are respectively controlled by Mr. Chen, Mr. Huang and Mr. Li and are all incorporated in the British Virgin Islands.

1.2 Reorganisation

Prior to incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the [**REDACTED**] Business was mainly carried out by Guangzhou Xuan Wu Wireless Technology Co., Ltd. ("Xuan Wu"), a limited liability company established in the PRC, and its subsidiaries (the "PRC Operating Entities"). Before the completion of the Reorganisation, the PRC Operating Entities were ultimately held by and controlled by the Controlling Shareholders, who entered into an agreement to acting in concert with each other with respect to the PRC Operating Entities since 2015.

In preparation for the [**REDACTED**] and [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "[**REDACTED**]"), the Group underwent the Reorganisation to incorporate the Company as the holding company of the companies which now comprise the Group to conduct the [**REDACTED**] Business. The Reorganisation involved the following steps:

(a) Incorporation of the Company and offshore shareholding restructuring

On 26 April 2021, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of incorporation, the authorised share capital of the Company was United States Dollar ("US$") 50,000 divided into 500,000,000 ordinary shares of US$0.0001 each, of which one share was issued and allotted to the initial subscriber. Upon incorporation, the issued one share was transferred to Zhenghao Global Holding Limited ("Zhenghao Global"), the offshore company ultimately owned by Mr. Chen. At the same day, 999 shares were issued and allotted to Zhenghao Global.

To reflect the onshore shareholding structure of Xuan Wu, on 3 August 2021, the Company allotted and issued a total of 52,592,000 shares to the offshore holding companies that are ultimately owned by the original shareholders of Xuan Wu. The respective nominal subscription consideration does not reflect the investment cost of each of the shareholders in the Group. Upon completion of such allotment and issue, the shareholding structure of the Company was the same as Xuan Wu's, and the Company became ultimately controlled by the Controlling Shareholders.

(b) Incorporation of an offshore subsidiary in the BVI

Xuan Wu BVI was incorporated in the BVI with limited liability on 28 May 2021 as the intermediate holding company of the Group in the BVI. On the date of incorporation, 50,000 ordinary shares of Xuan Wu BVI was issued and allotted to the Company. Upon completion of such allotment and issue, Xuan Wu BVI became directly wholly-owned by the Company.

(c) Incorporation of an offshore subsidiary in Hong Kong

Xuan Wu Cloud HK Limited ("Xuan Wu HK") was incorporated in Hong Kong with a limited liability on 17 June 2021, as the intermediate holding company of the Group in Hong Kong. On the date of incorporation, 10,000 shares of Xuan Wu HK was issued and allotted to Xuan Wu BVI. Upon completion of such allotment and issue, Xuan Wu HK became directly wholly-owned by Xuan Wu BVI.

(d) Establishment of the wholly foreign owned enterprise

Guangzhou Xuantao Intelligent Cloud Technology Co., Ltd. ("Xuantao") was incorporated in the PRC with limited liability on 6 August 2021 as the intermediate holding company in the PRC. On the date of incorporation, it had an initial registered capital of US$11,000,000, which was subscribed by Xuan Wu HK. Accordingly, Xuantao became directly wholly-owned by Xuan Wu HK.

(e) Entering into of the Contractual Arrangements

On 10 August 2021, Xuantao entered into various agreements (the ''Contractual Arrangements'') with Xuan Wu and its registered shareholders, pursuant to which Xuantao controls the PRC Operating Entities by way of exposing to, or has rights to variable returns from its investment with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. For further details on the Contractual Arrangements, please refer to Note 2.2.

Upon completion of the above transfers, the Company became the holding company of Xuan Wu and the companies now comprising the Group.

As at the date of this report and during the Track Record Period, the Group had direct or indirect interests in the following subsidiaries:

Company name	Country/place and date of incorporation/ establishment	Registered/ issued capital	Attributable equity interest of the Group as at 31 December 2019	2020	2021	as at the date of this report	Principal activities and place of operation	Note
Directly owned:								
Xuan Wu BVI	BVI, 28 May 2021	US$50,000	Not applicable	Not applicable	100%	100%	Investment holding In BVI	(ii)
Indirectly owned:								
Xuan Wu HK	Hong Kong, 17 June 2021	HKD10,000	Not applicable	Not applicable	100%	100%	Investment holding in Hong Kong	(ii)
Xuantao 廣州市玄韜智慧雲科技有限公司	The PRC, 6 August 2021	US$11,000,000	Not applicable	Not applicable	100%	100%	Investment holding in Guangzhou	(ii)
Xuan Wu 廣州市玄武無線科技股份有限公司	The PRC, 2 November 2010	RMB52,593,000	100%	100%	100%	100%	Intelligent CRM services in Guangzhou	(i)
Guangzhou Jixin Communication Technology Co., Ltd. * 廣州市即信通信科技有限公司	The PRC, 5 May 2017	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)
Guangzhou Xuanxun Information Technology Co., Ltd. * 廣州市玄訊信息技術有限公司	The PRC, 20 May 2014	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)
Guangzhou Xuxin Information Technology Co., Ltd. * 廣州市煦鑫信息科技有限公司	The PRC, 18 February 2013	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)
Guangzhou Zhengjun Information Technology Co., Ltd. * 廣州市正君信息科技有限公司	The PRC, 28 January 2013	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)
Guangzhou Zhongmai Guangwei Information Technology Co., Ltd. * 廣州中邁廣維信息科技有限公司	The PRC, 26 September 2012	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)
Guangzhou Guanghan Information Technology Co., Ltd. * 廣州市廣瀚信息科技有限公司	The PRC, 21 October 2011	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)
Guangzhou Shangyu Wireless Technology Co., Ltd. * 廣州市商域無線科技有限公司	The PRC, 4 June 2007	RMB10,000,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Guangzhou	(i)

Company name	Country/place and date of incorporation/ establishment	Registered/ issued capital	Attributable equity interest of the Group				Principal activities and place of operation	Note
			as at 31 December			as at the date of this report		
			2019	2020	2021			
Beijing Xiuwu Wenyu Technology Co., Ltd. * 北京秀武文昱科技有限公司	The PRC, 9 May 2008	RMB10,000,000	100%	100%	100%	100%	Undertaking the product sales business, code numbers and procurement of channel resources from operators in Beijing	(i)
Henan Shangfang Communication Technology Co., Ltd. * 河南上方通信技術有限公司	The PRC, 14 June 2011	RMB10,010,000	100%	100%	100%	100%	Undertaking code numbers and procurement of channel resources from operators in Henan	(i)
Guangzhou Dejiu Information Technology Co., Ltd. * ("Dejiu") 廣州德久信息科技有限公司	The PRC, 4 January 2017	RMB10,000,000	70%	70%	70%	70%	Provision of voice and video communication capabilities in Guangzhou	(i), (ii)
Tianjin Xingjian Xintong Technology Co., Ltd. * 天津行健信通科技有限公司	The PRC, 9 May 2017	RMB10,000,000	70%	70%	70%	70%	Undertaking code numbers in Tianjin	(ii)
Guangzhou Xingjian Xintong Technology Co., Ltd. * 廣州行健信通科技有限公司	The PRC, 10 March 2020	RMB1,000,000	Not applicable	70%	70%	70%	Undertaking code numbers in Guangzhou	(ii)

* *The English names of the subsidiaries represent the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.*

(i) The statutory financial statements of these companies for the years ended 31 December 2019 and 2020 were prepared in accordance with Chinese accounting standards and audited by GP Certified Public Accountants LLP, Huaxing Certified Public Accountants LLP and Guangdong Sinong Certified Public Accountants LLP respectively. The statutory financial statements for the year ended 31 December 2021 has not yet to be issued as at the date of this report.

(ii) No audited financial statements were issued for these companies as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [**REDACTED**] Business was mainly conducted through the PRC Operating Entities. Pursuant to the Reorganisation, the [**REDACTED**] Business were ultimately under effective control of the Company through direct equity holding or through Contractual Arrangements. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The steps as described in Note 1.2 above are merely a recapitalisation of the [**REDACTED**] Business with no change in management of such business and the ultimate controlling shareholders of the [**REDACTED**] Business remains the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the [**REDACTED**] Business under the PRC Operating Entities and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the PRC Operating Entities with the assets and liabilities of the Group recognised and measured at the carrying amounts of the [**REDACTED**] Business for all periods presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of the Historical Financial Information are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss ("FVPL"), which are carried at fair value.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

Up to the date of issuance of this report, the HKICPA has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group during the Track Record Period:

		Effective for annual periods beginning on or after
HKFRS 16 (Amendments)	COVID-19 related rent concessions beyond 30 June 2021	1 April 2021
Annual improvements Project	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
HKFRS 3, HKAS 16, and HKAS 37	Narrow-scope amendments (amendments)	1 January 2022
Accounting guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HKAS 1 (Amendments)	Classification of liabilities as current or non-current	1 January 2023

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contract (new standard and amendments)	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction Tax	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the Group's consolidated financial statements is expected when they become effective.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation, the acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of comprehensive income, statements of financial position and statements of changes in equity respectively.

Subsidiaries controlled through Contractual Arrangements

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of certain restricted businesses, in particular, intelligent CRM services. The Group operates its restricted businesses in the PRC through certain PRC operating entities, whose equity interests are held by shareholders ("Nominee Shareholders"). The Group obtained control over certain PRC operating entities via a series of the Contractual Arrangements signed between certain directly or indirectly held subsidiaries of the Company in the PRC, PRC operating entities operating the restricted businesses (the "Controlled Structured Entities") and their respective Nominee Shareholders. The Contractual Arrangements, includes exclusive business cooperation agreement, exclusive option agreement, equity pledge agreement, proxy agreements and powers of attorney, and spouse undertakings which enables those directly or indirectly held subsidiaries of the Company and the Group to:

(i) Govern the financial and operating policies of the Controlled Structured Entities;

(ii) Exercise Nominee Shareholders' voting rights of the Controlled Structured Entities;

(iii) Exercise effective financial and operational control over of Controlled Structured Entities;

(iv) Receive substantially all of the economic interests and returns generated by the Controlled Structured Entities in consideration for the business support, technical and consulting services provided by the Xuantao, at Xuantao's discretion;

(v) Obtain an irrevocable and exclusive right to purchase all equity interests in the Controlled Structured Entities from its Nominee Shareholders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the Nominee Shareholders of the Controlled Structured Entities shall return the amount of purchase consideration they have received to Xuantao. At Xuantao's request, the Nominee Shareholders of the Controlled Structured Entities will promptly and unconditionally transfer their respective equity interests in the Controlled Structured Entities to Xuantao (or its designee within the Group) after Xuantao exercises its purchase right; and,

(vi) Obtain pledges over the entire equity interests in the Controlled Structured Entities from its Nominee Shareholders to secure, among others, performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interest in the Controlled Structured Entities. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the Controlled Structured Entities and has the ability to affect those returns through its power over the Controlled Structured Entities and is considered to control the Controlled Structured Entities. Consequently, the Company regards the Controlled Structured Entities as indirect subsidiaries under HKFRSs.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Controlled Structured Entities and their respective subsidiaries and such uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Controlled Structured Entities and their respective subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

2.3 Business combinations

Except for the Reorganisation, the acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Historical Financial Information are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within "Other gains – net" in the consolidated statements of comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of leasehold improvements, the shorter lease term, as follows:

–	Office Furniture and equipment	3-5 years
–	Computers and electronic equipment	3-5 years
–	Leasehold improvements	the shorter of the lease term or the useful life

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains – net" in the consolidated statements of comprehensive income.

2.8 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 16. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGU or groups of CGU that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Software

Separately acquired computer softwares were shown at historical cost less accumulated amortisations and accumulated impairment losses. Cost represents consideration paid for the rights to use the computer software for 1-3 years or with no expiry date. For the computer software with no expiry date, as the computer softwares are well-developed off the shelf software used for financial reporting and the Group can use the software as long as it can meet the Group's financial reporting needs, based on the current functionalities equipped by this software and the daily operation needs, the Group considers a useful life of 10 years is the best estimation under current financial reporting needs. Amortisation of computer software are calculated on the straight-line method.

Costs associated with maintaining software are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group were recognised as intangible assets when the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. There were no development costs meeting these criteria and capitalised as intangible assets for the years ended 31 December 2019, 2020 and 2021.

(c) Platform

Platform acquired in a business combination is recognised at fair value at the acquisition date. Platform has a finite useful life and is carried at cost less accumulated amortisations.

(d) Research and development expenditures

Research and development expenditures that do not meet the criteria in (b) above are recognised as expenses as incurred. Development costs previously recognised as expenses were not recognised as assets in subsequent period.

(e) Amortisation method and period

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

• Software	1-10 years
• Platform	5 years

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income ("OCI"). For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains - net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of comprehensive income.

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

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains - net in the period in which it arises.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty. There was no financial asset and liability offset during the Track Record Period.

2.12 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables from third parties and related parties are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1.2 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents and restricted cash

For the purpose of presentation in the statements of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted to use are included in "restricted cash" of the consolidated statements of financial position.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.19 Current and deferred income tax

The income tax expenses or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.20 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.21 Share-based payments

Share-based compensation benefits are provided to employees via share award scheme. The fair value of equity-settled share-based payments for the services received from employees was measured at the grant date of the equity instruments. It was recognised as share-based compensation expenses in the profit or loss and as share-based payment reserve respectively. The total amount to be expensed is determined by reference to the fair value of the shares granted as at grant date, including any market performance conditions, excluding the impacts of any service and non-market performance vesting conditions as well as including any non-vesting conditions, when applicable.

For the purpose of the share award ("Share Award Scheme"), Guangzhou Xuandong Investment Limited Partnership (Limited Partnership) ("Guangzhou Xuandong"), Guangzhou Xuanxi Investment Limited Partnership (Limited Partnership) ("Guangzhou Xuanxi"), Guangzhou Xuannan Investment Limited Partnership (Limited Partnership) ("Guangzhou Xuannan") and Guangzhou Xuanbei Investment Limited Partnership (Limited Partnership) ("Guangzhou Xuanbei") (collectively, "ESOP platforms") were established as limited partnership in the PRC in May 2015. Mr. Chen, Mr. Huang, Mr. Li, Mr. Xie Lejun ("Mr. Xie") and Mr. Song Xiaohu ("Mr. Song") transferred 7,650,000 shares to ESOP platforms. The objective of the Share Award Scheme is to encourage and retain selected grantees including directors and employees of the Group, to work with the Group and to provide additional incentive for them to enhance performance goals and to enable the Group to recruit high-calibre employees and attract human resources that are valuable to the Group.

Part of shares of the ESOP platforms were granted to certain employees before Track Record Period. Total share-based compensation expensed was recognised at the grant date since the shares were immediately vested with no vesting conditions.

During the years end 31 December 2019, 2020 and 2021, there were no new shares granted and no share-based compensation expenses recognised..

2.22 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expenses.

2.23 Revenue recognition

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

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Group is acting as the principal or an agent in the transactions. In determining whether the Group acts as the principal or an agent, the Group follows the accounting guidance for principal-agent considerations in HKFRS 15 to assess whether the Group controls the specified service before it is transferred to the end customer, the indicators of which including but not limited to (i) whether the entity is primarily responsible for fulfilment the promise to provide the specified service; (ii) whether the entity has inventory risk before the specified service has been transferred to a customer; and (iii) whether the entity has discretion in establishing the prices for the specified goods or service. Such determination involves judgement and is based on an evaluation of the terms of each arrangement.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

Contract fulfilment costs are stated at the lower of cost and net realisable value. Cost mainly comprises direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Costs to fulfil a contract comprise the implementation cost including direct labour and an appropriate proportion of variable and fixed overhead expenditure related to an existing contract that will be used to satisfy performance obligations in the future. The costs to fulfil a contract are recorded in contract fulfilment costs if they are expected to be recovered.

The Group generates revenues separately or in combination, from providing CRM platform as a service ("CRM PaaS services") and CRM software as a service ("CRM SaaS services") to customers.

CRM PaaS services

The Group mainly provides communication platform as a service ("cPaaS") to encapsulate messaging communication capabilities of the three major telecommunication network operators for the customers to be integrated into the customer's business systems, thereby enabling the customers to access and utilise the Group's communication capabilities as a service.

The Group purchases text messages from telecommunication network operators and then combined with its services to provide a integrated communication service to customers via the Group's own platform. Therefore, the Group controls the specified service before it is transferred to customer and is acting as a principal in the transaction.

CRM PaaS services revenues primarily consist of usage of text message fees provided to end customers, which is recognised at a point in time. The Group's service fees are determined by applying the contractual unit price to the monthly usage volume of text messages sent.

CRM SaaS services

CRM SaaS services are cloud-based and primarily categorised into three cloud solutions, namely marketing cloud, sales cloud and service cloud covering customers' entire business cycle to meet the aforesaid requests. The cloud and the encapsulated communication capability of the major telecommunication network operators, which consolidate the cPaaS platform, as well as CRM functions, altogether form the integrated and comprehensive CRM SaaS services of the Group.

Marketing cloud primarily offers a range of modules to customers, which consolidate the cPaaS platform, e.g. UMP solution — a private cloud-based solution that allows dissemination of marketing messages; MOS solution — a public cloud-based solution that allows dissemination of marketing message; and ICC solution — a solution that allows clients to manage comprehensive communication channels for intra- and extra- organisational purposes. Revenue of marketing cloud primarily generates from fees based on usage of text messages, which is recognised at a point in time by applying the contractual unit price to the monthly usage volume of text messages sent.

Sales cloud provides a comprehensive sales management solutions including U-Client 100 and Smart Sales 100 to customers by introducing a streamlined operation model and automated workflow to customers' sales management cycle. Customers generally subscribe to the Group's sales management solution at a fixed annually or monthly fee granting them the access to one or more of the cloud applications, which is identified as a separate performance obligation. The Group also provides implementation services to customers, including customised configuration and development of specific applications, which is identified as a separate performance obligation. Total consideration is mainly allocated to subscription service fees and implementation service fees based on their stand alone selling price determined based on the observable contractual prices charged to customers. Revenue from subscription service is primarily recognised over the service contract period. Revenue from implementation service is recognised at a point in time upon completion of the implementation service and acceptance by customers of the promised products and services.

Service cloud provides customers with a range of post-sales customer services-related solutions which offers in Cloud Call Centre — a customer service solution that brings the traditional call centre onto the cloud. Revenue from service cloud primarily generates from fees based on usage of voice call, which is recognised at a point in time by applying the contractual unit price to monthly usage minutes of voice calls placed, and subscription fees, which is recognised over the service period.

The Group also provides product support service to customers, which is identified as a separate performance obligation and is provided mainly in the form of fixed-price contracts. Revenue from product support service is recognised ratably over the service contract period.

2.24 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains on these assets.

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated statements of comprehensive income as "other income".

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purpose, see Note 11 below.

2.25 Leases

The Group leases certain offices. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease if that rate can be determined, or the Group's incremental borrowing rate. To determine the incremental borrowing rate, the Group uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associate with short-term leases terms of 12 months or less and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss.

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.27 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1.1 Market risk

(a) Foreign exchange risk

The Group's businesses are principally conducted in RMB. As at 31 December 2019, 2020 and 2021, there was no significant non-RMB assets and liabilities. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

(b) Price risk

The Group is exposed to price risk in respect of financial assets at fair value through profit or loss held by the Group which are carried at fair value with changes in the fair value recognised in profit or loss.

To manage its price risk arising from investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. Each investment is managed by senior management on a case by case basis. The impact of variable price of the Group's investments please refer to Note 19.

(c) Cash flow and fair value interest rate risk

The Group's income and operating cash flows were substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for cash and cash equivalents, details of which have been disclosed in Note 22.

The Group has no significant variable interest-bearing assets or liabilities except for the bank balances. Therefore, the directors of the Company do not anticipate there is any significant impact resulted from the changes in interest rates.

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade, bill and other receivables, contract assets, cash and cash equivalents, restricted cash and financial assets at fair value through profit or loss. The carrying amounts of trade, bill and other receivables, contract assets, cash and cash equivalents, restricted cash and financial assets at fair value through profit or loss represent the Group's maximum exposure to credit risk in relation to financial assets.

(a) Cash and cash equivalents and restricted cash

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks whose credit rating are AAA or AA+. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(b) Financial assets at fair value through profit or loss

The Group expects that there is no significant credit risk associated with financial assets at fair value through profit or loss as the Group invests in wealth management products with high market credit rating, liquidity and stable return. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(c) Trade, bill and other receivables and contract assets

For trade, bill and other receivables and contract assets, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(i) Trade receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivable and contract assets.

To measure the expected credit losses of trade receivable and contract assets, trade receivable and contract assets were grouped based on shared credit risk characteristics and ageing period. The expected credit losses also incorporate forward-looking information, includes industrial value-added, M2, Consumer Price Index and so on.

For trade receivables and contract assets, management collectively assessed the expected credit losses taking into account the history of bad debt losses and industry credit loss rate, in respect of those groups of customers.

Trade receivables have been grouped into two categories by the Group's management based on shared credit risk characteristics. Receivables from state-owned enterprises, collectively-owned enterprises and companies invested by state-owned or collectively-owned enterprises are grouped as one category ("Group 1"), and remaining receivables from other customers are classified as another category ("Group 2"). Contract assets are classified under Group 2.

As at 31 December 2019, 2020 and 2021, the loss allowance provision for the trade receivables and contract assets due from third parties was determined as follows.

		Group 2					
	Group 1	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	Over 2 years	Total
Trade receivables and contract assets							
At 31 December 2019							
Expected loss rate	0.24%	0.64%	1.29%	17.86%	38.84%	86.56%	
Gross carrying amount (RMB'000)	123,689	29,341	3,483	3,858	2,348	3,492	166,211
Loss allowance provision (RMB'000)	297	188	45	689	912	3,023	5,154
At 31 December 2020							
Expected loss rate	0.15%	1.08%	2.32%	37.64%	44.19%	91.25%	
Gross carrying amount (RMB'000)	184,758	46,021	3,572	4,559	5,080	4,982	248,972
Loss allowance provision (RMB'000)	277	497	83	1,716	2,245	4,546	9,364
At 31 December 2021							
Expected loss rate	0.18%	1.65%	3.28%	44.05%	67.90%	98.72%	
Gross carrying amount (RMB'000)	182,629	68,430	9,987	7,586	2,333	7,439	278,404
Loss allowance provision (RMB'000)	329	1,129	328	3,342	1,584	7,344	14,056

(ii) Bills receivable

For bills receivable, the expected credit losses were mainly assessed by taking into account the credit rating for issuing financial institutions. The Group assessed that the expected credit loss rate for bill receivables from banks were low since the banks are state-owned or other medium or large-size listed banks whose credit ratings are A1 and Baa1 and have a strong capacity to meet its contractual cash flow obligation in the near term. The Group assessed that the expected credit losses rate for bill receivables from the banks are immaterial and considered them to have a low credit risk, and thus the loss allowance is immaterial.

(iii) Other receivables

Other receivables mainly included deposits and others.

The Group uses the expected credit loss model to determine the expected loss provision for other receivables.

The Group considers the probability of default whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the expected performance and behaviour of the borrowers, including changes in the payment status of borrowers and changes in the operating results of the borrowers.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	**Group definition of category**	**Basis for recognition of expected credit loss provision**
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Under-performing	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 180 days past due	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward-looking macroeconomic data.

The Group has assessed that there is no significant increase of credit risk for other receivables since initial recognition. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

	Performing	**Under-performing**	**Non-performing**	**Total**
Other receivables (excluding other receivables from related parties)				
At 31 December 2019				
Gross carrying amount (RMB'000)	9,182	–	–	9,182
Loss allowance provision (RMB'000)	125	–	–	125
At 31 December 2020				
Gross carrying amount (RMB'000)	10,599	–	–	10,599
Loss allowance provision (RMB'000)	143	–	–	143
At 31 December 2021				
Gross carrying amount (RMB'000)	15,957	–	–	15,957
Loss allowance provision (RMB'000)	174	–	–	174

As at 31 December 2019, 2020 and 2021, the loss allowance provision for trade and other receivables and contract assets reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	**Contract assets**	**Other receivables**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	2,740	–	102	2,842
Net impairment losses on financial assets	2,861	4	23	2,888
Receivables written off during the year as uncollectible	(451)	–	–	(451)
At 31 December 2019	5,150	4	125	5,279
At 1 January 2020	5,150	4	125	5,279
Net impairment losses on financial assets	4,309	15	18	4,342
Receivables written off during the year as uncollectible	(114)	–	–	(114)
At 31 December 2020	9,345	19	143	9,507
At 1 January 2021	9,345	19	143	9,507
Net impairment losses/(reversal of impairment loss) on financial assets	5,352	(13)	31	5,370
Receivables written off during the year as uncollectible	(647)	–	–	(647)
At 31 December 2021	14,050	6	174	14,230

3.1.3 Liquidity risk

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

The table below analyses the Group's financial liabilities and lease liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
As at 31 December 2019				
Trade and other payables (excluding accrued payroll and other tax payables)	39,334	–	–	39,334
Lease liabilities	7,616	6,307	32	13,955
Borrowings	40,825	–	–	40,825
	87,775	6,307	32	94,114
As at 31 December 2020				
Trade and other payables (excluding accrued payroll and other tax payables)	89,749	–	–	89,749
Lease liabilities	7,582	274	–	7,856
Borrowings	40,213	–	–	40,213
	137,544	274	–	137,818
As at 31 December 2021				
Trade and other payables (excluding accrued payroll and other tax payables)	108,961	–	–	108,961
Lease liabilities	8,994	7,571	18,877	35,442
Borrowings	59,477	–	–	59,477
	177,432	7,571	18,877	203,880

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

As at 31 December 2019, 2020 and 2021 asset-liability ratio of the Group is as follows:

	As at 31 December		
	2019	**2020**	**2021**
Asset – liability ratio	45%	42%	48%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of certain critical accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Contractual arrangements

The Group conducts its business through Xuan Wu and its subsidiaries. Due to the regulatory restrictions on the foreign ownership of the intelligent CRM services business in the PRC, the Group does not have any equity interest in Xuan Wu. The Directors assessed whether or not the Group has control over Xuan Wu and its subsidiaries by assessing whether it has the rights to variable returns from its involvement with Xuan Wu and its subsidiaries and has the ability to affect those returns through its power over Xuan Wu and its subsidiaries. After assessment, the Directors concluded that the Group has control over Xuan Wu and its subsidiaries as a result of the Contractual Arrangements and accordingly the financial position and the operating results of Xuan Wu and its subsidiaries are included in the Group's consolidated financial statements throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the earlier period. Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Xuan Wu and its subsidiaries and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Xuan Wu and its subsidiaries. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

(b) Gross versus net assessment in revenue recognition

As disclosed in Note 2.23, the Group provides intelligent CRM services to its customers under different business models, which involves the assessment of revenue recognition on a gross or net basis, i.e. principal versus agent assessment in different business models. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified service before it is transferred to the customer and also the indicators of which including but not limited to: (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service including whether the entity has discretion in selecting suppliers; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; (c) whether the entity has discretion in establishing the prices for the specified service. The directors of the Company consider the above factors in totality, as none of the factors individually are considered presumptive or determinative and applies judgment when assessing the indicators depending on different circumstances.

(c) Allowance on doubtful receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past collection history, 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 and other receivables as doubtful debt expenses in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

(d) Current and deferred income tax

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

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

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

The CODM has been identified as executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business from product perspective. The Group has identified the following operating segments:

(i) CRM PaaS services

CRM PaaS services mainly provide cPaaS to encapsulate messaging communication capabilities of the three major telecommunication network operators for the customers to be integrated into the customer's business systems, thereby enabling the customers to access and utilise the communication capabilities as a service.

(ii) CRM SaaS services

CRM SaaS services comprise of marketing cloud, sales cloud and service cloud, which enable the Group to provide the customer with a one-stop intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services.

The CODM assesses the performance of the operating segments based on the gross profit of each segment. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

As at 31 December 2019, 2020 and 2021, majority of the assets were located in the PRC.

(b) Segment performance

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2019 is as follows:

	Year ended 31 December 2019		
	CRM PaaS services	**CRM SaaS services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	301,518	298,683	600,201
Cost of sales	(226,448)	(177,059)	(403,507)
Gross profit	75,070	121,624	196,694
Selling and distribution expenses			(93,430)
Administrative expenses			(45,819)
Research and development expenses			(50,580)
Net impairment losses on financial assets			(2,888)
Other income			7,378
Other gains – net			601
Operating profit			11,956
Finance income			379
Finance costs			(1,754)
Finance costs – net			(1,375)
Profit before income tax			10,581

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2020 is as follows:

	Year ended 31 December 2020		
	CRM PaaS services	**CRM SaaS services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	460,847	335,915	796,762
Cost of sales	(396,863)	(206,106)	(602,969)
Gross profit	63,984	129,809	193,793
Selling and distribution expenses			(77,149)
Administrative expenses			(39,754)
Research and development expenses			(53,022)
Net impairment losses on financial assets			(4,342)
Other income			9,671
Other gains – net			466
Operating profit			29,663
Finance income			706
Finance costs			(3,011)
Finance costs – net			(2,305)
Profit before income tax			27,358

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2021 is as follows:

	Year ended 31 December 2021		
	CRM PaaS services	**CRM SaaS services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	554,643	437,298	991,941
Cost of sales	(494,056)	(265,493)	(759,549)
Gross profit	60,587	171,805	232,392
Selling and distribution expenses			(91,024)
Administrative expenses			(68,515)
Research and development expenses			(66,126)
Net impairment losses on financial assets			(5,370)
Other income			12,557
Other gains – net			393
Operating profit			14,307
Finance income			750
Finance costs			(2,577)
Finance costs – net			(1,827)
Profit before income tax			12,480

Revenue of approximately RMB145,139,000 and RMB164,046,000 was from one customer who individually contributed 10% or more of the Group's total revenue for the year ended 31 December 2020 and 2021, respectively. This revenue was attributed to the CRM PaaS services segment. Other than that, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the Track Record Period.

6 REVENUE

Revenue mainly comprises of proceeds from providing CRM PaaS services and CRM SaaS services. The analysis of the Group's revenue by category for the years ended 31 December 2019, 2020 and 2021 was as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
CRM PaaS services	301,518	460,847	554,643
CRM SaaS services	298,683	335,915	437,298
	600,201	796,762	991,941

The analysis of revenue from contracts with customers by the timing of revenue recognition for the years ended 31 December 2019, 2020 and 2021 was as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
At a point in time	580,809	770,020	956,142
Over time	19,392	26,742	35,799
	600,201	796,762	991,941

(a) Contract assets

The Group has recognised the following revenue-related contract assets:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets	124	380	101
Less: Allowance for contract assets	(4)	(19)	(6)
	120	361	95

(b) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities	29,278	34,021	31,924

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year			
Contract liabilities	16,067	20,520	22,577

(iii) Unsatisfied performance obligations

The Group has elected the practical expedient for not to disclose the remaining performance obligations because the performance obligation is part of contracts that do not have fixed aggregate amount of transaction price.

(iv) Assets recognised from incremental costs to obtain a contract

During the years ended 31 December 2019, 2020 and 2021, there was no significant incremental costs incurred to obtain contracts.

7 EXPENSES BY NATURE

Expenses including in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses are analysed as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Costs of telecommunication resources	384,934	576,702	728,366
Employee benefit expenses *(Note 8)*	147,016	140,808	170,959
Travel and entertainment expenses	14,260	13,033	16,538
Depreciation and amortisation expenses *(Notes 14, 15 and 16)*	12,779	12,469	13,588
Outsourcing customer service expenses	8,486	7,499	11,691
Infrastructure and equipment expenses	6,452	5,746	8,272
Professional service fees	2,280	3,518	5,670
Marketing and promotion expenses	4,622	2,815	4,072
Conference and office expenses	3,413	1,726	2,342
Taxes and other levies	1,760	1,546	2,270
Outsourcing implementation costs	2,761	2,980	1,426
Auditors' remuneration – Audit services	365	401	310
Lease payments on short term leases *(Note 27)*	327	55	115
[REDACTED] expenses	–	–	**[REDACTED]**
Others	3,881	3,596	3,978
	593,336	772,894	985,214

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages, and bonuses	128,888	127,676	153,451
Social insurance expenses, housing benefits and other employee benefits *(Note (a))*	18,128	13,132	17,508
	147,016	140,808	170,959

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the employee salary to the scheme to fund the retirement benefits of the employees.

According to policies issued by the Ministry of Human Resources and Social Security and local municipal departments, affected by Coronavirus Disease 2019 (COVID-19), social security relief policies have been successively implemented by local authorities. As such, the social insurance expenses for the period from February 2020 to December 2020 have been reduced or exempted accordingly.

Other employee benefits mainly include team building expenses, meal and traveling allowances.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included nil, 1, 1 director for the years ended 31 December 2019, 2020 and 2021 whose emolument is reflected in the analysis shown in Note 33. The emoluments payable to the remaining 5, 4, 4 individuals during the Track Record Period are as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, housing allowances, share options, other allowances and, benefits in kind	3,795	2,741	3,562
Contribution to pension scheme – defined contribution plans	31	29	29
Discretionary bonuses	1,185	435	363
Inducement fee to join or upon joining the Group	–	–	–
Compensation for loss of office	–	–	–
	5,011	3,205	3,954

(c) The emoluments fell within the following bands:

	Year ended 31 December		
	2019	**2020**	**2021**
Emolument bands (in Hong Kong dollars ("HK$"))			
Nil – HK$1,000,000	1	3	–
HK$1,000,001 – HK$1,500,000	4	1	4
	5	4	4

(d) Pension costs – defined contribution retirement plans

During the years ended 31 December 2019, 2020 and 2021, the Group has no forfeited contributions that were able to be utilised by the Group to reduce its contributions.

9 OTHER INCOME

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(Note (a))*	1,463	1,914	480
Value-added tax refund *(Note (b))*	2,802	2,833	4,096
Additional deduction of value-added input tax *(Note (c))*	3,041	4,655	7,814
Others	72	269	167
	7,378	9,671	12,557

(a) Government grants represented various subsidies received from relevant government authorities, mainly including enterprise research and development subsidy, software enterprise support program subsidy and patent program development subsidy.

(b) According to the VAT tax regulations in the PRC, the development and sales of computer software are subject to VAT with an applicable rate of 17%, during the period from 1 January 2017 to 30 April 2018. From 1 May 2018, according to the circular "Notice of Ministry of Finance and the General Administration of Taxation on the Adjustment of VAT Rate" (Cai Shui [2018] No. 32 財稅[2018]32號), the applicable VAT rate for sales of computer software has been adjusted from 17% to 16%. From 1 April 2019, according to the circular "Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation" (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39 財政部稅務總局海關總署公告2019年第39號), the application VAT rate for sales of computer software has been adjusted from 16% to 13%.

According to the circular Cai Shui [2011] No. 100 (財稅[2011]100號), software enterprises which engage in the sales of self-developed software in the PRC are entitled to VAT refund to the extent that the effective VAT rate of the sales of the software in the PRC exceeds 3%.

(c) From 1 April 2019, according to the Circular "Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation" (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39 財政部稅務總局海關總署公告[2019年]第39號), the group companies engaged in the provision of CRM SaaS and CRM PaaS services in the PRC are entitled to an extra 10% VAT deduction.

10 OTHER GAINS — NET

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Net gains from early termination of lease agreements and derecognition of right-of use assets	19	24	–
Net losses from disposal of property, plant and equipment	–	–	(913)
Net fair value gain on investments in financial assets at fair value through profit or loss	599	539	1,209
Others	(17)	(97)	97
	601	466	393

11 FINANCE COSTS — NET

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Finance income			
Interest income from bank deposits	379	706	750
Finance costs			
Interest expenses of lease liabilities *(Note 27)*	(894)	(557)	(634)
Interest expenses of borrowings	(860)	(2,454)	(1,943)
	(1,754)	(3,011)	(2,577)
Finance costs — net	(1,375)	(2,305)	(1,827)

12 INCOME TAX CREDIT

(a) Cayman Islands and BVI Income Tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the International Business Companies Act of the BVI and, accordingly, is exempted from British Virgin Islands income tax.

(b) Hong Kong Profits Tax

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong during the Track Record Period.

(c) PRC Enterprise Income Tax

Income tax provision of our Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The general corporate income tax rate in PRC is 25%.

According to Cai Shui [2012] No. 27 (財稅[2012]27號), key software enterprises that have not benefited from the preferential treatment of tax exemption in the current year may be subject to a lower income tax rate of 10%. In 2016, Cai Shui [2016] No. 49 (財稅[2016]49號, "Circular 49"), is released in order to further clarify the criteria for enterprises to qualify as key software enterprises. Xuan Wu met requirements in Circular 49 for the years ended 31 December 2019 and has performed a record-filing with in-charge tax authority. For the years ended 31 December 2020 and 2021, Xuan Wu did not meet the requirements of Circular 49.

Xuan Wu had also applied to the relevant tax bureau and was granted the qualification as High and New Technology Enterprise ("HNTE") in 2012 and it has renewed the qualification of HNTE in 2021, which will expire in December 2024. It is subject to a preferential income tax rate of 15%. Based on management's assessment, it is highly probable that Xuan Wu will continue to meet the requirements of High-tech Enterprise.

As a result, Xuan Wu was subject to a preferential income tax rate of 10% in 2019, and 15% in 2020 and 2021.

Certain subsidiaries of the Group in the PRC were qualified as "Small Low-Profit Enterprise" since 2019. "Small Low-Profit Enterprise" was entitled to a preferential income tax rate that was calculated in accordance with the two-tiered profits tax rates regime. From 1 January 2019 to 31 December 2020, under the two-tiered profits tax rates regime, the first RMB1,000,000 of the taxable income of qualified entities are taxed at 5%, and the taxable income above RMB1,000,000 and less than RMB3,000,000 are taxed at 10%. From 1 January 2021 to 31 December 2022, the first RMB1,000,000 of the taxable income of qualified entities are taxed at 2.5%, and the taxable income above RMB1,000,000 and less than RMB3,000,000 are taxed at 10%. Thus the subsidiaries were subject to a preferential income tax rate of 5% or 10% in 2019 and 2020 and 2.5% or 10% in 2021.

Pursuant to the Detailed Implementation Regulations for Implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the subsidiaries in Mainland China are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between Mainland China and Hong Kong.

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	3	52	97
Deferred income tax *(Note 28)*	(2,900)	(2,001)	(2,968)
Income tax credit	(2,897)	(1,949)	(2,871)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group entities as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	10,581	27,358	12,480
Tax calculated at the statutory PRC tax rate of 25%	2,645	6,840	3,120
Tax effects of:			
– Effects of preferential tax rates applicable to PRC subsidiaries of the Group	(1,403)	(3,515)	(647)
– Expenses not deductible for tax purposes	224	314	703
– Tax losses and deductible temporary differences for which no deferred income tax asset was recognised *(Note (i))*	203	210	243
– Utilisation of previously unrecognised tax losses	(142)	(273)	(28)
– The impact of change in tax rate applicable to subsidiaries	(1,073)	142	143
– Super deduction of research and development expenses *(Note (ii))*	(3,351)	(5,667)	(6,405)
Income tax credit	(2,897)	(1,949)	(2,871)

(i) The unused tax losses were incurred by certain subsidiaries which are not likely to generate taxable income in the foreseeable future. See Note 28 for information about unrecognised tax losses.

(ii) According to the CIT laws and Detailed Implementation Rules, an enterprise is allowed to claim an additional deduction of 50% of research and development expenses incurred for the development of new technologies, new products and new craftsmanship from 2008 onwards. From 2018 to 2023, according to Caishui [2018] No. 99 (財稅 [2018]99號), an extra 75% of the actual amount of research and development expenses can be deducted before tax.

For those companies which were granted the qualification as "Small and Medium-sized Sci-tech Enterprise" during the financial years from 2019 to 2021, they could claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits during the Track Record Period.

13 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the years ended 31 December 2019, 2020 and 2021. In determining the weighted average number of ordinary shares outstanding, the 1,000 shares and 52,592,000 shares issued on 26 April 2021 and 3 August 2021, respectively, were deemed to have been in issue since 1 January 2019.

	Year ended 31 December		
	2019	**2020**	**2021**
Profit attributable to owners of the Company (RMB'000)	14,398	27,748	14,513
Weighted average number of ordinary shares deemed to be in issue (in thousands)	52,593	52,593	52,593
Basic earnings per share attributable to the owners of the Company during the year (expressed in RMB per share)	0.274	0.528	0.276

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted earnings per share is equal to basic earnings per share as there were no potential diluted ordinary shares outstanding during the years ended 31 December 2019, 2020 and 2021.

14 PROPERTY, PLANT AND EQUIPMENT

	Computer and electronic equipment	Office furniture and equipment	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019				
Cost	13,836	728	1,171	15,735
Accumulated depreciation	(8,943)	(645)	(1,136)	(10,724)
Net book amount	4,893	83	35	5,011
Year ended 31 December 2019				
Opening net book amount	4,893	83	35	5,011
Additions	1,860	–	742	2,602
Depreciation charge	(1,885)	(35)	(33)	(1,953)
Closing net book amount	4,868	48	744	5,660
At 31 December 2019				
Cost	15,696	728	1,913	18,337
Accumulated depreciation	(10,828)	(680)	(1,169)	(12,677)
Net book amount	4,868	48	744	5,660
Year ended 31 December 2020				
Opening net book amount	4,868	48	744	5,660
Additions	996	–	236	1,232
Depreciation charge	(1,734)	(10)	(196)	(1,940)
Closing net book amount	4,130	38	784	4,952

	Computer and electronic equipment	Office furniture and equipment	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020				
Cost	16,692	728	2,149	19,569
Accumulated depreciation	(12,562)	(690)	(1,365)	(14,617)
Net book amount	4,130	38	784	4,952
Year ended 31 December 2021				
Opening net book amount	4,130	38	784	4,952
Additions	1,465	690	4,128	6,283
Disposals	(326)	(31)	(556)	(913)
Depreciation charge	(1,622)	(21)	(305)	(1,948)
Closing net book amount	3,647	676	4,051	8,374
At 31 December 2021				
Cost	11,897	793	4,183	16,873
Accumulated depreciation	(8,250)	(117)	(132)	(8,499)
Net book amount	3,647	676	4,051	8,374

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	258	189	160
Selling and distribution expenses	194	175	201
Administrative expenses	690	795	871
Research and development expenses	811	781	716
	1,953	1,940	1,948

No property, plant and equipment was restricted or pledged as security for liabilities as at 31 December 2019, 2020 and 2021.

15 RIGHT-OF-USE ASSETS

	Offices
	RMB'000
At 1 January 2019	
Cost	37,676
Accumulated depreciation	(18,956)
Net book amount	18,720
Year ended 31 December 2019	
Opening net book amount	18,720
Additions	4,589
Early termination	(562)
Depreciation charge	(9,249)
Closing net book amount	13,498
At 31 December 2019	
Cost	40,580
Accumulated depreciation	(27,082)
Net book amount	13,498
Year ended 31 December 2020	
Opening net book amount	13,498
Additions	3,338
Early termination	(872)
Depreciation charge	(8,529)
Closing net book amount	7,435
At 31 December 2020	
Cost	42,423
Accumulated depreciation	(34,988)
Net book amount	7,435
Year ended 31 December 2021	
Opening net book amount	7,435
Additions	34,361
Depreciation charge	(9,843)
Closing net book amount	31,953
At 31 December 2021	
Cost	37,693
Accumulated depreciation	(5,740)
Net book amount	31,953

Depreciation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Cost of sales	372	478	616
Selling and distribution expenses	4,418	3,703	3,688
Administrative expenses	2,548	2,474	3,434
Research and development expenses	1,911	1,874	2,105
	9,249	8,529	9,843

No right-of-use assets was restricted or pledged as security for liabilities as at 31 December 2019, 2020 and 2021.

16 INTANGIBLE ASSETS

	Software	**Platform**	**Goodwill** *(Note (a))*	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019				
Cost	3,924	2,844	10,490	17,258
Accumulated amortisation	(1,331)	(268)	–	(1,599)
Net book amount	2,593	2,576	10,490	15,659
Year ended 31 December 2019				
Opening net book amount	2,593	2,576	10,490	15,659
Additions	455	–	–	455
Amortisation charge	(933)	(644)	–	(1,577)
Closing net book amount	2,115	1,932	10,490	14,537
At 31 December 2019				
Cost	4,379	2,844	10,490	17,713
Accumulated amortisation	(2,264)	(912)	–	(3,176)
Net book amount	2,115	1,932	10,490	14,537
Year ended 31 December 2020				
Opening net book amount	2,115	1,932	10,490	14,537
Additions	2,570	–	–	2,570
Amortisation charge	(1,356)	(644)	–	(2,000)
Closing net book amount	3,329	1,288	10,490	15,107

	Software	Platform	Goodwill (Note (a))	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020				
Cost	6,949	2,844	10,490	20,283
Accumulated amortisation	(3,620)	(1,556)	–	(5,176)
Net book amount	3,329	1,288	10,490	15,107
Year ended 31 December 2021				
Opening net book amount	3,329	1,288	10,490	15,107
Additions	803	–	–	803
Amortisation charge	(1,153)	(644)	–	(1,797)
Closing net book amount	2,979	644	10,490	14,113
At 31 December 2021				
Cost	5,044	2,844	10,490	18,378
Accumulated amortisation	(2,065)	(2,200)	–	(4,265)
Net book amount	2,979	644	10,490	14,113

Amortisation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Cost of sales	671	671	676
Selling and distribution expenses	-	73	121
Administrative expenses	507	648	522
Research and development expenses	399	608	478
	1,577	2,000	1,797

No intangible assets was restricted or pledged as security for liabilities as at 31 December 2019, 2020 and 2021.

(a) Impairment test for goodwill

The goodwill of RMB10,490,000 represents the excess of the acquisition consideration transferred and amount of non-controlling interests in Dejiu over the fair value of the net identifiable assets acquired as at the acquisition date, 16 August 2018. Goodwill is monitored by the management at the level of voice and video communication capabilities business CGU related to Dejiu. Goodwill has been assessed based on the related CGU for impairment testing.

The following table sets forth each key assumption on which management has based its 5 years cash flow projections to undertake impairment testing of goodwill as at 31 December 2019, 2020 and 2021:

	As at 31 December		
	2019	**2020**	**2021**
Annual growth rate of revenue during the projection period	5% - 15%	5% - 15%	5% - 15%
Gross margin during the projection period (% of revenue)	40% - 45%	45%	50% - 51%
Long term growth rate	3%	3%	3%
Pre-tax discount rate	22%	20%	20%

As at 31 December 2019, 2020 and 2021, the recoverable amount of the CGU in Dejiu is estimated to exceed the carrying amount of the CGU by approximately RMB15,639,000, RMB53,917,000 and RMB32,221,000. Such recoverable amount of the CGU is determined based on VIU calculations. The calculation requires the Group to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value.

As at 31 December 2019, 2020 and 2021, the percentage of headroom in the goodwill impairment test is 18%, 67% and 35% respectively.

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth the possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations that would remove the remaining headroom respectively as at 31 December 2019, 2020 and 2021:

	As at 31 December		
	2019	**2020**	**2021**
Annual growth rate of revenue during the projection period	–6%	–85%	–29%
Pre-tax discount rate	+10%	+122%	+41%

Except for the above changes, management considers that there is no other reasonably possible change in key parameters that would cause the carrying amount of the CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed as at 31 December 2019, 2020 and 2021, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2019, 2020 and 2021.

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost			
Trade, bill and other receivables (excluding prepayments to suppliers, prepaid taxes and deferred **[REDACTED]** expenses) *(Note 20)*	170,348	250,275	280,036
Restricted cash *(Note 21)*	9	38	1
Cash and cash equivalents *(Note 22)*	43,070	97,077	88,256
	213,427	347,390	368,293
Financial assets at fair value through profit or loss *(Note 19)*	–	30,200	21,476
	213,427	377,590	389,769
Financial liabilities at amortised cost			
Borrowings *(Note 25)*	39,935	39,512	58,480
Trade and other payables (excluding accrued payroll and other taxes payables) *(Note 26)*	39,334	89,749	108,961
Lease liabilities *(Note 27)*	13,320	7,660	31,880
	92,589	136,921	199,321

18 CONTRACT FULFILMENT COSTS

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Contract fulfilment costs	7,787	7,624	5,587

Contract fulfilment costs mainly comprise the implementation cost directly related to an existing contract that will be used to satisfy performance obligations in the future.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products			
Level 3 *(Note (a))*	–	30,200	21,476

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses estimated discounted cash flows to make assumptions.

The different levels have been defined as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

(a) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group uses estimated discounted cash flows to make assumptions.

(i) The following table presents the changes in level 3 instruments for the years ended 31 December 2019, 2020 and 2021.

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Opening balance	25,667	–	30,200
Additions	15,200	111,000	152,500
Gains for the year recognised in profit or loss	599	539	1,112
Disposal	(41,466)	(81,339)	(162,336)
Closing balance	–	30,200	21,476
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	–	200	476

(ii) Quantitative information about fair value measurements using significant unobservable inputs (level 3) is as follow:

	Fair value			Valuation technique	Unobservable input	Range (weighted average)			Relationship of unobservable inputs to fair value
	As at 31 December					As at 31 December			
	2019	2020	2021			2019	2020	2021	
	RMB'000	*RMB'000*	*RMB'000*						
Financial assets at fair value through profit or loss									
– Wealth management products	–	30,200	21,476	Discounted cash flow	Expected rate of return	–	3.22%	3.09%	The higher the expected rate of return per annum, the higher the fair value of the wealth management products

As at 31 December 2019, 2020 and 2021, a change in expected interest rate per annum by 100 basic point will result in a change in fair value by nil, RMB17,000 and RMB40,000 respectively.

20 TRADE, BILL AND OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– Third parties	166,087	248,592	278,303
Less: allowance for impairment of trade receivables	(5,150)	(9,345)	(14,050)
	160,937	239,247	264,253
Bill receivables			
– Third parties	354	572	–
Other receivables			
– Third parties *(Note (b))*	9,182	10,599	15,957
Less: allowance for impairment of other receivables	(125)	(143)	(174)
	9,057	10,456	15,783
Prepayments to suppliers			
– Third parties *(Note (c))*	68,561	47,771	86,666
Prepaid taxes	2,193	1,822	1,990
Deferred **[REDACTED]** expenses *(Note (d))*	–	–	**[REDACTED]**
Total	241,102	299,868	369,648
Less: non-current portion of prepayments	(535)	(565)	(336)
Current portion of trade, bill and other receivables and prepayments	240,567	299,303	369,312

The Company

	2019	2020	2021
Deferred **[REDACTED]** expenses *(Note (d))*	–	–	**[REDACTED]**
Total	–	–	**[REDACTED]**

(a) As at 31 December 2019, 2020 and 2021, the trade, bill and other receivables and prepayment were denominated in RMB.

(b) Other receivables due from third parties mainly represent deposits and tender deposits.

(c) Prepayments to suppliers mainly represents prepaid telecommunication expenses and other prepaid expenses.

(d) Deferred **[REDACTED]** expenses will be deducted from equity upon **[REDACTED]** of the Group.

The Group normally allows credit terms to its customers ranging from 30 to 90 days. Ageing analysis of the trade receivables as at 31 December 2019, 2020 and 2021, based on recognition date were as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Ageing			
Up to 3 months	120,822	188,826	218,343
3 to 6 months	25,543	35,483	34,833
6 months to 1 year	13,519	10,889	14,303
1 to 2 years	2,391	8,157	2,901
Over 2 years	3,812	5,237	7,923
	166,087	248,592	278,303

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, 2020 and 2021, a provision of RMB5,150,000, RMB9,345,000 and RMB14,050,000 was made against the gross amounts of trade receivables (Note 3.1.2).

21 RESTRICTED CASH

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Denominated in RMB			
Restricted cash	9	38	1

Restricted cash included the security deposits held by banks for issuance of letter of guarantee denominated in RMB.

22 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Denominated in RMB			
Cash at bank	43,070	97,077	88,256

23 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

The Group and the Company

	Number of ordinary shares	Share capital
		US$'000
Authorised		
As at 26 April 2021 (date of incorporation of the Company) and 31 December 2021	500,000,000	50

	Number of ordinary shares	Share capital	Equivalent share capital
		US$'000	*RMB'000*
Issued			
As at 26 April 2021 (date of incorporation of the Company)	1,000	–	–
Issue of ordinary shares to the shareholders of the Company	52,592,000	5	34
As at 31 December 2021	52,593,000	5	34

(b) Share premium

The Group and the Company

	Share premium
	RMB'000
As at 26 April 2021 (date of incorporation of the Company)	–
Completion of the Reorganisation *(Note 24(d))*	269,292
As at 31 December 2021	269,292

24 OTHER RESERVES

	Combined capital	Capital reserves	Merger reserves	Statutory reserves	Total reserves
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	51,094	160,505	–	257	211,856
Appropriation of statutory reserves	–	–	–	794	794
Capital contribution from owners *(Note (a))*	6	180	–	–	186
Capital withdrawal from owners *(Note (b))*	(1,099)	(30,296)	–	–	(31,395)
At 31 December 2019	50,001	130,389	–	1,051	181,441
At 1 January 2020	50,001	130,389	–	1,051	181,441
Appropriation of statutory reserves	–	–	–	2,146	2,146
Capital contribution from owners *(Note (c))*	2,592	59,590	–	–	62,182
At 31 December 2020	52,593	189,979	–	3,197	245,769
At 1 January 2021	52,593	189,979	–	3,197	245,769
Appropriation of statutory reserves	–	–	–	3,629	3,629
Completion of the Reorganisation *(Note (d))*	(52,593)	(189,979)	(26,720)	–	(269,292)
At 31 December 2021	–	–	(26,720)	6,826	(19,894)

(a) On 25 August 2019, Xuan Wu issued 1,815 shares, 1,602 shares, 1,192 shares, 991 shares and 600 shares at fair value to five original shareholders respectively, of which RMB6,000 was credited to the combined capital of the Group and the remaining RMB180,000 was credited to its capital reserve.

(b) On 28 May 2019, Xuan Wu delisted from National Equities Exchange and Quotations, and in June 2019, seven shareholders withdrew 401,000 shares, 301,000 shares, 194,000 shares, 192,000 shares, 5,000 shares, 4,000 shares and 2,000 shares at fair value from Xuan Wu respectively, of which RMB1,099,000 was charged to the combined capital of the Group and the remaining RMB30,296,000 was charged to its capital reserve.

(c) From 1 September 2020 to 10 September 2020, Xuan Wu issued 1,250,000 shares, 1,000,000 shares, 310,000 shares and 32,000 shares at fair value to four independent third parties respectively, of which RMB2,592,000 was credited to the combined capital of the Group and the remaining RMB59,590,000 was credited to its capital reserve.

(d) Merger reserve of RMB26,720,000 was arising from the Reorganisation represented the excess of the aggregate net asset values of RMB269,292,000 of the **[REDACTED]** Business over the consideration of RMB242,572,000 (included RMB52,593,000 of combined capital and RMB189,979,000 of the capital reserves) the Company pursuant to the Reorganisation.

25 BORROWINGS

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank borrowings	39,935	39,512	58,480

(a) All bank borrowings were guaranteed by certain shareholders. Such guarantees provided by certain shareholders will be replaced by corporate guarantee before or upon the **[REDACTED]**.

(b) As at 31 December 2019, 2020 and 2021, the borrowings were repayable as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	39,935	39,512	58,480

(c) The weighted average effective interest rates per annum of borrowings were as follows:

	As at 31 December		
	2019	**2020**	**2021**
Bank borrowings	4.08%	2.79%	3.29%

(d) The amounts of unused banking facilities as at 31 December 2019, 2020 and 2021 are nil, RMB20,000,000 and RMB65,000,000.

(e) As at 31 December 2019, 2020 and 2021, all borrowings were denominated in RMB. Due to the short-term maturities, their carrying amount is considered to be the same as their fair value.

26 TRADE AND OTHER PAYABLES

The Group

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– Third parties *(Note (a))*	33,454	83,091	94,133
Other payables			
– Related parties	–	5	–
– Third parties	5,880	6,653	14,828
	5,880	6,658	14,828
Accrued payroll	25,096	21,496	25,621
Other tax payables	1,922	3,826	3,793
	27,018	25,322	29,414
	66,352	115,071	138,375

The Company

Other payables			
– Subsidiary	–	–	12,261
– Third parties	–	–	5,177
	–	–	17,438

(a) Trade payable due to third parties mainly represents telecommunication expenses payables and server rental fees payables.

As at 31 December 2019, 2020 and 2021, the ageing analysis of the trade payables based on recognition date are as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Ageing			
Up to 3 months	29,425	76,775	86,604
3 to 6 months	2,457	3,950	899
Over 6 months	1,572	2,366	6,630
	33,454	83,091	94,133

27 LEASES

(a) Amounts recognised in the consolidated statements of financial position

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Properties *(Note 15)*	13,498	7,435	31,953
Lease liabilities			
Current	7,129	7,391	7,644
Non-current	6,191	269	24,236
	13,320	7,660	31,880

(b) Amounts recognised in the consolidated statements of comprehensive income

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge			
Properties *(Note 15)*	9,249	8,529	9,843
Interest expenses (included in finance cost) *(Note 11)*	894	557	634
Expenses relating to short-term leases (included in selling and marketing expense and administrative expenses) *(Note 7)*	327	55	115
Cash outflows for lease payments	9,818	8,714	10,890

(c) The Group's leasing activities and how these are accounted for

The Group leases certain offices. Rental contracts for offices are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

(d) Extension and termination options

No termination and extension options are included in the leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

28 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority.

The amounts are shown on the consolidated statements of financial position as follows:

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Deferred income tax assets:			
– to be recovered after more than 12 months	2,535	4,248	6,445
– to be recovered within 12 months	1,210	1,389	2,180
– Set-off of deferred income tax liabilities pursuant to set-off provisions	(132)	(60)	(161)
	3,613	5,577	8,464
Deferred income tax liabilities:			
– to be recovered after more than 12 months	(127)	(64)	–
– to be recovered within 12 months	(155)	(109)	(193)
– Set-off of deferred income tax liabilities pursuant to set-off provisions	132	60	161
	(150)	(113)	(32)
	3,463	5,464	8,432

The movement in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Allowance on doubtful debts	Tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2019	416	680	1,096
Credited to profit or loss	361	2,288	2,649
As at 31 December 2019	777	2,968	3,745
As at 1 January 2020	777	2,968	3,745
Credited to profit or loss	613	1,279	1,892
As at 31 December 2020	1,390	4,247	5,637
As at 1 January 2021	1,390	4,247	5,637
Credited to profit or loss	789	2,199	2,988
As at 31 December 2021	2,179	6,446	8,625

As at 31 December 2019, 2020 and 2021, in accordance with the accounting policy set out in Note 2.19(b), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB11,727,000, RMB10,461,000 and RMB19,232,000, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses shall expire in five years from year of occurrence under current tax legislation, details are as follow.

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Expiry year			
2020	2,011	–	–
2021	204	204	–
2022	543	283	283
2023	4,901	2,842	2,842
2024	4,068	2,938	2,515
2025	–	4,194	3,889
2026	–	–	9,703
	11,727	10,461	19,232

The movement in deferred income tax liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Net of right-of use assets and lease liabilities	Net fair value gain on investments in financial assets at fair value through profit or loss	Revaluation surplus arising from business combinations	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	(180)	(100)	(253)	(533)
Credited to profit or loss	88	100	63	251
As at 31 December 2019	(92)	–	(190)	(282)
As at 1 January 2020	(92)	–	(190)	(282)
Credited/(Charged) to profit or loss	76	(30)	63	109
As at 31 December 2020	(16)	(30)	(127)	(173)
As at 1 January 2021	(16)	(30)	(127)	(173)
(Charged)/credited to profit or loss	(43)	(41)	64	(20)
As at 31 December 2021	(59)	(71)	(63)	(193)

As at 31 December 2019, no deferred income tax liabilities for the withholding tax as there was accumulated losses of the subsidiaries in the PRC.

As at 31 December 2020 and 2021, deferred income tax liabilities of RMB2,509,000 and RMB3,597,000 have not been recognised for the withholding tax that would be payable on the unremitted earnings of subsidiaries in the PRC based on the profits for the year ended 31 December 2020 and 2021, respectively. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and the directors have confirmed that such earnings will not be distributed out of the PRC in the foreseeable future.

29 DIVIDEND

No dividend has been declared by the Company since its incorporation.

No dividend has been declared by the subsidiaries now comprising the Group to their shareholders during the years ended 31 December 2019, 2020 and 2021.

In 2018, Xuan Wu declared dividends of RMB20,393,000 to its then shareholders, of which dividends of RMB10,174,000 had been paid in 2018 and dividends of RMB10,219,000 had been paid in 2019.

30 CASH FLOW INFORMATION

(a) Cash (used in)/generated from operations

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	10,581	27,358	12,480
Adjustments for:			
– Depreciation of property, plant and equipment *(Note 14)*	1,953	1,940	1,948
– Depreciation of right-of-use assets *(Note 15)*	9,249	8,529	9,843
– Amortisation of intangible assets (Note 16)	1,577	2,000	1,797
– Net impairment losses on financial assets *(Note 3.1.2)*	2,888	4,342	5,370
– Losses on disposal of property, plant and equipment *(Note 10)*	–	–	913
– Net gains from early termination of lease agreements and derecognition of right-of-use assets *(Note 10)*	(19)	(24)	–
– Net fair value gains on investment in financial assets at fair value through profit or loss *(Note 10)*	(599)	(539)	(1,209)
– Finance costs – net *(Note 11)*	1,375	2,305	1,827
	27,005	45,911	32,969
Changes in working capital:			
– Contract fulfilment cost	(3,712)	163	2,037
– Contract assets	(109)	(256)	279
– Trade, bill and other receivables and prepayments	(73,808)	(62,991)	(74,272)
– Contract liabilities	4,996	4,743	(2,097)
– Trade and other payables	5,371	48,714	22,937
– Restricted Cash	86	(29)	37
Cash (used in)/generated from operations	(40,171)	36,255	(18,110)

(b) Reconciliation of liabilities generated from financing activities

	Borrowings due within 1 year	Leases liabilities	Dividends payable	Other payables – related parties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	–	17,909	10,219	2,580	30,708
Cash flows					
– Inflow from financing activities	59,890	–	–	–	59,890
– Outflow from financing activities	(20,815)	(9,491)	(10,219)	(2,580)	(43,105)
Non-cash changes					
– Acquisition – leases	–	4,589	–	–	4,589
– Finance expense recognised	–	894	–	–	894
– Decrease from early termination of lease agreements	–	(581)	–	–	(581)
– Accrued dividend	860	–	–	–	860
As at 31 December 2020	39,935	13,320	–	–	53,255
As at 1 January 2020	39,935	13,320	–	–	53,255
Cash flows					
– Inflow from financing activities	102,240	–	–	5	102,245
– Outflow from financing activities	(105,117)	(8,659)	–	–	(113,776)
Non-cash changes					
– Acquisition – leases	–	3,338	–	–	3,338
– Finance expense recognised	–	557	–	–	557
– Decrease from early termination of lease agreements	–	(896)	–	–	(896)
– Accrued interest	2,454	–	–	–	2,454
As at 31 December 2020	39,512	7,660	–	5	47,177
As at 1 January 2021	39,512	7,660	–	5	47,177
Cash flows					
– Inflow from financing activities	88,258	–	–	125	88,383
– Outflow from financing activities	(71,233)	(10,775)	–	(130)	(82,138)
Non-cash changes					
– Acquisition – leases	–	34,361	–	–	34,361
– Finance expense recognised	–	634	–	–	634
– Accrued interest	1,943	–	–	–	1,943
As at 31 December 2021	58,480	31,880	–	–	90,360

31 COMMITMENTS

(a) The Group did not have any material capital commitments or operating leases commitments as at 31 December 2019, 2020 and 2021.

(b) Contingencies

The Group did not have any material contingent liabilities as at 31 December 2019, 2020 and 2021.

32 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

(a) Name and relationship with related parties

Name	Relationship with the Group
Mr. Chen 陳永輝	Controlling shareholder of the Company
Mr. Huang 黃仿傑	Controlling shareholder of the Company
Mr. Li 李海榮	Controlling shareholder of the Company
Mr. Song 宋小虎	Shareholder of the Company
Mr. Xie 謝樂軍	Shareholder of the Company
Mr. Luo Zhijian ("**Mr. Luo**") 羅志堅	Non-controlling shareholder of a subsidiary
Zhenghao Global	A company controlled by Mr. Chen
Honghan Worldwide	A company controlled by Mr. Huang
Double Winner	A company controlled by Mr. Li

* *The English name of the related parties represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.*

(b) Key management compensation

Compensations for key management other than those for directors and as disclosed in Note 33 is set out below.

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other short-term employee benefits	2,724	2,913	3,358

(c) Balances with related parties

The Group

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Other payables			
– Mr. Luo	–	5	–

The other payables due to related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

(d) Financial guarantees provided from shareholders

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Guarantees			
– Mr. Chen, Mr. Song, Mr. Huang, Mr. Li and Mr. Xie	39,935	39,512	58,480

Such guarantees provided by certain shareholders will be replaced by corporate guarantee before or upon the [**REDACTED**].

33 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

Mr. Xu Xin, the non-executive director was appointed on 11 August 2021 and did not receive any emoluments in respect of his services rendered for the Group for the Track Record Period.

Mr. Du Jianqing, Ms. Wu Ruifeng and Prof. Wu Jintao, the independent non-executive directors will be appointed upon [**REDACTED**] and did not receive any emoluments in respect of their services rendered for the Group for the Track Record Period.

Mr. Chen, the chairman, chief executive officer and executive director was appointed on 26 April 2021. Mr. Huang, Mr. Li and Mr. Guo, the executive directors were appointed on 11 August 2021.

The executive directors received emoluments from the Group (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) for the year ended 31 December 2019 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors				
– Mr. Chen	–	415	11	426
– Mr. Huang	–	422	11	433
– Mr. Li	–	458	11	469
– Mr. Guo	–	853	26	879
	–	2,148	59	2,207

The executive directors received emoluments from the Group (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) for the year ended 31 December 2020 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors				
– Mr. Chen	–	396	18	414
– Mr. Huang	–	384	9	393
– Mr. Li	–	386	9	395
– Mr. Guo	–	906	27	933
	–	2,072	63	2,135

The executive directors received emoluments from the Group (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) for the year ended 31 December 2021 as follows:

Name	Fees	Salaries	Housing allowance and contributions to a retirement benefit scheme	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors				
– Mr. Chen	–	618	30	648
– Mr. Huang	–	599	13	612
– Mr. Li	–	613	13	626
– Mr. Guo	–	919	31	950
	–	2,749	87	2,836

(b) Directors' retirement benefits and termination benefits

During the Track Record Period, there were no termination benefit nor no additional retirement benefit received by the directors except for the attributions to a retirement benefit scheme in accordance with the rules and regulations in the PRC.

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

During the Track Record Period, the Group did not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of director, controlled bodies corporate by and connected entities with such director

During the Track Record Period, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of director.

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at 31 December 2019, 2020 and 2021 or at any time during the Track Record Period.

34 EVENT AFTER THE BALANCE SHEET DATE

Since the outbreak of Coronavirus Disease 2019, a series of precautionary and control measures have been and continued to be implemented across the PRC, the Company has actively responded to and strictly implemented various regulations and requirements of the PRC government at all levels for virus epidemic prevention and controls. To ensure both epidemic prevention and production, the Company and its subsidiaries have deployed strict internal management measures to implement epidemic prevention work. As of the date of this report, no significant adverse impact has been found.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2021 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2021.