The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HOWKINGTECH INTERNATIONAL HOLDING LIMITED AND PING AN OF CHINA CAPITAL (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of Howkingtech International Holding Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-69, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the five months ended 31 May 2022 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 May 2022 and the statements of financial position of the Company as at 31 December 2021 and 31 May 2022 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-69 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "**Document**") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 May 2022 and the Company as at 31 December 2021 and 31 May 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 May 2021 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**Underlying Financial Statements**").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
REVENUE	*5*	80,885	127,425	189,552	53,095	82,947
Cost of sales		(44,487)	(76,044)	(110,753)	(35,807)	(53,973)
Gross profit		36,398	51,381	78,799	17,288	28,974
Other income and gains	*5*	3,528	5,405	4,066	1,373	774
Selling and distribution expenses		(2,474)	(1,688)	(2,140)	(534)	(1,183)
Administrative expenses		(14,012)	(15,127)	(28,258)	(7,856)	(16,496)
Impairment losses on financial and contract assets, net		(3,019)	(4,823)	(11,478)	(2,513)	(764)
Other expenses		(98)	(1,989)	(421)	(650)	–
Finance costs	*7*	(1,688)	(366)	(500)	(231)	(127)
PROFIT BEFORE TAX	*6*	18,635	32,793	40,068	6,877	11,178
Income tax expense	*10*	(1,284)	(4,240)	(5,688)	(560)	(651)
PROFIT FOR THE YEAR/PERIOD		17,351	28,553	34,380	6,317	10,527
Attributable to:						
Owners of the parent		17,351	28,553	34,380	6,317	10,527
OTHER COMPREHENSIVE INCOME/(LOSS)						
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		–	–	(486)	(385)	414
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		–	–	(486)	(385)	414
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		17,351	28,553	33,894	5,932	10,941

		Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		17,351	28,553	33,894	5,932	10,941
Attributable to:						
Owners of the parent		17,351	28,553	33,894	5,932	10,941
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	*12*	0.02	0.04	0.04	0.01	0.01

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 May
		2019	2020	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	3,330	3,768	4,251	3,771
Right-of-use assets	*14(a)*	1,972	496	3,162	2,536
Other intangible assets	*15*	73	58	167	170
Deferred tax assets	*26*	2,353	2,270	4,044	4,216
Trade and notes receivables	*17*	2,711	1,394	–	–
Contract assets	*18*	982	911	1,558	1,933
Deposits	*19*	166	–	170	170
Total non-current assets		11,587	8,897	13,352	12,796
CURRENT ASSETS					
Inventories	*16*	2,060	3,067	2,507	3,265
Trade and notes receivables	*17*	71,887	120,945	140,751	167,541
Contract assets	*18*	70	107	6,620	7,168
Prepayments, other receivables and other assets	*19*	610	1,435	102,897	8,235
Financial assets at fair value through profit or loss	*21*	26,060	1,344	–	5,038
Restricted deposits	*22*	233	233	233	–
Cash and cash equivalents	*22*	7,458	28,807	86,337	26,915
Total current assets		108,378	155,938	339,345	218,162
CURRENT LIABILITIES					
Trade payables	*23*	19,847	23,323	27,161	36,743
Other payables and accruals	*24*	13,738	11,328	161,847	20,956
Interest-bearing bank borrowings	*25*	2,352	7,231	3,000	5,000
Lease liabilities	*14(b)*	1,581	534	1,450	1,503
Tax payable		394	2,989	4,422	1,647
Government grants		143	101	–	–
Total current liabilities		38,055	45,506	197,880	65,849
NET CURRENT ASSETS		70,323	110,432	141,465	152,313
TOTAL ASSETS LESS CURRENT LIABILITIES		81,910	119,329	154,817	165,109

		As at 31 December			As at 31 May
		2019	**2020**	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		81,910	119,329	154,817	165,109
NON-CURRENT LIABILITIES					
Lease liabilities	*14(b)*	534	–	1,783	1,134
Government grants		134	34	–	–
Total non-current liabilities		668	34	1,783	1,134
Net assets		81,242	119,295	153,034	163,975
EQUITY					
Equity attributable to owners of the parent					
Issued capital	*27*	–	–	64	64
Share premium	*27*	–	–	117,336	117,336
Reserves	*28*	81,242	119,295	35,634	46,575
Total equity		81,242	119,295	153,034	163,975

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent			
	Issued capital	**Capital reserve***	**(Accumulated losses)/ retained profits***	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
At 1 January 2019	–	50,768	(30,377)	20,391
Profit for the year	–	–	17,351	17,351
Total comprehensive income for the year	–	–	17,351	17,351
Capital injection from shareholders *(note a)*	–	43,500	–	43,500
At 31 December 2019	–	94,268	(13,026)	81,242
Year ended 31 December 2020				
At 1 January 2020	–	94,268	(13,026)	81,242
Profit for the year	–	–	28,553	28,553
Total comprehensive income for the year	–	–	28,553	28,553
Capital injection from shareholders *(note b)*	–	9,500	–	9,500
At 31 December 2020	–	103,768	15,527	119,295

	Attributable to owners of the parent					
	Issued capital	Share premium	Capital reserve*	Exchange fluctuation reserve*	Retained profits*	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021						
At 1 January 2021	–	–	103,768	–	15,527	119,295
Profit for the year	–	–	–	–	34,380	34,380
Exchange differences on translation of foreign operations	–	–	–	(486)	–	(486)
Total comprehensive income for the year	–	–	–	(486)	34,380	33,894
Issue of shares *(note 27)*	64	117,336	–	–	–	117,400
Capital reduction *(note c)*	–	–	(66,934)	–	(41,466)	(108,400)
Acquisition of equity interest from the then shareholders	–	–	(9,155)	–	–	(9,155)
At 31 December 2021	64	117,336	27,679	(486)	8,441	153,034
Period ended 31 May 2022						
At 1 January 2022	64	117,336	27,679	(486)	8,441	153,034
Profit for the period	–	–	–	–	10,527	10,527
Exchange differences on translation of foreign operations	–	–	–	414	–	414
Total comprehensive income for the period	–	–	–	414	10,527	10,941
At 31 May 2022	64	117,336	27,679	(72)	18,968	163,975
Period ended 31 May 2021						
At 1 January 2021	–	–	103,768	–	15,527	119,295
Profit for the period (Unaudited)	–	–	–	–	6,317	6,317
Exchange differences on translation of foreign operations (Unaudited)	–	–	–	(385)	–	(385)
Total comprehensive income for the period (Unaudited)	–	–	–	(385)	6,317	5,932
At 31 May 2021 (Unaudited)	–	–	103,768	(385)	21,844	125,227

* These reserve accounts comprise the consolidated reserves of RMB81,242,000, RMB119,295,000, RMB35,634,000 and RMB46,575,000 in the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively.

Notes:

(a) In October and December 2019, Nanjing Howking Technology Co., Ltd. (南京濠暻通訊科技有限公司) ("**Nanjing Howking**") increased its registered capital by RMB1,778,000 from RMB10,111,000 to RMB11,889,000. Ms. Wang Zheshi subscribed for RMB444,000 of the increased registered capital at a consideration of RMB444,000. Ms. Jin Yan subscribed for RMB556,000 of the increased registered capital at a consideration of RMB556,000. Haining Dongzheng Hande Investment Partnership (L.P.) (海寧東證漢德投資合夥企業(有限合夥)) subscribed for RMB315,000 of the increased registered capital at a consideration of RMB17,000,000. Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership (L.P.) (寧波梅山保税港區東證夏德投資合夥企業(有限合夥)) subscribed for RMB296,000 of the increased registered capital at a consideration of RMB16,000,000. Shenzhen Huixin Qianhai Equity Investment (L.P.) (深圳匯信前海股權投資企業(有限合夥)) subscribed for RMB167,000 of the increased registered capital at a consideration of RMB9,500,000.

(b) In January 2020, Nanjing Howking increased its registered capital by RMB185,000 from RMB11,889,000 to RMB12,074,000. Shenzhen Huixin Qianhai Equity Investment (L.P.) subscribed for the entire increased registered capital at a consideration of RMB9,500,000.

(c) In December 2021, Nanjing Howking decreased its registered capital by RMB2,007,000 from RMB12,074,000 to RMB10,067,000. Li Zhangpeng decreased his entire registered capital at a consideration of RMB12,000,000. Zhangzhou Merchants Economic Development District HeZe Limited Partnership (漳州招商局經濟技術開發區合澤股權投資合夥企業(有限合夥)) decreased its entire registered capital at a consideration of RMB8,400,000. Ningbo Qipu Growth Ruiying Investment Management Partnership (limited partnership) (寧波啟浦成長睿贏投資管理合夥企業(有限合夥)) decreased its entire registered capital at a consideration of RMB6,000,000. Shenzhen Huixin Qianhai Equity Investment (L.P.) decreased its entire registered capital at a consideration of RMB39,000,000. Shenzhen Zhichen Wuqi Venture Investment Partnership (Limited Partnership) (深圳智宸五期創業投資合夥企業(有限合夥)) decreased its entire registered capital at a consideration of RMB10,000,000. Haining Dongzheng Hande Investment Partnership (L.P.) decreased its entire registered capital at a consideration of RMB17,000,000. Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership (L.P.) decreased its entire registered capital at a consideration of RMB16,000,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		18,635	32,793	40,068	6,877	11,178
Adjustments for:						
Finance costs	*7*	1,688	366	500	231	127
Interest income arising from revenue contracts	*5*	(330)	(251)	(172)	(72)	(37)
Other interest income	*5*	(816)	(908)	(30)	(22)	(21)
Fair value gains	*5*	(60)	(44)	–	–	(38)
Foreign exchange differences, net		(128)	1,875	353	643	(149)
Loss on disposal of items of property, plant and equipment	*6*	–	–	59	1	–
Depreciation of property, plant and equipment	*13*	952	992	1,180	418	572
Depreciation of right-of-use assets	*14(a)*	1,172	1,476	1,476	615	626
Amortisation of government grants		(973)	(142)	(1,635)	(43)	–
Amortisation of other intangible assets	*15*	1	15	17	6	23
Impairment of trade and notes receivables	*17*	3,029	4,825	11,187	2,506	765
Impairment/(Reversal of impairment) of contract assets	*18*	(10)	(2)	291	7	(1)
Operating cash flows before movements in working capital		23,160	40,995	53,294	11,167	13,045
Decrease/(increase) in inventories		948	(1,007)	560	(4,963)	(758)
Increase in trade and notes receivables		(43,584)	(53,050)	(29,800)	(17,198)	(27,302)
Decrease/(increase) in prepayments, other receivables and other assets		857	(236)	(2,419)	(1,270)	(655)
Decrease/(increase) in contract assets		44	36	(7,451)	(135)	(922)
Decrease in restricted deposits		–	–	–	–	233
Increase in trade payables		12,663	3,476	3,838	19,035	9,582
Increase/(decrease) in other payables and accruals		3,082	(2,590)	3,447	(3,387)	5,531
Increase in government grants		250	–	1,500	–	–
Cash (used in)/generated in operations		(2,580)	(12,376)	22,969	3,249	(1,246)
Income tax paid		(1,166)	(1,562)	(6,029)	(3,536)	(3,598)
Net cash flows (used in)/from operating activities		(3,746)	(13,938)	16,940	(287)	(4,844)
Net cash flows (used in)/from operating activities		(3,746)	(13,938)	16,940	(287)	(4,844)

		Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		1,232	1,196	74	66	21
Purchases of items of property, plant and equipment inventory		(649)	(1,250)	(1,797)	(386)	(198)
Additions to other intangible assets	*15*	(74)	–	(126)	–	(26)
Proceeds from disposal of items of property, plant and equipment		–	–	1	–	–
Purchases of financial assets at fair value through profit or loss		(50,500)	(129,000)	(8,800)	(8,200)	(10,000)
Disposal of financial assets at fair value through profit or loss		25,540	153,700	10,100	9,500	5,000
Loans to a director	*31(a)*	(281)	(105)	(20,414)	(17,272)	–
Repayment of loans to directors		803	9	20,510	96	–
Loans to related parties	*31(a)*	(7,180)	–	(955)	–	–
Repayment of loans to related parties		19,635	–	–	–	955
Net cash flows (used in)/from investing activities		(11,474)	24,550	(1,407)	(16,196)	(4,248)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from issue of shares		–	–	21,000	–	96,400
Capital injection from shareholders		43,500	9,500	–	–	–
Capital reduction		–	–	(12,000)	–	(96,400)
New bank loans		2,352	7,231	9,100	5,100	5,000
Repayment of bank loans		–	(2,352)	(13,331)	(4,231)	(3,000)
Loans from a related party	*31(a)*	5,740	–	–	–	–
Loans from a director	*31(a)*	–	–	40,880	–	–
Acquisition of equity interest from the then shareholders		–	–	–	–	(9,155)
Repayment of loans from related parties		(33,131)	(9)	–	–	–
Repayment of loans from a director		–	–	–	–	(40,880)
Interest paid		(4,173)	(290)	(377)	(184)	(66)
Lease payments		(1,251)	(1,648)	(1,575)	(671)	(655)
Payments for deferred [**REDACTED**]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash flows from/(used in) financing activities		13,037	12,105	42,463	(92)	(50,677)

		Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(2,183)	22,717	57,996	(16,575)	(59,769)
Cash and cash equivalents at beginning of year/period		9,581	7,458	28,807	28,807	86,337
Effect of foreign exchange rate changes, net		60	(1,368)	(466)	(162)	347
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		7,458	28,807	86,337	12,070	26,915
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*22*	7,458	28,807	86,337	12,070	26,915
Cash and cash equivalents as stated in the consolidated statements of cash flows and consolidated statements of financial position		7,458	28,807	86,337	12,070	26,915

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2021	As at 31 May
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Investments in a subsidiary		–	117,379
Total non-current assets		–	117,379
CURRENT ASSETS			
Cash and cash equivalents		–	3
Due from subsidiaries	*31(c)*	20,970	–
Other receivables		96,400	–
Total current assets		117,370	3
CURRENT LIABILITIES			
Due to a subsidiary	*31(c)*	–	1
Total current liabilities		–	1
NET CURRENT ASSETS		117,370	2
TOTAL ASSETS LESS CURRENT LIABILITIES		117,370	117,381
Net assets		117,370	117,381
EQUITY			
Issued capital	*27*	64	64
Share premium	*27*	117,336	117,336
Reserves	*28*	(30)	(19)
Total equity		117,370	117,381

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 August 2021. The registered office of the Company is located at the offices of Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods and the five months ended 31 May 2021, the Company's subsidiaries were principally involved in providing Internet of Thing ("**IoT**") solutions and telecommunication equipment.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Howkingtech (BVI) Limited *(note (a))*	British Virgin Islands 3 September 2021	US$1	100%	–	Investment holding
Parka Aragon Holding Limited *(note (a))*	British Virgin Islands 13 October 2021	US$1	100%	–	Investment holding
HowKingTech Hong Kong Limited ("**Howking Hong Kong**") *(note (b))*	Hong Kong 17 September 2021	HK$1	–	100%	Investment holding
Parka Aragon Hong Kong Limited *(note (c))*	Hong Kong 27 October 2021	HK$1	–	100%	Investment holding
Nanjing Howking* *(note (d))*	People's Republic of China ("PRC"))/ Mainland China 29 September 2013	RMB127,466,667	–	100%	Research and development and sale of antenna system products, 5G equipment and other devices

Name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shenzhen M2Micro Electronics Co., Ltd. ("**Shenzhen M2M**") (深圳市物聯微電子有限公司)* *(note (e))*	PRC/Mainland China 17 April 2012	RMB10,000,000	–	100%	Research and development and provision of IoT solutions and assembly of antenna products
HongKong HowKing Technology Limited *(note (c))*	Hong Kong 23 January 2020	HK$31,192,800	–	100%	Import and export trade

Notes:

(a) No audited financial statements have been prepared for these entities since their dates of incorporation/establishment.

(b) The entity is a limited liability enterprises established under Hong Kong law. No audited financial statements have been prepared for these entities since their dates of incorporation/establishment. As at 31 May 2022, in the opinion of the directors, theses balances due from Howking Hong Kong of RMB117,379,000 are unlikely to be repaid in the foreseeable future and considered as part of the Group's net investments in the subsidiary.

(c) These entities are limited liability enterprises established under Hong Kong law. No audited financial statements have been prepared for these entities since their dates of incorporation/establishment.

(d) The entity is a wholly-foreign-owned enterprise established under PRC law. The financial statements of Nanjing Howking for the year ended 31 December 2019 prepared under PRC Generally Accepted Accounting Principles ("**PRC GAAP**") were audited by Jiangsu Guode Certified Public Accountants Co., Ltd. (江蘇國德會計師事務所有限公司), certified public accountants registered in the PRC. The financial statements of Nanjing Howking for the year ended 31 December 2020 prepared under PRC GAAP were audited by Jiangsu Zhongtian China Certified Public Accountants Co., Ltd. (江蘇中天華夏會計師事務所有限公司), certified public accountants registered in the PRC. The financial statements of Nanjing Howking for the year ended 31 December 2021 prepared under PRC GAAP were audited by Shandong Zhunze Certified Public Accountants (General Partnership) (山東準則會計師事務所(普通合夥)), certified public accountants registered in the PRC.

(e) The entity is a limited liability enterprise established under PRC law. The financial statements of Shenzhen M2M for the year ended 31 December 2019 prepared under PRC GAAP were audited by Shenzhen Sunrise Certified Public Accountants (General Partnership) (深圳日成會計師事務所(普通合夥)), certified public accountants registered in the PRC. The financial statements of Shenzhen M2M for the year ended 31 December 2020 and 2021 prepared under PRC GAAP were audited by Shenzhen Sijie Accounting Firm (General Partnership) (深圳思傑會計師事務所(普通合夥)), certified public accountants registered in the PRC.

* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group on 16 December 2021. As the Reorganisation only involved inserting new holding companies at the top of an existing company and has not resulted in any change of economic substances, the Historical Financial Information and the Interim Financial Information have been presented as a continuation of the existing Group using the pooling of interests method as if the group structure had been in place at the beginning of the Relevant Periods.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the five months ended 31 May 2021 are prepared as if the current group structure had been in existence throughout the Relevant Periods and the five months ended 31 May 2021. The consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 May 2022 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted on a consistent basis by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the five months ended 31 May 2021.

The Historical Financial Information have been prepared under the historical cost convention, except for financial assets measured at fair value through profit or loss which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 4]
Amendment to HKFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[1, 3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]

Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] No mandatory effective date yet determined but available for adoption

[3] As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

[4] As a consequence of the amendment to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Fair value measurement

The Group measures unlisted investments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years/periods. A reversal of such an impairment loss is credited to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statements of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of items of property, plant and equipment, other than mining infrastructure is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Machinery	10.0%~33.0%
Office equipment	20.0%~33.0%
Motor vehicles	25.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year/period end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statements of profit or loss and other comprehensive income in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year/period end.

Software

Software is stated at cost less any impairment losses and its amortised on the straight-line basis over its estimated useful lives of 2 to 5 years.

Research and development costs

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

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

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant and office premises	2-3years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statements of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables or notes receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially 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. Trade receivables or notes receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statements of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables, notes receivable and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables, notes receivable and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its peer group's expected credit loss, adjusted for factors specific to the debtors and the economic environment.

For trade receivables, notes receivable and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at a nominal amount.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Provision of IoT solutions

Revenue from IoT solutions is recognised at the point in time when control of the assets or services is transferred to the customers and customer acceptance is acquired.

Sales of telecommunication equipment

Revenue from the sale of telecommunication equipment is recognised at the point in time when control of the assets is transferred to the customers, generally on delivery of the products.

Others

Revenue from consulting, maintenance and other services is generally recognised at the point in time when control of the assets or services is transferred to the customers and customer acceptance is acquired, or over the scheduled period on a straight-line basis or over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension schemes

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to profit or loss as incurred.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency for the presentation of the Historical Financial Information and the Interim Financial Information. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their profits or losses are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statements of profit or loss and other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables, notes receivable and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables, notes receivable and contract assets. The provision matrix is initially based on the expected credit loss rates of peer group. The Group will calibrate the matrix to adjust the expected credit loss with factors that are specific to the debtors and the economic environment. For peer group's assessment, the Group takes into consideration the ECLs accounting policy, business nature and revenue size. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

The assessment of ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The peer group's expected credit loss may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables, notes receivable and contract assets is disclosed in note 17 and note 18 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019, 2020 and 2021 and 31 May 2022. The amounts of unrecognised tax losses at 31 December 2019, 2020 and 2021 and 31 May 2022 were RMB6,285,000, RMB5,091,000, RMB2,667,000 and nil, respectively. Further details are contained in note 26 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) Revenue from external customers

	Year ended 31 December			**Five months ended 31 May**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Mainland China	60,435	103,818	149,725	32,761	76,357
Other countries	20,450	23,607	39,827	20,334	6,590
	80,885	127,425	189,552	53,095	82,947

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 December			**As at 31 May**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mainland China	5,375	4,322	7,580	6,477

The non-current asset information above is based on the locations of the assets and excludes financial instruments, contract assets and deferred tax assets.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the Relevant Periods and the five months ended 31 May 2021 is set out below:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Customer 1	13,220	13,178	24,312	10,669	N/A*
Customer 2	N/A	N/A	42,047	N/A	13,652
Customer 3	16,935	N/A*	19,493	N/A	10,765
Customer 4	13,596	N/A*	N/A*	N/A	N/A*
Customer 5	N/A	40,543	N/A*	N/A	N/A*
Customer 6	N/A	32,301	N/A*	N/A	N/A
Customer 7	N/A	N/A	22,024	22,024	N/A
Customer 8	N/A*	N/A*	N/A*	9,665	N/A*
Customer 9	N/A	N/A	N/A	N/A	44,235
Customer 10	N/A*	N/A*	N/A*	6,509	N/A

* Less than 10%

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue from contracts with customers	80,885	127,425	189,552	53,095	82,947

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Types of goods or services					
Provision of IoT solutions	41,719	75,518	123,298	29,614	29,576
Sales of telecommunication equipment	31,252	41,931	59,969	23,481	52,690
Others	7,914	9,976	6,285	–	681
Total revenue from contracts with customers	80,885	127,425	189,552	53,095	82,947

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Timing of revenue recognition					
Goods/services transferred at a point in time	77,201	127,425	186,290	53,095	82,281
Services transferred over time	3,684	–	3,262	–	666
Total revenue from contracts with customers	80,885	127,425	189,552	53,095	82,947

The following table shows the amounts of revenue recognised during the Relevant Periods and the five months ended 31 May 2021 that were included in the contract liabilities at the beginning of the Relevant Periods and the five months ended 31 May 2021 and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year/period:					
Provision of IoT solutions	–	–	298	298	–

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Provision of IoT solutions

The performance obligation is satisfied at a point in time when customer acceptance is acquired, and payment is generally due between 3 to 300 days from the final acceptance, depending on the specific payment terms in each contract.

Sales of telecommunication equipment

The performance obligation is satisfied upon delivery of goods and payment is generally due within 6 months from delivery.

Others

Generally, the performance obligation is satisfied at a point in time when customer acceptance is acquired, and payment is generally due within 3 months from the final acceptance. For certain contracts, the performance obligation is satisfied over time as services are rendered and billed based on the time incurred.

As at the end of each of the Relevant Periods, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

An analysis of other income and gains is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Other income					
Bank interest income	12	20	19	2	38
Interest income arising from revenue contracts	330	251	172	72	37
Other interest income from loans to related parties	771	–	–	–	–
Other interest income from financial assets at fair value through profit or loss	45	908	30	22	21
Government grants*	1,223	3,508	3,845	1,277	427
	2,381	4,687	4,066	1,373	523
Gains					
Gain on disposal of items of inventories	–	653	–	–	–
Fair value gains, net: Financial assets at fair value through profit or loss – mandatorily classified as such, including those held for trading	60	44	–	–	38
Gain on liquidation of subsidiaries	955	14	–	–	59
Foreign exchange gain	128	–	–	–	149
Others	4	7	–	–	5
	1,147	718	–	–	251
	3,528	5,405	4,066	1,373	774

* The government grants mainly represent incentives awarded by the local governments to support the Group's operation. The Group has some lease contracts with governments for office premises used in its operations, which are rent free as non-monetary grants. These non-monetary grants are recorded at a nominal amount and the fair value is RMB408,000, RMB422,000, RMB1,209,000, RMB451,000 and RMB535,000 respectively, for the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022.

The government grants received for which the related expenditure has not yet incurred are included in government grants in the statements of financial position. There were no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cost of inventories sold		23,731	28,394	41,508	15,601	38,710
Cost of services provided		20,756	47,650	69,245	20,206	15,263
Depreciation of property, plant and equipment*	*13*	952	992	1,180	418	572
Depreciation of right-of-use assets*	*14(a)*	1,172	1,476	1,476	615	626
Amortisation of other intangible assets*	*15*	1	15	17	6	23
Research and development costs		7,672	7,042	9,791	3,902	5,284
Lease payments not included in the measurement of lease liabilities	*14(c)*	35	43	17	14	7
[**REDACTED**]		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):						
Wages and salaries		9,306	8,493	11,188	4,073	5,735
Pension scheme contributions**		869	94	410	157	513
Staff welfare expenses		1,366	827	926	245	563
		11,541	9,414	12,524	4,475	6,811
Foreign exchange differences, net		(128)	1,875	353	643	(149)
Impairment of trade and notes receivables, net	*17*	3,029	4,825	11,187	2,506	708
Impairment/(reversal of impairment) of contract assets, net	*18*	(10)	(2)	291	7	(1)
Fair value gains, net:						
Financial assets at fair value through profit or loss	*5*	(60)	(44)	–	–	(38)
Gain on liquidation of subsidiaries	*5*	(955)	(14)	–	–	59
Loss on disposal of items of property, plant and equipment		–	–	59	1	–
Bank interest income	*5*	(12)	(20)	(19)	(2)	(38)
Government grants	*5*	(1,223)	(3,508)	(3,845)	(1,277)	(427)
Gain on disposal of items of inventories	*5*	–	(653)	–	–	–

* The deprecation of property, plant and equipment and right-of-use assets and the amortisation of other intangible assets are included in "Inventories" and, "Cost of sales", "Selling and distribution expenses" and "Administrative expenses" in profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on loans from a related party	1,580	–	–	–	–
Interest on bank loans	6	299	368	185	68
Interest on lease liabilities	102	67	132	46	59
	1,688	366	500	231	127

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any non-executive directors nor independent non-executive directors at any time during the Relevant Periods and the five months ended 31 May 2021.

Mr. Chen Ping, Ms. Wang Zheshi and Mr. Feng Yijing were appointed as executive directors of the Company in August 2021, while Mr. Chen Ping was appointed as the chief executive of the Company. Mr. Wang Jun was appointed as an executive director of the Company in December 2021. Directors received remuneration from subsidiaries now comprising the Group as directors of these subsidiaries. The remuneration of each of these directors for the Relevant Periods and the five months ended 31 May 2021 is set out below:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	618	1,036	1,979	699	1,116
Pension scheme contributions	38	15	97	36	57
	656	1,051	2,076	735	1,173

(a) Executive directors

	Salaries, bonuses, allowances and benefits in kind	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2019			
Executive directors:			
Wang Zheshi	129	14	143
Feng Yijing	489	24	513
	618	38	656

	Salaries, bonuses, allowances and benefits in kind	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2020			
Executive director and chief executive:			
Chen Ping	208	–	208
Executive directors:			
Wang Zheshi	129	12	141
Feng Yijing	699	3	702
	828	15	843
	1,036	15	1,051

There was no fees and other emoluments payable to the executive director and chief executive, Chen Ping, before October 2020.

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2021			
Executive director and chief executive:			
Chen Ping	846	38	884
Executive directors:			
Wang Zheshi	129	14	143
Feng Yijing	856	38	894
Wang Jun	148	7	155
	1,133	59	1,192
	1,979	97	2,076

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Five months ended 31 May 2021 (Unaudited)			
Executive director and chief executive:			
Chen Ping	351	15	366
Executive directors:			
Wang Zheshi	51	6	57
Feng Yijing	297	15	312
Wang Jun	–	–	–
	348	21	369
	699	36	735

	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*
Five months ended 31 May 2022			
Executive director and chief executive:			
Chen Ping	354	17	371
Executive directors:			
Wang Zheshi	54	6	60
Feng Yijing	408	17	425
Wang Jun	300	17	317
	762	40	802
	1,116	57	1,173

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the five months ended 31 May 2021.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the five months ended 31 May 2021 included one, one, two, three and two directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining four, four, three, two and three highest paid employees, respectively, who are neither a director nor chief executive of the Company for the Relevant Periods and the five months ended 31 May 2021 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	1,558	1,241	1,292	524	557
Pension scheme contributions	159	61	110	41	34
	1,717	1,302	1,402	565	591

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Nil to HK$1,000,000	4	4	3	3	2

10. INCOME TAX

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the Relevant Periods and the five months ended 31 May 2021.

The provision for current income tax in Mainland China is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

Nanjing Howking and Shenzhen M2M were recognised as a High and New Technology Enterprise and entitled to a preferential income tax rate of 15% from 2019 to 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years. The renewal of such qualification for 2022 to 2024 is in process and expected to be obtained in November 2022.

Shenzhen Howking is entitled to a preferential income tax rate of 5% for the taxable income less than or equal to RMB1,000,000 during the year ended 31 December 2019, 2020 and 2021. Shenzhen Howking was deregistered in April 2022.

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Current	830	4,157	7,462	1,085	823
Deferred *(note 26)*	454	83	(1,774)	(525)	(172)
Total tax charge for the year/period	1,284	4,240	5,688	560	651

A reconciliation of the tax expense applicable to profit before tax at the statutory rates in Mainland China to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before tax	18,635	32,793	40,068	6,877	11,178
Tax at the statutory tax rate	4,659	8,198	10,043	1,720	2,795
Lower tax rate enacted by local authority	(1,775)	(3,252)	(4,038)	(679)	(1,167)
Expenses not deductible for tax	363	25	898	2	628
Additional deductible allowance for research and development costs	(721)	(745)	(1,228)	(487)	(725)
Tax losses/deductible temporary differences utilised from previous periods	(1,251)	–	–	–	(26)
Tax losses not recognised	9	14	13	4	–
Others	–	–	–	–	(854)
Tax charge/(credit) at the Group's effective tax rate	1,284	4,240	5,688	560	651

11. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the earnings attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 772,789, 772,789, 785,854, 999,874 and 772,789 in issue during the Relevant Periods and the five months ended 31 May 2021, respectively, on the assumption that 772,789 ordinary shares were deemed to have been issued from 1 January 2019.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019				
At 1 January 2019:				
Cost	5,638	294	230	6,162
Accumulated depreciation	(2,145)	(230)	(154)	(2,529)
Net carrying amount	3,493	64	76	3,633
At 1 January 2019, net of accumulated depreciation	3,493	64	76	3,633
Additions	323	326	–	649
Depreciation provided during the year	(805)	(92)	(55)	(952)
At 31 December 2019, net of accumulated depreciation	3,011	298	21	3,330
At 31 December 2019:				
Cost	5,961	620	230	6,811
Accumulated depreciation	(2,950)	(322)	(209)	(3,481)
Net carrying amount	3,011	298	21	3,330

	Leasehold improvements	Machinery	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2020					
At 1 January 2020:					
Cost	–	5,961	620	230	6,811
Accumulated depreciation	–	(2,950)	(322)	(209)	(3,481)
Net carrying amount	–	3,011	298	21	3,330
At 1 January 2020, net of accumulated depreciation	–	3,011	298	21	3,330
Additions	1,267	87	76	–	1,430
Depreciation provided during the year	(35)	(817)	(131)	(9)	(992)
At 31 December 2020, net of accumulated depreciation	1,232	2,281	243	12	3,768
At 31 December 2020:					
Cost	1,267	6,048	696	230	8,241
Accumulated depreciation	(35)	(3,767)	(453)	(218)	(4,473)
Net carrying amount	1,232	2,281	243	12	3,768

	Leasehold improvements	Machinery	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021					
At 1 January 2021:					
Cost	1,267	6,048	696	230	8,241
Accumulated depreciation	(35)	(3,767)	(453)	(218)	(4,473)
Net carrying amount	1,232	2,281	243	12	3,768
At 1 January 2021, net of accumulated depreciation	1,232	2,281	243	12	3,768
Additions	29	1,127	227	340	1,723
Disposal	–	(46)	(2)	(12)	(60)
Depreciation provided during the year	(430)	(575)	(168)	(7)	(1,180)
At 31 December 2021, net of accumulated depreciation	831	2,787	300	333	4,251
At 31 December 2021:					
Cost	1,296	6,329	786	340	8,751
Accumulated depreciation	(465)	(3,542)	(486)	(7)	(4,500)
Net carrying amount	831	2,787	300	333	4,251

	Leasehold improvements	Machinery	Office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 May 2022					
At 1 January 2022:					
Cost	1,296	6,329	786	340	8,751
Accumulated depreciation	(465)	(3,542)	(486)	(7)	(4,500)
Net carrying amount	831	2,787	300	333	4,251
At 1 January 2022, net of accumulated depreciation	831	2,787	300	333	4,251
Additions	-	48	44	-	92
Depreciation provided during the period	(180)	(280)	(78)	(34)	(572)
At 31 May 2022, net of accumulated depreciation	651	2,555	266	299	3,771
At 31 May 2022:					
Cost	1,296	6,377	830	340	8,843
Accumulated depreciation	(645)	(3,822)	(564)	(41)	(5,072)
Net carrying amount	651	2,555	266	299	3,771

14. LEASES

The Group as a lessee

The Group has lease contracts for plant and office premises used in its operations. Leases of plant and office premises generally have lease terms between 2 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

	Plant and office premises
	RMB'000
As at 1 January 2019	2,479
Additions	665
Depreciation charge *(note 6)*	(1,172)
As at 31 December 2019 and 1 January 2020	1,972
Depreciation charge *(note 6)*	(1,476)
As at 31 December 2020 and 1 January 2021	496
Additions	4,142
Depreciation charge *(note 6)*	(1,476)
As at 31 December 2021 and 1 January 2022	3,162
Depreciation charge *(note 6)*	(626)
As at 31 May 2022	2,536

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	Year ended 31 December			Five months ended 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	2,599	2,115	534	3,233
New leases	665	–	4,142	–
Accretion of interest recognised during the year/period	102	67	132	59
Payments	(1,251)	(1,648)	(1,575)	(655)
Carrying amount at the end of the year/period	2,115	534	3,233	2,637
Analysed into:				
Current portion	1,581	534	1,450	1,503
Non-current portion	534	–	1,783	1,134

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Interest on lease liabilities	102	67	132	46	59
Depreciation charge of right-of-use assets	1,172	1,476	1,476	615	626
Expenses relating to short term leases (included in administrative expenses)	35	43	17	14	7
Total amount recognised in profit or loss	1,309	1,586	1,625	675	692

(d) The total cash outflow for leases is disclosed in note 29(c).

15. OTHER INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2019	
At 1 January 2019:	
Cost	19
Accumulated amortisation	(19)
Net carrying amount	–
Cost at 1 January 2019, net of accumulated amortisation	–
Addition	74
Amortisation provided during the year	(1)
At 31 December 2019	73
At 31 December 2019:	
Cost	93
Accumulated amortisation	(20)
Net carrying amount	73
31 December 2020	
At 1 January 2020:	
Cost	93
Accumulated amortisation	(20)
Net carrying amount	73
Cost at 1 January 2020, net of accumulated amortisation	73
Amortisation provided during the year	(15)
At 31 December 2020	58
At 31 December 2020:	
Cost	93
Accumulated amortisation	(35)
Net carrying amount	58

	Software
	RMB'000
31 December 2021	
At 1 January 2021:	
Cost	93
Accumulated amortisation	(35)
Net carrying amount	58
Cost at 1 January 2021, net of accumulated amortisation	58
Additions	126
Amortisation provided during the year	(17)
At 31 December 2021	167
At 31 December 2021:	
Cost	219
Accumulated amortisation	(52)
Net carrying amount	167
31 May 2022	
At 1 January 2022:	
Cost	219
Accumulated amortisation	(52)
Net carrying amount	167
Cost at 1 January 2022, net of accumulated amortisation	167
Additions	26
Amortisation provided during the period	(23)
At 31 May 2022	170
At 31 May 2022:	
Cost	226
Accumulated amortisation	(56)
Net carrying amount	170

16. INVENTORIES

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	574	649	1,418	1,701
Work in progress	550	1,524	685	730
Finished goods	936	894	404	834
	2,060	3,067	2,507	3,265

17. TRADE AND NOTES RECEIVABLES

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	80,953	133,519	163,118	189,580
Notes receivables measure at amortised cost	–	–	–	1,036
Impairment	(6,355)	(11,180)	(22,367)	(23,075)
	74,598	122,339	140,751	167,541
Trade and notes receivables analysed into:				
Current	71,887	120,945	140,751	167,541
Non-current	2,711	1,394	–	–

The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 to 300 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing except the trade receivables generated from a contract which contains a significant financing component with a five-year credit period.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date and net of loss allowance, is as follows:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	52,205	84,019	68,857	98,703
1 to 2 years	22,278	29,557	47,387	49,705
2 to 3 years	115	8,763	19,859	14,238
3 to 4 years	–	–	4,648	2,563
4 to 5 years	–	–	–	1,296
	74,598	122,339	140,751	166,505

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	3,326	6,355	11,180	22,367
Impairment losses, net *(note 6)*	3,029	4,825	11,187	765
Amount written off as uncollectible	–	–	–	(57)
At end of year/period	6,355	11,180	22,367	23,075

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 all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The provision rates are based on its peer group's expected credit loss rate and ageing for groupings of various customer with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

	Gross carrying amount	**Expected credit loss rate**	**Expected credit loss**
	RMB'000	*%*	*RMB'000*
Individually assessed:			
Credit risk increased significantly	2,037	100.00%	2,037
Collectively assessed:			
Less than 1 year	54,318	3.89%	2,113
1 to 2 years	24,444	8.86%	2,166
2 to 3 years	154	25.32%	39
	80,953		6,355

As at 31 December 2020

	Gross carrying amount	**Expected credit loss rate**	**Expected credit loss**
	RMB'000	*%*	*RMB'000*
Individually assessed:			
Credit risk increased significantly	2,037	100.00%	2,037
Collectively assessed:			
Less than 1 year	87,575	4.06%	3,556
1 to 2 years	32,871	10.08%	3,314
2 to 3 years	11,036	20.60%	2,273
	133,519		11,180

As at 31 December 2021

	Gross carrying amount	**Expected credit loss rate**	**Expected credit loss**
	RMB'000	*%*	*RMB'000*
Individually assessed:			
Credit risk increased significantly	7,323	77.18%	5,652
Collectively assessed:			
Less than 1 year	71,673	3.93%	2,816
1 to 2 years	52,444	9.64%	5,057
2 to 3 years	25,687	25.43%	6,533
3 to 4 years	5,991	38.54%	2,309
	163,118		22,367

As at 31 May 2022

	Gross carrying amount	Expected credit loss rate	Expected credit loss
	RMB'000	*%*	*RMB'000*
Individually assessed:			
Credit risk increased significantly	7,114	78.63%	5,594
Collectively assessed:			
Less than 1 year	102,283	3.50%	3,580
1 to 2 years	55,419	10.31%	5,714
2 to 3 years	19,278	29.02%	5,594
3 to 4 years	4,014	36.15%	1,451
4 to 5 years	1,472	77.58%	1,142
	189,580		23,075

The Group endorsed certain notes receivable (the "Endorsed Notes") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB1,036,000 (the "Endorsement") at 31 May 2022. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the drawer of notes default (the "Continuing Involvement").

The Group continued to recognise the full carrying amounts of the remaining Endorsed Notes and the associated trade payables settled with an amount of RMB1,036,000 at 31 May 2022, because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes.

No gains or losses were recognised from the Continuing Involvement during the five months ended 31 May 2022. The Endorsement has been made evenly during the period.

The Group's notes receivable were all aged within one year, for which there was no recent history of default and past due amounts. As at 31 May 2022, the loss allowance was assessed to be minimal.

18. CONTRACT ASSETS

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets arising from:				
Provision of IoT solutions	947	911	8,362	9,050
Sales of telecommunication equipment	148	148	148	382
	1,095	1,059	8,510	9,432
Impairment	(43)	(41)	(332)	(331)
	1,052	1,018	8,178	9,101
Analysed into:				
Current	70	107	6,620	7,168
Non-current	982	911	1,558	1,933

Contract assets are initially recognised for revenue earned from provision of IoT solutions, sales of telecommunication equipment and others as the receipt of consideration is conditional on successful completion of warranty periods. Included in contract assets are retention receivables. Upon completion of warranty periods, the amounts recognised as contract assets are reclassified to trade receivables. The Group's trading terms and credit policy with customers are disclosed in note 17 to the Historical Financial Information.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods is as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	70	107	6,620	7,168
After 1 year	982	911	1,558	1,933
	1,052	1,018	8,178	9,101

The movements in the loss allowance for impairment of contract assets are as follows:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	53	43	41	332
Impairment losses/(reversal of impairment losses), net *(note 6)*	(10)	(2)	291	(1)
At end of year/period	43	41	332	331

An impairment analysis is performed at the end of each of the Relevant Periods to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

Set out below is the information about the credit risk exposure on the Group's contract assets:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
Expected credit loss rate	3.93%	3.87%	3.90%	3.51%
Gross carrying amount (RMB'000)	1,095	1,059	8,510	9,432
Expected credit losses (RMB'000)	43	41	332	331

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
Deposits	166	–	170	170
Current:				
Prepayments	410	482	2,743	3,175
Deferred [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Deductible input value-added tax	21	19	118	269
Due from a director *(notes 20, 31(c))*	–	96	–	–
Due from a related party *(note 31(c))*	–	–	955	–
Due from shareholders*	–	–	96,400	–
Deposits and other receivables	179	555	454	516
	610	1,435	102,897	8,235
	776	1,435	103,067	8,405

* The amount was caused by the receivables from shareholders who had not fully performed their capital injection obligations to the Company, as part of the Reorganisation.

An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate.

The financial assets included in the above balances are unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019, 2020 and 2021 and 31 May 2022, the Group estimated that the expected loss rate for deposits and other receivables was minimal under the 12-month expected loss method.

20. LOANS TO DIRECTORS

Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 May 2022	Maximum amount outstanding during the period	At 31 December 2021	Maximum amount outstanding during the year	At 31 December 2020	Maximum amount outstanding during the year	At 31 December 2019	Maximum amount outstanding during the year	At 1 January 2019	Security held
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Mr. Chen Ping	–	–	–	20,414	96	96	–	488	488	None
Ms. Wang Zheshi	–	–	–	–	–	–	–	34	34	None
	–		–		96		–		522	

The loans granted to directors were unsecured, interest-free, non-trade in nature and repayable on demand.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other unlisted investments, at fair value	26,060	1,344	–	5,038

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

22. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	7,691	29,040	86,570	26,915
Less: restricted deposits	(233)	(233)	(233)	–
Cash and cash equivalents	7,458	28,807	86,337	26,915
Denominated in:				
RMB	4,837	5,535	20,257	15,918
United States dollar ("**US$**")	2,621	23,272	25,200	10,979
Hong Kong dollar ("**HK$**")	–	–	40,880	18
Total cash and cash equivalents	7,458	28,807	86,337	26,915

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	18,720	15,444	16,748	27,623
1 to 2 years	969	6,752	3,866	2,848
2 to 3 years	1	969	5,420	5,301
Over 3 years	157	158	1,127	971
	19,847	23,323	27,161	36,743

The trade payables are non-interest-bearing and have no fixed terms of payment.

24. OTHER PAYABLES AND ACCRUALS

		As at 31 December			As at 31 May
		2019	**2020**	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other payables	*(a)*	5,677	610	101,393	5,344
Contract liabilities	*(b)*	–	298	–	2,582
Due to related parties	*31(c)*	319	–	5,086	–
Due to a director	*31(d)*	–	–	44,949	–
Other tax payables		2,896	5,245	3,828	6,531
Payroll and welfare payable		4,843	5,163	6,588	6,494
Interest payables		3	12	3	5
		13,738	11,328	161,847	20,956

Notes:

(a) Other payables are non-interest-bearing and repayable on demand.

(b) Details of contract liabilities are as follows:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term advances received from customers:				
Provision of IoT solutions	-	298	–	2,582

25. INTEREST – BEARING BANK BORROWINGS

31 December 2019

	Notes	**Effective interest rate**	**Maturity**	**RMB'000**
Bank loans – secured	*(a)*	5.22%	2020	2,352

31 December 2020

		Effective interest rate	Maturity	RMB'000
Bank loans – secured	*(b)*	5.22%	2021	4,231
Bank loans – secured	*(c)*	3.85%	2021	3,000
				7,231

31 December 2021

		Effective interest rate	Maturity	RMB'000
Bank loans – secured	*(d)*	4.15%	2022	3,000

31 May 2022

		Effective interest rate	Maturity	RMB'000
Bank loans – secured	*(d)*	3.7%	2023	5,000

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Within one year	2,352	7,231	3,000	5,000

Notes:

(a) Mr. Chen Ping, Ms. Wang Zheshi and Ms. Jin Yan have jointly guaranteed the Group's bank loans up to RMB7,000,000 as at 31 December 2019.

(b) Mr. Chen Ping, Ms. Wang Zheshi and Ms. Jin Yan have jointly guaranteed the Group's bank loans up to RMB10,000,000 as at 31 December 2020.

(c) Mr. Chen Ping and Ms. Wang Zheshi have jointly guaranteed the Group's bank loans up to RMB6,000,000 as at 31 December 2020.

(d) Three patents of Nanjing Howking were pledged for the Group's banking facilities of up to RMB10,000,000 as at 31 December 2021 and 31 May 2022.

26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year/period are as follows:

Deferred tax liabilities

	Right-of-use assets
	RMB'000
At 1 January 2019	372
Deferred tax credited to profit or loss during the year	(76)
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	296
Deferred tax credited to profit or loss during the year	(222)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	74
Deferred tax charged to profit or loss during the year/period	400
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	474
Deferred tax credited to profit or loss during the period	(94)
Gross deferred tax liabilities at 31 May 2022	380

Deferred tax assets

	Impairment of inventories	**Impairment of financial assets**	**Unrealised gain**	**Unused tax loss**	**Accrued expenses**	**Government grants**	**Lease liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	632	497	193	1,036	281	150	390	3,179
Deferred tax credited/(charged) to profit or loss during the year	–	453	–	(1,036)	234	(108)	(73)	(530)
Gross deferred tax assets at 31 December 2019 and 1 January 2020	632	950	193	–	515	42	317	2,649

	Impairment of inventories	Impairment of financial assets	Unrealised gain	Accrued expenses	Government grants	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gross deferred tax assets at 31 December 2019 and 1 January 2020	632	950	193	515	42	317	2,649
Deferred tax credited/(charged) to profit or loss during the year	(632)	725	(193)	54	(22)	(237)	(305)
Gross deferred tax assets at 31 December 2020 and 1 January 2021	–	1,675	–	569	20	80	2,344
Deferred tax credited/(charged) to profit or loss during the year	–	1,721	–	68	(20)	405	2,174
Gross deferred tax assets at 31 December 2021 and 1 January 2022	–	3,396	–	637	–	485	4,518
Deferred tax credited/(charged) to profit or loss during the period	–	115	–	53	–	(90)	78
Gross deferred tax assets at 31 May 2022	–	3,511	–	690	–	395	4,596

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	2,353	2,270	4,044	4,216

The Group has tax losses arising in Mainland China of RMB6,285,000, RMB5,091,000, RMB2,667,000 and nil as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively, that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	6,285	5,091	2,667	–

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment subsidiaries established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those foreign invested subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

No deferred tax has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, these subsidiaries' fund will be retained in Mainland China for the expansion of these subsidiaries' operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled RMB29,029,000, RMB47,346,000, RMB39,711,000 and RMB47,337,000 at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively.

27. ISSUED CAPITAL

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:				
5,000,000 ordinary shares of US$0.01 each	–	–	324	324
Issued:				
999,874 ordinary shares of US$0.01 each	–	–	64	64

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital**	**Share premium**
		RMB'000	*RMB'000*
At 1 January 2019, 31 December 2019 and 31 December 2020	–	–	–
Allotment *(note)*	999,874	64	117,336
At 31 December 2021 and 31 May 2022	999,874	64	117,336

Note:

The Company was incorporated in the Cayman Islands on 25 August 2021 as an exempted company with authorised share capital of US$50,000 with par value of US$0.01 each.

On 16 November 2021, 772,789 ordinary shares were allotted and issued for cash at par to Howkingtech Holding Limited.

On 10 December 2021, Howkingtech Holding Limited transferred 131,999 ordinary shares, of which 49,438 ordinary shares were transferred to Chak Man Wu at a consideration of RMB30,000,000, 9,888 ordinary shares were transferred to Shenzhen Brightmin Management Consulting Partnership (Limited Partnership) (深圳市亮敏管理諮詢合夥企業(有限合夥)) at a consideration of RMB6,000,000, 39,550 ordinary shares were transferred to Jianzhong Huang at a consideration of RMB24,000,000 and 33,123 ordinary shares were transferred to Chin-shan Wu at a consideration of RMB20,100,000.

On 10 December 2021, 75,201 ordinary shares were allotted and issued for cash at par to Shanghai Jinyuan Changfu Enterprise Management Partnership (Limited Partnership) (上海進源長富企業管理合夥企業(有限合夥)) at a consideration of RMB39,000,000, 32,780 ordinary shares were allotted and issued for cash at par to Haining Dongzheng Hande Investment Partnership (L. P.) at a consideration of RMB17,000,000, 30,852 ordinary shares were allotted and issued for cash at par to Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership (L. P.) at a consideration of RMB16,000,000, 23,139 ordinary shares were allotted and issued for cash at par to Shenzhen Tim Win Investment Partnership (L. P.) (深圳市添運投資合夥企業(有限合夥)) at a consideration of RMB12,000,000, 19,282 ordinary shares were allotted and issued for cash at par to Shenzhen Zhichen Wuqi Venture Investment Partnership (Limited Partnership) at a consideration of RMB10,000,000, 16,197 ordinary shares were allotted and issued for cash at par to Zhangzhou Merchants Economic Development District HeZe Limited Partnership at a consideration of RMB8,400,000, 11,569 ordinary shares were allotted and issued for cash at par to Ningbo Qipu Growth Ruiying Investment Management Partnership (limited partnership) at a consideration of RMB6,000,000, and 11,124 ordinary shares were allotted and issued for cash at par to Zibo Puhao Equity Investment Partnership (Limited Partnership) (淄博浦濠股權投資合夥企業(有限合夥)) at a consideration of RMB9,000,000. 6,941 ordinary shares were allotted and issued at par to Chak Man Wu in exchange of the entire issued share capital of Parka Aragon Holding Limited.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group, details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities whose the functional currencies are not RMB.

The movement of the Company's reserves is as follows:

	Issued capital	Share premium	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	–	–	–	–
Loss for the year	–	–	(30)	(30)
Total comprehensive income for the year	–	–	(30)	(30)
Issue of shares	64	117,336	–	117,400
At 31 December 2021 and 1 January 2022	64	117,336	(30)	117,370
Loss for the period	–	–	11	11
Total comprehensive income for the period	–	–	11	11
At 31 May 2022	64	117,336	(19)	117,381

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Period, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB665,000, nil, RMB4,142,000 and nil, respectively, in respect of lease arrangements for plant and office premises.

(b) Changes in liabilities arising from financing activities

	Due to a director	Due to related parties	Interest-bearing bank borrowings	Interest payable	Lease liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	–	30,169	–	–	2,599
Changes from financing cash flows	–	(31,561)	2,352	(3)	(1,251)
Payment on behalf of the Group	–	131	–	–	–
New leases	–	–	–	–	665
Interest expense	–	1,580	–	6	102
At 31 December 2019 and 1 January 2020	–	319	2,352	3	2,115
Changes from financing cash flows	–	(9)	4,879	(290)	(1,648)
Reimbursement of payment on behalf of the Group	–	(310)	–	–	–
Interest expense	–	–	–	299	67
At 31 December 2020 and 1 January 2021	–	–	7,231	12	534
Changes from financing cash flows	40,880	–	(4,231)	(377)	(1,575)
The payable as part of the Reorganisation	4,069	5,086	–	–	–
New leases	–	–	–	–	4,142
Interest expense	–	–	–	368	132
At 31 December 2021 and 1 January 2022	44,949	5,086	3,000	3	3,233
Changes from financing cash flows	(44,949)	(5,086)	2,000	(66)	(655)
Interest expense	–	–	–	68	59
At 31 May 2022	–	–	5,000	5	2,637

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Within operating activities	35	43	17	14	7
Within financing activities	1,251	1,648	1,575	671	655
	1,286	1,691	1,592	685	662

30. COMMITMENTS

At the end of each of the Relevant Periods, the Group did not have any significant commitments.

31. RELATED PARTY TRANSACTIONS

Name	**Relationship**
Mr. Chen Ping	Executive director and chief executive
Ms. Wang Zheshi	An ultimate shareholder and director
Ms. Jin Yan	An ultimate shareholder
Huizhou M2Micro Electronics Co., Ltd. ("**Huizhou Wulian**")	Fellow subsidiary
Nanjing ETIC Communication Technology Co., Ltd. ("**Nanjing Yitaike**")	Fellow subsidiary

(a) In addition to the transactions detailed in note 8 to the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods and the five months ended 31 May 2021:

		Year ended 31 December			Five months ended 31 May	
		2019	**2020**	**2021**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Fellow subsidiaries:						
Loans to	*(i)*	7,180	–	955	–	–
Interest income	*(i)*	771	–	–	–	–
Loans from	*(i)*	5,740	–	–	–	–
Interest expense	*(i)*	1,580	–	–	–	–
Directors:						
Loans to		281	105	20,414	17,272	–
Loans from		–	–	40,880	–	–
Acquisition of equity interest in relation to the Reorganisation from		–	–	4,069	–	–
An ultimate shareholder:						
Acquisition of equity interest in relation to the Reorganisation from		–	–	5,086	–	–

Note:

(i) The loans granted to and received from related parties are unsecured, bear interest at an interest rate of 5% per annum and are repayable on demand.

(b) Other transactions with related parties:

(i) Mr. Chen Ping, Ms. Wang Zheshi and Ms. Jin Yan have jointly guaranteed the Group's bank loans up to RMB7,000,000 and RMB10,000,000 as at 31 December 2019 and 2020, respectively, as described in note 25 to the Historical Financial Information. The bank loans guarantees were released in May and December 2021, respectively.

(ii) Mr. Chen Ping and Ms. Wang Zheshi have jointly guaranteed the Group's bank loans up to RMB6,000,000 as at 31 December 2020, as described in note 25 to the Historical Financial Information. The bank loans guarantees were released in November 2021.

(c) Outstanding balances with related parties:

The Group

Due from a related party:

		As at 31 December			As at 31 May
		2019	**2020**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nanjing Yitaike	*(i)*	–	–	955	–

Due to related parties:

		As at 31 December			As at 31 May
		2019	**2020**	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Huizhou Wulian	*(i)*	319	–	–	–
Ms. Jin Yan	*(ii)*	–	–	5,086	–
		319	–	5,086	–

The Company

Due from subsidiaries:

	Note	**As at 31 December 2021**	**As at 31 May 2022**
		RMB'000	*RMB'000*
Howking Hong Kong	*(iii)*	11,970	–
Nanjing Howking	*(iii)*	9,000	–
		20,970	–

Due to a subsidiary:

	Note	**As at 31 May 2022**
		RMB'000
Howking Hong Kong	*(iii)*	1

Notes:

(i) The balances were non-trade in nature, unsecured, repayable on demand and part of those bore interest at an interest rate of 5% per annum.

(ii) The balance was non-trade in nature and caused by the payable to Ms. Jin Yan as part of the Reorganisation.

(iii) The balances were non-trade in nature, unsecured, non-interest-bearing and were repayable on demand.

(d) Outstanding balances with directors:

Due from a director:

	Note	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 31 May 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Chen Ping	*(i)*	–	96	–	–

Due to a director:

	Note	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 31 May 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ms. Wang Zheshi	*(i)*	–	–	44,949	–

Note:

(i) The balances were non-trade in nature, unsecured, interest free and repayable on demand.

(e) Compensation of key management personnel of the Group:

	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021	Five months ended 31 May 2021	Five months ended 31 May 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	1,039	1,782	3,165	1,073	1,881
Pension scheme contributions	85	58	200	70	115
Total compensation paid to key management personnel	1,124	1,840	3,365	1,143	1,996

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

As at 31 December 2019

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes receivables	–	74,598	74,598
Financial assets included in prepayments, other receivables and other assets	–	345	345
Financial assets at fair value through profit or loss	26,060	–	26,060
Restricted deposits	–	233	233
Cash and cash equivalents	–	7,458	7,458
	26,060	82,634	108,694

As at 31 December 2020

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes receivables	–	122,339	122,339
Financial assets included in prepayments, other receivables and other assets	–	651	651
Financial assets at fair value through profit or loss	1,344	–	1,344
Restricted deposits	–	233	233
Cash and cash equivalents	–	28,807	28,807
	1,344	152,030	153,374

As at 31 December 2021

	Financial assets at amortised cost
	RMB'000
Trade and notes receivables	140,751
Financial assets included in prepayments, other receivables and other assets	97,979
Restricted deposits	233
Cash and cash equivalents	86,337
	325,300

As at 31 May 2022

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and notes receivables	–	167,541	167,541
Financial assets included in prepayments, other receivables and other assets	–	686	686
Financial assets at fair value through profit or loss	5,038	–	5,038
Cash and cash equivalents	–	26,915	26,915
	5,038	195,142	200,180

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follow:

Financial assets

Financial liabilities at amortised cost

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	19,847	23,323	27,161	36,743
Lease liabilities	2,115	534	3,233	2,637
Financial liabilities included in other payables and accruals	5,999	622	151,431	5,349
Interest-bearing bank borrowings	2,352	7,231	3,000	5,000
	30,313	31,710	184,825	49,729

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and the current portion of lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of lease liabilities and trade and notes receivables containing significant financing components have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for lease liabilities as at the end of each of the Relevant Periods were assessed to be insignificant.

The Group invests in wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	26,060	–	26,060

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	1,344	–	1,344

As at 31 May 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	5,038	–	5,038

The Group did not have any financial liabilities measured at fair value as at the end of each of the Relevant Periods.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, interest-bearing bank borrowings, and financial liabilities included in other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to exchange differences resulting from translation of the financial statements of certain overseas subsidiaries).

	Increase/ (decrease) in rate of foreign currency	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity***
	%	*RMB'000*	*RMB'000*
31 December 2019			
If the RMB weakens against the US$	5	396	–
If the RMB strengthens against the US$	(5)	(396)	–
31 December 2020			
If the RMB weakens against the US$	5	1,480	–
If the RMB strengthens against the US$	(5)	(1,480)	–
31 December 2021			
If the RMB weakens against the US$	5	(194)	(2,485)
If the RMB strengthens against the US$	(5)	194	2,485
If the RMB weakens against the HK$	5	2,044	–
If the RMB strengthens against the HK$	(5)	(2,044)	–
31 May 2022			
If the RMB weakens against the US$	5	841	(5,459)
If the RMB strengthens against the US$	(5)	(841)	5,459

* Excluding retained profits

Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and notes receivables	–	–	–	80,953	80,953
Contract assets	–	–	–	1,095	1,095
Financial assets included in prepayments, other receivables and other assets					
– Normal*	345	–	–	–	345
Restricted deposits					
– Not yet past due	233	–	–	–	233
Cash and cash equivalents					
– Not yet past due	7,458	–	–	–	7,458
	8,036	–	–	82,048	90,084

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and notes receivables	–	–	–	133,519	133,519
Contract assets	–	–	–	1,059	1,059
Financial assets included in prepayments, other receivables and other assets					
– Normal*	651	–	–	–	651
Restricted deposits					
– Not yet past due	233	–	–	–	233
Cash and cash equivalents					
– Not yet past due	28,807	–	–	–	28,807
	29,691	–	–	134,578	164,269

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and notes receivables	–	–	–	163,118	163,118
Contract assets	–	–	–	8,510	8,510
Financial assets included in prepayments, other receivables and other assets					
– Normal*	97,979	–	–	–	97,979
Restricted deposits					
– Not yet past due	233	–	–	–	233
Cash and cash equivalents					
– Not yet past due	86,337	–	–	–	86,337
	184,549	–	–	171,628	356,177

As at 31 May 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and notes receivables	–	–	–	190,616	190,616
Contract assets	–	–	–	9,432	9,432
Financial assets included in prepayments, other receivables and other assets					
– Normal*	686	–	–	–	686
Cash and cash equivalents					
– Not yet past due	26,915	–	–	–	26,915
	27,601	–	–	200,048	227,649

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

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

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2019					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	19,847	–	–	–	–	19,847
Lease liabilities	–	399	1,249	543	–	2,191
Financial liabilities included in other payables and accruals	5,999	–	–	–	–	5,999
Interest-bearing bank borrowings	–	31	2,440	–	–	2,471
	25,846	430	3,689	543	–	30,508

	As at 31 December 2020					
	On demand	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	23,323	–	–	–	–	23,323
Lease liabilities	–	307	235	–	–	542
Financial liabilities included in other payables and accruals	622	–	–	–	–	622
Interest-bearing bank borrowings	–	1,194	6,195	–	–	7,389
	23,945	1,501	6,430	–	–	31,876

	As at 31 December 2021					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	27,161	–	–	–	–	27,161
Lease liabilities	–	393	1,179	1,835	–	3,407
Financial liabilities included in other payables and accruals	151,431	–	–	–	–	151,431
Interest-bearing bank borrowings	–	31	3,091	–	–	3,122
	178,592	424	4,270	1,835	–	185,121

	As at 31 May 2022					
	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	36,743	–	–	–	–	36,743
Lease liabilities	–	393	1,203	1,154	–	2,750
Financial liabilities included in other payables and accruals	5,349	–	–	–	–	5,349
Interest-bearing bank borrowings	–	46	5,246	–	–	5,292
	42,092	439	6,449	1,154	–	50,134

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods and the five months ended 31 May 2021.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank borrowings and lease liabilities. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank borrowings	2,352	7,231	3,000	5,000
Lease liabilities	2,115	534	3,233	2,637
Total debt	4,467	7,765	6,233	7,637
Total equity	81,242	119,295	153,034	163,975
Gearing ratio	5.5%	6.5%	4.1%	4.7%

35. EVENTS AFTER THE RELEVANT PERIODS

No significant events that require additional disclosure or adjustments occurred after the Relevant Periods.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2022 and up to the date of this report.