



ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CYBERNAUT INTERNATIONAL HOLDINGS COMPANY LIMITED

Introduction

We report on the historical financial information of Newsbaba LTD (the “**Target Company**”) and its subsidiaries (together, the “**Target Group**”) set out on pages II-4 to II-31, which comprises consolidated statements of financial position as at 31 December 2023, 31 December 2024 and 31 March 2025, the target company statements of financial position as at 31 December 2024 and 31 March 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the period from 9 February 2023 (date of establishment) to 31 December 2023, the year ended 31 December 2024 and the three months ended 31 March 2025 (the “**Track Record Period**”) and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-4 to II-31 forms an integral part of this report, which has been prepared for inclusion in the circular of Cybernaut International Holdings Company Limited (the “**Company**”) dated 20 August 2025 (the “**Circular**”) in connection with the proposed acquisition of the Target Company by the Company.

Directors’ responsibility for the Historical Financial Information

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

The financial statements of the Target Group for the Track Record Period (“**Underlying Financial Statements**”), on which the Historical Financial Information is based, were prepared by the directors of the Target Company. The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with HKFRS Accounting Standards issued by the Hong Kong Institute of Certified

Public Accountants (the “**HKICPA**”), and for such internal control as the directors determine is necessary to enable the preparation of Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

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

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Target Company as at 31 December 2024 and 31 March 2025, the consolidated financial position of the Target Group as at 31 December 2023, 31 December 2024 and 31 March 2025 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended and other explanatory information (the “**Stub Period Comparative**

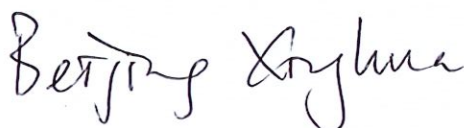
Financial Information”). The directors of the Target Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Beijing Xinghua Caplegend CPA Limited
Certified Public Accountants



Yeung Chun Wa
Practising Certificate Number P08421
Hong Kong, 20 August 2025

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by Beijing Xinghua Caplegend CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

A. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the period from 9 February 2023 (date of establishment) to 31 December 2023	For the year ended 31 December 2024	For the three months ended 31 March 2024	For the three months ended 31 March 2025
	Notes	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	4	8,685	28,871	4,849	6,522
Cost of sales and services		(4,974)	(11,019)	(2,358)	(2,883)
GROSS PROFIT		3,711	17,852	2,491	3,639
Other income and gains, net	5	230	1,458	283	507
Selling and marketing expenses		(1,805)	(5,055)	(1,035)	(1,193)
Administrative expenses		(1,122)	(1,306)	(256)	(273)
Finance cost		(162)	(35)	(11)	(6)
PROFIT/(LOSS) BEFORE TAX		852	12,914	1,472	2,674
Income tax expense	6	(43)	(3,243)	(384)	(669)
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	7	809	9,671	1,088	2,005

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
	Notes			
NON-CURRENT ASSETS				
Right-of-use assets	9	2,456	461	369
Total non-current assets		2,456	461	369
CURRENT ASSETS				
Trade receivables	10	150	871	1,006
Prepayments, other receivables and other assets	11	13,836	31,237	34,060
Cash and bank balances	12	1,534	5,900	7,570
Total current assets		15,520	38,008	42,636
CURRENT LIABILITIES				
Trade payables	13	449	727	832
Contract liabilities	14	10,558	21,807	25,999
Other payables and accruals	14	3,512	5,063	3,393
Lease liabilities	15	1,347	392	296
Total current liabilities		15,866	27,989	30,520
NET CURRENT (LIABILITIES)/ASSETS		(346)	10,019	12,116
TOTAL ASSETS LESS CURRENT LIABILITIES		2,110	10,480	12,485
NON-CURRENT LIABILITIES				
Lease liabilities	15	1,301	—	—
Total non-current liabilities				
NET ASSETS		809	10,480	12,485
EQUITY				
Share capital	16	—	—	—
Reserves		809	10,480	12,485
TOTAL EQUITY		809	10,480	12,485

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	Retained earnings RMB'000	Total RMB'000
At 9 February 2023 (date of Establishment)	–	–	–
Profit and total comprehensive income for the period	<u>–</u>	<u>809</u>	<u>809</u>
At 31 December 2023 and 1 January 2024	–	809	809
Profit and total comprehensive income for the year	<u>–</u>	<u>9,671</u>	<u>9,671</u>
At 31 December 2024 and 1 January 2025	<u>–</u>	<u>10,480</u>	<u>10,480</u>
Profit and total comprehensive income for the period	<u>–</u>	<u>2,005</u>	<u>2,005</u>
At 31 March 2025	<u>–</u>	<u>12,485</u>	<u>12,485</u>
	Share capital RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2024	–	809	809
Loss and total comprehensive expenses for the period (Unaudited)	<u>–</u>	<u>1,088</u>	<u>1,088</u>
At 31 March 2024 (Unaudited)	<u>–</u>	<u>1,897</u>	<u>1,897</u>

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the period from 9 February 2023 (date of establishment) to 31 December 2023 RMB'000	For the year ended 31 December 2024 RMB'000	For the three months ended 31 March 2024 RMB'000 (Unaudited)	For the three months ended 31 March 2025 RMB'000
Cash flows from operating activities				
Profit before tax	809	12,914	1,472	2,674
Interest expenses	162	35	11	6
Depreciation of right-of-use assets	1,039	381	97	92
Interest income	(146)	(1,428)	(172)	(507)
Operating profit before working capital changes	1,864	11,902	1,408	2,265
Change in trade receivables	(150)	(721)	(175)	(135)
Change in other receivables	(13,836)	(17,401)	(6,960)	(2,823)
Change in trade payables	449	278	(196)	105
Change in other payables	3,512	1,551	643	(1,670)
Change in contract liabilities	10,558	11,249	6,325	4,192
Cash generated from operations	2,537	6,858	1,045	1,934
Income taxes paid	–	(1,874)	(430)	(181)
Lease interests paid	(162)	(35)	(11)	(6)
Net cash generated from operating activities	2,375	4,949	604	1,747
Cash flows from investing activity				
Interest received	4	5	–	9
Net cash generated from investing activity	4	5	–	9
Cash flows from financing activities				
Repayment of lease liabilities	(845)	(588)	(147)	(86)
Net cash used in financing activities	(845)	(588)	(147)	(86)
Net increase in cash and cash equivalent	1,534	4,366	457	1,670
Cash and cash equivalents at the beginning of year/period	–	1,534	1,534	5,900
Cash and cash equivalents at the end of year/period	1,534	5,900	1,991	7,570

TARGET COMPANY STATEMENT OF FINANCIAL POSITION

	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	10,480	12,485
Total non-current assets	—	—
Total current assets	—	—
NET CURRENT ASSETS	—	—
TOTAL ASSETS LESS CURRENT LIABILITIES	—	—
NET ASSETS	—	—
EQUITY		
Share capital	—	—
Reserves	10,480	12,485
TOTAL EQUITY	10,480	12,485

E. NOTES TO FINANCIAL INFORMATION

1. GENERAL, REORGANISATION AND BASIS OF PREPARATION

1.1 General Information

Newsbaba LTD (the “**Target Company**”) was incorporated in the British Virgin Islands on 4 November 2024 as an exempted company with limited liability. Newsbaba Technology Limited (the “**Target HK Company**”), a wholly-owned subsidiary of the Target Company, was incorporated in Hong Kong on 18 November 2024 with limited liability. Suzhou Niu Si Baba Technology Co., Ltd. (the “**Target WFOE**”), an indirect subsidiary of the Target Company, was incorporated in the People’s Republic of China (the “**PRC**”) on 29 November 2024 as a wholly foreign-owned enterprise.

The Target Company is an investment holding company and its subsidiaries are principally operating the business through its website/online platform which covers (i) patent agency services covered by the Licence; (ii) trademark and copy right agency services, including trade mark and/or copyright application preparation, filing, IP management and maintenance; and (iii) other IP related services (the “**Business**”). From a customer’s perspective, the comprehensive IP-related services offered under the online platform are available through one-off purchases. The ultimate controlling shareholder (the “**Controlling Shareholder**”) is Mr. KONG Junmin (“**Mr. Kong**”), the shareholder of CIPRUN International Limited as to approximately 60.6% who is also the registered owner of approximately 47.2% equity interest in the registered capital of Jiangsu CIPRUN.

The Historical Financial Information of the Target Company and its subsidiaries (collectively referred to as the “**Target Group**”) are presented in Renminbi (“**RMB**”), unless otherwise stated.

1.2 Reorganisation

In preparation for the proposed acquisition (the “**Acquisition**”) of the Target Group Cybernaut International Holdings Company Limited (the “**Company**”), the Target Group underwent a reorganisation (the “**Reorganisation**”), pursuant to which,

- i. The Target WFOE entered into a series of contracts (“**VIE Contracts**”) with the Beijing Niu Si Baba Intellectual Property Agency Co., Ltd (“**PRC Operating Company**”), their PRC Beneficial Owners who are Ms. Zhang Fangfang, Ms. Xie Ling, Mr. Liu Jingrong, Mr. Han Guoqiang and Mr. Li Bin, and their PRC Registered Shareholders such that the respective economic benefits, control of the board of directors and member’s voting rights and operations of the PRC Operating Company would be enjoyed by the Target Company via the Target WFOE after the Reorganisation; and
- ii. The registration(s) of the equity pledge over all the equity interests in the PRC Operating Company by the then registered owner(s) to the WFOE were completed and registered with the relevant branches of the market supervision authority in the PRC. Upon completion of the Reorganisation, the PRC Operating Company is accounted for as a subsidiary of the Target Company by virtue of the arrangement under the VIE Contracts.

Upon completion of the Reorganisation on 7 February 2025, the Target Company became the holding company of the companies now comprising the Target Group.

Upon completion of the Reorganisation and as at the date of this report, the Target Company had direct or indirect interests in the following subsidiaries:

Company Name	Place and date of incorporation and nature of legal entity	Issued and paid up capital	Effective interest held			Principal activities
			31 December 2023	31 December 2024	31 March 2025	
Directly held:						
Target HK Company	HK, 18 November 2024, limited liability company	–	–	100%	100%	Investment holding

Company Name	Place and date of incorporation and nature of legal entity	Issued and paid up capital	Effective interest held			Principal activities
			31 December 2023	31 December 2024	31 March 2025	
Indirect held:						
Target WFOE	PRC, 29 November 2024, limited liability company	—	—	100%	100%	Investment holding
Controlled pursuant to the VIE contracts:						
PRC Operating Company	PRC, 9 February 2023, limited liability company	—	100%	100%	100%	(Note)

No audited financial statements have been issued for these companies since their respective dates of incorporation.

The English translation of the Target WFOE, PRC Operating Company is for identification purpose only. These companies do not have official English names.

1.3 Basis of preparation

Immediately prior to and after the Reorganisation, the Business was carried out by the PRC Operating Company. Pursuant to the Reorganisation, the PRC Operating Company is under the effective control of Target WFOE and ultimately the Target Company through the VIE Contracts. The Target Company, the Target HK Company and Target WFOE newly set up during the Reorganisation have not been involved in any other business prior to the Reorganisation and their operations do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Business and does not result in any changes in business substance, nor in any management or the controlling shareholder of the Business. Accordingly, the Target Group resulting from the Reorganisation is regarded as a continuation of the Business under Target HK Company and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Target HK Company and its subsidiaries, with the assets and liabilities of the Target Group recognised and measured at the carrying amounts of the Business under the consolidated financial statements of Target HK Company for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

2. SUMMARY OF ACCOUNTING POLICY INFORMATION

This note provides a list of material accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied to all the years and periods presented, unless otherwise stated. The Historical Financial Information is for the Target group consisting of the Target Company and its subsidiaries.

2.1 Basis of preparation

The Historical Financial Information of the Target Company has been prepared in accordance with HKFRS Accounting Standards issued by the HKICPA. The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of the Historical Financial Information in conformity with HKFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3.

All relevant amendments to HKFRS Accounting Standards that are effective during the Track Record Period have been adopted by the Target Group consistently throughout the Track Record Period, to the extent they become effective as required by the relevant standards.

New standards, amendments to existing standards and interpretations not yet adopted

The following new standards and amendments to standards have not come into effect for the financial year beginning 1 January 2025, and have not been early adopted by the Target Group in preparing these consolidated financial statements. None of these new standards and amendments to standards is expected to have a material effect on the consolidated financial statements of the Target Group.

Standards	Subject of amendment	Effective for annual periods beginning on or after
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 9 and HKFRS 7 (Amendments)	Contracts Referencing Nature-dependent Electricity	1 January 2026
HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 (Amendments)	Annual Improvements to HKFRSs Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HK Int 5 (Amendments)	Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

2.2 Summary of material accounting policies

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

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

(i) Subsidiaries controlled through contractual arrangements

As described in Note 1.2, the Target WFOE has entered into VIE Contracts with the PRC Operating Company, their PRC Beneficial Owners who are Ms. Zhang Fangfang, Ms. Xie Ling, Mr. Liu Jingrong, Mr. Han Guoqiang and Mr. Li Bin, and their PRC Registered Shareholders which enable the Target Company via the Target WFOE to:

- exercise effective financial and operational control over the PRC Operating Company;
- exercise equity holders' voting rights of the PRC Operating Company;
- receive substantially all of the economic interest and returns generated by the PRC Operating Company in consideration for the business support, technical and consulting services provided by the Target WFOE, at the Target WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase the entire equity interest in the PRC Operating Company from the equity holders;

- obtain a pledge over the entire equity interest in the PRC Operating Company from its equity holders as collateral security for all of the PRC Operating Company's payments due to the Target WFOE and to secure performance of the PRC Operating Company's obligations under the VIE Contracts, respectively.

The Target Group does not have any equity interest in the PRC Operating Company. However, as a result of the VIE Contracts, the Target Group has rights to variable returns from its involvement with the PRC Operating Company and has the ability to affect those returns through its power over the PRC Operating Company and is considered to control the PRC Operating Company. Consequently, the Target Company regards the PRC Operating Company as a controlled structure entity and combined the financial position and result of operations of the PRC Operating Company in the Historical Financial Information of the Target Group during the Track Record Period.

(b) *Separate statement of financial position*

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

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

(c) *Functional and presentation currency*

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

(d) *Leases*

As a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Target Group.

Contracts may contain both lease and non-lease components. The Target Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Target Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Target Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Target Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

As a lessor

Lease income where the Target Group is a lessor is recognised in profit or loss on a straight-line basis over the lease term. The respective leased assets are included in the consolidated statement of financial position based on their nature.

(e) Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(f) Financial assets

i. Classification

The Target Group classifies its financial assets in those to be measured at amortised cost.

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

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

ii. Recognition and measurement

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

iii. Measurement

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

Subsequent measurement of debt instruments depends on the Target Group's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

(d) Impairment

The Target Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Target Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 18 (a) for further details.

Impairment on other receivables and deposits are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL, see Note 18 (a) for further details.

(g) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(h) Trade and other receivables

A receivable is recognised when the Target Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost.

(i) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

(j) Trade and other payables (other than refund liabilities)

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(k) Share capital

Ordinary shares are classified as equity.

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

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

(ii) Pension obligations

The Target Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Group can no longer withdraw the offer of those benefits and when the Target Group recognises restructuring costs and involves the payment of termination benefits.

(m) Current and deferred income tax

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

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Target Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Target Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) Deferred income tax

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

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Target Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

(n) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Target group recognises any impairment loss on the assets associated with that contract.

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

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(o) Revenue and other income

Income is classified by the Target Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Target Group's assets under leases in the ordinary course of the Target group's business.

Further details of the Target Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when or as control of a service is transferred to a customer, at the amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those services, excluding amounts collected on behalf of third parties, such as value-added tax or other sales taxes. In determining revenue recognition, the Target Group evaluates whether it acts as a principal or an agent in each arrangement, based on whether it obtains control of the underlying goods or services before they are transferred to the customer.

Specifically, the Target Group generates revenue from the following categories of intellectual property ("IP") related services:

(a) IP trading facilitation services

The Target Group acts as an agent for IP trading facilitation transactions, where it arranges for IP including trademarks, patents and copyrights transfers between buyers and sellers. Revenue is recognised on a net basis, reflecting the margin earned from facilitating these transactions. Revenue recognition occurs at a point in time, specifically when both parties (buyer and seller) have executed the transaction agreements, and control of the intellectual property has transferred from the seller to the buyer.

(b) IP agency and registration services

The Target Group acts as a principal for these services, which include patent, trademark, and copyright application preparation, filing, management, and maintenance services. The revenue is recognised at a point in time, specifically when the Target Group submits the application or related documentation to the relevant regulatory authority. At this point, the Target Group has fulfilled its performance obligation, as control has transferred to the customer.

(c) Other IP related services. From a customer's perspective, the comprehensive IP-related services offered under the online platform are available through one-off purchases

(ii) *Other income*

(a) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(p) *Contract liabilities*

A contract liability is recognised when the customer pays non-refundable consideration before the Target Group recognises the related revenue. A contract liability is also recognised if the Target Group has an unconditional right to receive non-refundable consideration before the Target Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(q) *Related parties*

(a) A person, or a close member of that person's family, is related to the Target group if that person:

- (i) has control or joint control over the Target group;
- (ii) has significant influence over the Target group; or
- (iii) is a member of the key management personnel of the Target group or the Target group's parent.

(b) An entity is related to the Target group if any of the following conditions applies:

- (i) The entity and the Target group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Target group or an entity related to the Target group.
- (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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target group or to the Target group's parent.
- (ix) personnel services to the Target group or the Target group's parent.

3. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Target group's accounting policies, management has made the following accounting judgements:

(i) *Determining the lease term*

As explained in policy above, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Target group, the Target group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Target group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Target group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Target group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(b) Sources of estimation uncertainty

(i) *Impairment of trade and other receivables*

The Target Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(ii) *Income taxes*

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

4. REVENUE

	For the period from 9 February 2023 (date of establishment) to 31 December 2023 RMB'000	For the year ended 31 December 2024 RMB'000	For the three months ended 31 March 2024 RMB'000 (Unaudited)	For the three months ended 31 March 2025 RMB'000
<i>Revenue from contracts with customers</i>				
– Agency of Trademarks, copyrights and patents	6,774	19,523	3,289	4,357
– Trade of Trademarks, copyrights and patents	1,435	7,696	1,267	1,869
– Other	476	1,652	293	296
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	8,685	28,871	4,849	6,522
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Timing of revenue recognition</i>				
– At a point in time	8,685	28,871	4,849	6,522
– Over time	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue from contracts with customers	8,685	28,871	4,849	6,522
	<hr/>	<hr/>	<hr/>	<hr/>

5. OTHER INCOME AND GAINS, NET

	For the period from 9 February 2023 (date of establishment) to 31 December 2023 RMB'000	For the year ended 31 December 2024 RMB'000	For the three months ended 31 March 2024 RMB'000 (Unaudited)	For the three months ended 31 March 2025 RMB'000
Rental income	84	127	111	–
Bank interest income	2	5	–	9
Other interest income	144	1,423	172	498
	<hr/>	<hr/>	<hr/>	<hr/>
	230	1,458	283	507
	<hr/>	<hr/>	<hr/>	<hr/>

6. INCOME TAX EXPENSE

	For the period from 9 February 2023 (date of establishment) to 31 December 2023 RMB'000	For the year ended 31 December 2024 RMB'000	For the three months ended 31 March 2024 RMB'000 (Unaudited)	For the three months ended 31 March 2025 RMB'000
Current tax – PRC corporate income tax – Provision for the year	43	3,243	384	669
	43	3,243	384	669

Under the PRC Enterprise Income Tax Law (the “EIT Law”), the standard enterprise income tax rate for PRC operating entities is 25%.

Reconciliation between tax expense and accounting profit at the applicable tax rate:

A reconciliation of the tax expense applicable to profit before tax using the applicable rates for the regions in which the Target Group are domiciled to the tax expense at the effective tax rate is as follows:

	For the period from 9 February 2023 (date of establishment) to 31 December 2023 RMB'000	For the year ended 31 December 2024 RMB'000	For the three months ended 31 March 2024 RMB'000 (Unaudited)	For the three months ended 31 March 2025 RMB'000
Profit before tax	852	12,914	1,472	2,674
Tax at the weighted average tax rate	43	3,229	368	669
Income not subject to tax	–	–	–	–
Tax effect of non- deductible expenses	–	14	16	–
Total income tax expenses	43	3,243	384	669

7. PROFIT/(LOSS) FOR THE YEAR/PERIOD

	For the period from 9 February 2023 (date of establishment) to 31 December 2023 RMB'000	For the year ended 31 December 2024 RMB'000	For the three months ended 31 March 2024 RMB'000 (Unaudited)	For the three months ended 31 March 2025 RMB'000
Auditor's remuneration	–	–	–	–
Cost of sales and services	4,974	11,019	2,358	2,883
Depreciation charge of right-of-use assets	1,039	381	97	92
Directors' emoluments	–	–	–	–
Staff costs including directors' emoluments (Note)				
– Salaries, bonuses and allowances	344	121	19	76
– Retirement benefits scheme contributions	12	26	5	14
	<u>356</u>	<u>147</u>	<u>25</u>	<u>90</u>

Note: staff costs which were included in the trademark filing cost paid to CIPRUN Group (included in the selling and marketing expenses), amounted to RMB4,706,000 for the year ended 31 December 2024, RMB985,000 for the three months ended 31 March 2024, and RMB1,043,000 for the three months ended 31 March 2025.

8. DIVIDENDS

No dividend has been paid or declared by the Target Company or the companies now comprising the Target Group during the period from 9 February 2023 (date of establishment) to 31 December 2023, the year ended 31 December 2024 and the three months ended 31 March 2024 and 2025.

9. RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
Right-of-use assets			
– Land and building	<u>2,456</u>	<u>461</u>	<u>369</u>
	<u>2,456</u>	<u>461</u>	<u>369</u>

The maturity analysis, based on undiscounted cash flows, of the PRC Operating Company's lease liabilities is as follows:

Less than 1 year	1,347	405	304
Between 1 and 2 years	1,451	–	–
	<u>2,798</u>	<u>405</u>	<u>304</u>
Depreciation charge of right-of-use assets			
– Land and building	1,039	381	92
	<u>162</u>	<u>35</u>	<u>6</u>
Lease interests			
	<u>1,008</u>	<u>588</u>	<u>89</u>
Total cash outflow for leases			
	<u>3,494</u>	<u>–</u>	<u>–</u>
Additions to right-of-use assets			

The PRC Operating Company leases a land and buildings. Lease agreement is typically made for fixed period of 3 years. Lease term is negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement does not impose any covenants and the leased assets may not be used as security for borrowing purposes.

During the year ended 31 December 2024, the PRC Operating Company de-recognized certain right-of-use assets and lease liabilities due to a one-third reduction in area under the new tenancy agreement, which replaced the previous tenancy agreement as of 31 December 2023.

10. TRADE RECEIVABLES

	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
Trade receivables	<u>150</u>	<u>871</u>	<u>1,006</u>

The Target Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Target Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over the trade receivable balances. Trade receivables are non-interest-bearing.

(a) Aging analysis

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
Within 3 months	150	443	2,323
3 months to 6 months	–	219	349
6 months to one year	–	209	334
	<u>150</u>	<u>871</u>	<u>1,006</u>

(b) Impairment of trade receivables

The Target Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using 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 and the days past due. The expected credit losses also incorporate forward looking information.

	Current RMB'000	Less than 3 months past due RMB'000	3 to 6 months past due RMB'000	Total RMB'000
At 31 December 2023				
Trade receivables				
Weighted average expected loss rate	*	N/A	N/A	
Receivable amount	150	—	—	150
Loss allowance	—	—	—	—
At 31 December 2024				
Trade receivables				
Weighted average expected loss rate	*	*	*	
Receivable amount	443	219	209	871
Loss allowance	—	—	—	—
At 31 March 2025				
Trade receivables				
Weighted average expected loss rate	*	*	*	
Receivable amount	323	349	334	1,006
Loss allowance	—	—	—	—

* Nearly zero.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
Prepayments	1,552	106	104
Deposit	224	224	224
Other receivables (note)	12,060	30,907	33,732
	<u>13,836</u>	<u>31,237</u>	<u>34,060</u>

Note: As of 31 December 2023, 31 December 2024 and 31 March 2025, the other receivables included amounts due from CIPRUN Group, approximately RMB10,638,000, RMB28,915,000 and RMB31,895,000, respectively. These amounts are unsecured, bear interest at a rate of 10% per annum, and do not have fixed repayment terms.

12. CASH AND BANK BALANCES

	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
Cash at banks	<u>1,534</u>	<u>5,900</u>	<u>7,570</u>
	<u>1,534</u>	<u>5,900</u>	<u>7,570</u>

The cash and cash equivalents at each reporting date are denominated in RMB.

Certain of the Target Group's bank balances and deposits denominated in RMB are deposited with banks in the PRC. The conversion of these RMB denominated balances into foreign currencies and the remittance of fund out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

13. TRADE PAYABLES

	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
Trade payables	<u>449</u>	<u>727</u>	<u>832</u>

An aging analysis of the trade payables as at each reporting date, based on the invoice date, is as follows:

	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
Within 3 months	<u>449</u>	<u>727</u>	<u>832</u>
	<u>449</u>	<u>727</u>	<u>832</u>

14. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

(a) Other payable and accruals

	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
Salary and welfare payables	1,134	1,268	1,218
Other payables (note)	<u>2,378</u>	<u>3,795</u>	<u>2,175</u>
	<u>3,512</u>	<u>5,063</u>	<u>3,393</u>

Note: As of 31 December 2023, 31 December 2024 and 31 March 2025, the other payables included amounts due to CIPRUN Group, approximately RMB2,122,000, RMB Nil and RMB Nil, respectively. These amounts are unsecured, bear interest at a rate of 10% per annum, and do not have fixed repayment terms.

(b) **Contract liability**

The following table shows the revenue recognized related to carried forward contract liabilities:

	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
Receipts in advance from customers	<u>10,558</u>	<u>21,807</u>	<u>25,999</u>

Due to the short-term nature of the related revenue, all the contract liabilities balance at the year/period end would be recognised into revenue in the next financial year, As permitted under HKFRS 15, the transaction price allocated to those unsatisfied contracts is not disclosed.

15. LEASE LIABILITIES

	Lease payments			Present value of lease payments		
	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
Within one year	1,347	405	304	1,235	392	296
In the second to fifth years, inclusive	<u>1,451</u>	<u>–</u>	<u>–</u>	<u>1,413</u>	<u>–</u>	<u>–</u>
	2,798	405	304			
Less: Future finance charges	<u>(150)</u>	<u>(13)</u>	<u>(8)</u>			
Present value of lease liabilities	<u>2,648</u>	<u>392</u>	<u>296</u>	2,648	392	296
Less: Amount due for settlement within 12 months (shown under current liabilities)				<u>(1,235)</u>	<u>(392)</u>	<u>(296)</u>
Amount due for settlement after 12 months				<u>1,413</u>	<u>–</u>	<u>–</u>

At 31 December 2023, 31 December 2024 and 31 March 2025, the average effective borrowing rate was 5.7%. Interest rates are fixed at the contract dates and thus expose the Target Group to fair value interest rate risk.

16. SHARE CAPITAL

	At 31 December 2023 RMB'000	At 31 December 2024 RMB'000	At 31 March 2025 RMB'000
Issued and fully paid: Paid-up capital	<u>–</u>	<u>–</u>	<u>–</u>

17. REVERSES

Nature and purpose of reserves

Statutory reserve

Pursuant to the relevant PRC rules and regulations, these PRC subsidiaries which are domestic enterprises in the PRC as mentioned in note to the Historical Financial Information are required to transfer no less than 10% of their profits after taxation, as determined under PRC accounting regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

18. FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by a central treasury department (group treasury) under policies approved by the Board of Directors. The Target Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Target Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

(a) Credit risk

(i) Risk management

The credit risk of the Target Group mainly arises from trade receivables, deposits and other receivables and cash and cash equivalents.

Management considers that the Target Group has limited credit risk with its banks which are leading and reputable. The Target Group has not incurred significant loss from non-performance by these parties in the past and management does not expect so in the future. Therefore, expected credit loss rate of cash at bank is assessed to be immaterial and no provision was made as at 31 December 2023, 31 December 2024 and 31 March 2025.

The Target Group has policies in place to ensure that sales are made to reputable and creditworthy customers with an appropriate financial strength, credit history and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The majority of the Target Group's revenue is derived from individual customers in relation to agency services for trademarks, copyrights, and patents. As at 31 December 2023, 31 December 2024 and 31 March 2025, there was no significant concentration of credit risk, as the customer base is broad and highly diversified. No single customer accounted for a material portion of the trade receivables balance, and the overall trade receivables of the Target Group were relatively low in amount.

In view of the Target Group's business model and the history of dealings with its customers, management considers the credit risk to be limited. The Target Group performs regular assessments on the recoverability of trade and other receivables with reference to historical payment records, the length of overdue balances, the financial condition of debtors, macroeconomic conditions, and the existence of any disputes. Based on such assessments, and in light of the Group's past collection experience, the directors are of the opinion that adequate provision for expected credit losses has been made in these consolidated financial statements.

(ii) *Impairment of financial assets*

The Group has three main types of financial assets that are subject to the expected credit loss model:

- Trade receivables (Note 10);
- Cash and cash equivalents and pledged bank deposits (Note 12); and
- other financial assets measured at amortised costs (including deposits and other receivables).

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the directors consider that the identified impairment loss was immaterial.

(b) *Liquidity risk*

Individual operating entities within the Target Group are responsible for their own cash management, including the short-term investment of cash surpluses, participation in supplier finance arrangements with banks and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Target Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants and its relationship with finance providers, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Target Group's financial liabilities is as follows:

	Less than 1 year RMB'000	Between 1 to 2 years RMB'000	Total RMB'000	Carrying value RMB'000
At 31 December 2023				
Trade payables	449	–	449	449
Other payables and accruals	3,427	–	3,427	3,427
Lease liabilities	1,347	1,451	2,798	2,648
	<u>5,223</u>	<u>1,451</u>	<u>6,674</u>	<u>6,524</u>
	Less than 1 year RMB'000	Between 1 to 2 years RMB'000	Total RMB'000	Carrying value RMB'000
At 31 December 2024				
Trade payables	727	–	727	727
Other payables and accruals	5,063	–	5,063	5,063
Lease liabilities	405	–	405	392
	<u>6,195</u>	<u>–</u>	<u>6,195</u>	<u>6,182</u>

	Less than 1 year <i>RMB'000</i>	Between 1 to 2 years <i>RMB'000</i>	Total <i>RMB'000</i>	Carrying value <i>RMB'000</i>
At 31 March 2025				
Trade payables	832	–	832	832
Other payables and accruals	3,393	–	3,393	3,393
Lease liabilities	304	–	304	296
	<u>4,529</u>	<u>–</u>	<u>4,529</u>	<u>4,521</u>

(c) **Categories of financial instruments**

	At 31 December 2023 <i>RMB'000</i>	At 31 December 2024 <i>RMB'000</i>	At 31 March 2025 <i>RMB'000</i>
<i>Financial assets</i>			
Financial assets at amortised cost			
– Trade receivables	150	871	1,052
– Financial assets included in other receivables and other assets	12,284	31,131	33,956
– Cash and bank balances	<u>1,534</u>	<u>5,900</u>	<u>7,571</u>
	<u>13,968</u>	<u>37,902</u>	<u>42,579</u>
<i>Financial liabilities</i>			
Financial liabilities at amortised cost			
– Trade payables	449	727	832
– Financial liabilities included in other payables and accruals	3,427	5,063	3,393
Lease liability	<u>2,648</u>	<u>392</u>	<u>296</u>
	<u>6,524</u>	<u>6,182</u>	<u>4,521</u>

(d) **Fair values**

The carrying amounts of the Target Group's financial assets and financial liabilities as reflected in the combined statements of financial position approximate their respective fair values.

19. NOTES TO THE COMBINED STATEMENT OF CASH FLOWS

	Lease liabilities RMB'000	Total RMB'000
At 9 February 2023 (date of establishment)	–	–
Changes in cash flows	(1,008)	(1,008)
Non-cash changes		
– addition	3,494	3,494
– interest charged	162	162
At 31 December 2023 and 1 January 2024	2,648	2,648
Changes in cash flows	(588)	(403)
Non-cash changes		
– modification of lease	(1,703)	(1,703)
– interest charged	35	35
At 31 December 2024 and 1 January 2025	392	392
Changes in cash flows	(206)	(206)
Non-cash changes		
– addition	11	11
– interest charged	296	296
– At 31 March 2025	493	493

20. RELATED PARTY TRANSACTIONS

For the purposes of the Historical Financial Information, parties are considered to be related to the Target Group if the parties have the ability, directly or indirectly, to exercise significant influence over the Target Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or entities and include entities which are under the significant influence of related parties of the Target Group where those parties are individuals.

(a) Names and relationships with related parties

Name of related parties	Relationship
Ciprun Network Technology (Jiangsu) Co., Ltd	Controlled by the Target Company's ultimate controlling shareholder
Suzhou Ciprun Intellectual Property Operation Co., Ltd	Controlled by the Target Company's ultimate controlling shareholder
Ciprun Group Co., Ltd	Immediate parent company of the Target Company
Luoyang Branch of Suzhou Ciprun Intellectual Property Operation Co., Ltd	Controlled by the Target Company's ultimate controlling shareholder

In addition to the transactions detailed elsewhere in Historical Financial Information, the Target Group had the following transactions with related parties during the Track Record Period:

(b) Transactions with related parties

	For the period from 9 February 2023 (date of establishment) to 31 December 2023 RMB'000	For the year ended 31 December 2024 RMB'000	For the three months ended 31 March 2024 RMB'000 (Unaudited)	For the three months ended 31 March 2025 RMB'000
Interest income from CIPRUN Group	144	1,423	172	498
Trademark filing cost and administrative reimbursement paid to CIPRUN Group	2,169	5,171	1,070	1,186

21. CONTINGENT LIABILITIES

As at each reporting date, the Target Group had no significant contingent liabilities.

22. EVENTS AFTER THE REPORTING PERIOD

There are no significant subsequent events subsequent to 31 March 2025.

23. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 March 2025.