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Independent auditor's report
to the directors of Zhonggan Communication (Group) Holdings Limited
(中贛通信(集團)控股有限公司)
(incorporated in Cayman Island with limited liability)

Opinion

We have audited the consolidated financial statements of Zhonggan Communication (Group) Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 4 to 71, which comprise the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023 and the statements of financial position of the Company as at 31 December 2022 and 2023, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2021, 2022 and 2023 and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the Company's financial position as at 31 December 2022 and 2023, the Group's financial position as at 31 December 2021, 2022 and 2023 and of the Group's consolidated financial performance and the Group's consolidated cash flows for each of the years ended 31 December 2021, 2022 and 2023 in accordance with the basis of preparation and presentation set out in note 1 to the consolidated financial statements.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation and Presentation

We draw attention to note 1 to the consolidated financial statements, which describes the basis of preparation and presentation. The consolidated financial statements are prepared for the purpose of the preparation of a prospectus by the directors of the Company in connection with the initial public offering of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the consolidated financial statements and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. The report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Huazhen LLP Xiamen Branch

12th Floor, Tower A
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Siming District, Xiamen, China
21 June 2024

Consolidated statements of profit or loss and other comprehensive income
*(Expressed in Renminbi ("**RMB**"))*

	Note	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Revenue	4	479,118	413,091	609,301
Cost of sales		(387,930)	(309,453)	(459,982)
Gross profit		91,188	103,638	149,319
Other net income	5	5,850	4,750	5,018
Selling expenses		(5,080)	(3,436)	(3,298)
Administrative expenses		(20,351)	(33,000)	(38,474)
Research and development expenses		(19,208)	(17,680)	(25,873)
Profit from operations		52,399	54,272	86,692
Finance costs	6(a)	(11,480)	(15,332)	(16,682)
Profit before taxation	6	40,919	38,940	70,010
Income tax	7(a)	(4,746)	(3,965)	(1,339)
Profit for the year		36,173	34,975	68,671
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		36,173	34,975	68,671
Attributable to:				
Equity shareholders of the Company		36,173	34,473	68,592
Non-controlling interests		–	502	79
Profit for the year		36,173	34,975	68,671
Earnings per share				
Basic and diluted	10	N/A	N/A	N/A

The accompanying notes form part of the consolidated financial statements.

Consolidated statements of financial position

(Expressed in RMB)

	Note	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Non-current assets				
Property, plant and equipment	*11*	21,623	21,845	34,003
Investment property	*12*	19,892	19,367	18,841
Investments in associates	*13*	–	–	7,424
Trade receivables	*16(a)*	40,625	16,533	27,136
Prepayment for purchases of properties	*17*	7,096	13,956	–
Deferred tax assets	*25(b)*	9,118	23,984	6,513
		98,354	95,685	93,917
Current assets				
Inventories and other contract costs	*14*	20,295	20,195	11,240
Contract assets	*15(a)*	513,462	539,645	726,829
Trade and other receivables	*16(a)*	219,753	304,969	244,601
Other financial assets		6	9	34
Pledged bank deposits	*18*	5,281	5,366	3,193
Cash and cash equivalents	*19*	39,850	68,646	81,540
		798,647	938,830	1,067,437
Current liabilities				
Trade and other payables	*20*	443,540	437,551	677,514
Contract liabilities	*15(b)*	5,102	7,644	4,795
Lease liabilities	*21*	111	45	145
Bank borrowings	*22*	311,449	375,198	347,458
Current taxation	*25(a)*	9,195	24,903	1,258
		769,397	845,341	1,031,170
Net current assets		29,250	93,489	36,267
Total assets less current liabilities		127,604	189,174	130,184
Non-current liabilities				
Lease liabilities	*21*	–	13	129
Deferred income	*23*	1,941	1,887	1,833
Other non-current liabilities	*20*	1,127	–	–
		3,068	1,900	1,962
NET ASSETS		124,536	187,274	128,222

		As at 31 December		
		2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES				
Share capital	*26(b)*	–	82	83
Share premium	*26(c)*	–	12,119	12,112
Reserves	*26(d)*	124,536	173,055	116,027
Total equity attributable to equity shareholders of the Company		124,536	185,256	128,222
Non-controlling interests		–	2,018	–
TOTAL EQUITY		124,536	187,274	128,222

Approved and authorised for issue by the Board of Directors on 21 June 2024

Liu Haoqiong

Liu Haoqiong
Director

Zhou Zhiqiang

Zhou Zhiqiang
Director

Ni Liyun

Ni Liyun
Financial Manager

The accompanying notes form part of the consolidated financial statements.

Statements of financial position of the Company
(Expressed in RMB)

	Note	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000
Non-current assets			
Investment in a subsidiary		*	12,119
Current assets			
Other receivables	16(b)	12,545	84
Net current assets		12,545	84
Total assets less current liabilities		12,545	12,203
NET ASSETS		12,545	12,203
CAPITAL AND RESERVES			
Share capital	26(b)	82	83
Share premium	26(c)	12,119	12,112
Reserves	26(d)	344	8
TOTAL EQUITY		12,545	12,203

* *The balances represent amounts less than RMB1,000.*

Note:

(i) Investment in a subsidiary represents the paid-in capital of Zhonggan Communication (BVI) Holding Co., Ltd. ("**Zhonggan BVI**"). Zhonggan BVI was incorporated on 24 May 2022 with issued capital of USD1.00. Subsequently in 2023, the Company injected RMB12,119,000 to Zhonggan BVI, which increased the Company's investment in the subsidiary.

Approved and authorised for issue by the Board of Directors on 21 June 2024

Liu Haoqiong
Liu Haoqiong
Director

zhou zhiqiang
Zhou Zhiqiang
Director

Ni Liyun
Ni Liyun
Financial Manager

The accompanying notes form part of the consolidated financial statements.

Consolidated statements of changes in equity

(Expressed in RMB)

		Attributable to equity shareholders of the Company							
	Note	Share capital	Share premium	Other reserve	PRC statutory reserve	Accumulated losses/ Retained profits	Total	Non-controlling interests	Total equity
		RMB'000 *Note 26(b)*	*RMB'000* *Note 26(c)*	*RMB'000* *Note 26(d)(i)*	*RMB'000* *Note 26(d)(ii)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021		–	–	99,192	4,865	25,942	129,999	–	129,999
Changes in equity for the year ended 31 December 2021									
Profit and total comprehensive income for the year		–	–	–	–	36,173	36,173	–	36,173
Share repurchase	*26(d)(i)*	–	–	(37,130)	(2,688)	(1,818)	(41,636)	–	(41,636)
Appropriation to PRC statutory reserves		–	–	–	3,617	(3,617)	–	–	–
Balance at 31 December 2021 and 1 January 2022		–	–	62,062	5,794	56,680	124,536	–	124,536
Balance at 1 January 2022		–	–	62,062	5,794	56,680	124,536	–	124,536
Changes in equity for the year ended 31 December 2022									
Profit and total comprehensive income for the year		–	–	–	–	34,473	34,473	502	34,975
Capital injection	*26(d)(i)*	–	–	27,681	–	–	27,681	–	27,681
Arising from reorganisation		82	12,119	(13,635)	–	–	(1,434)	1,516	82
Appropriation to PRC statutory reserves		–	–	–	3,376	(3,376)	–	–	–
Balance at 31 December 2022 and 1 January 2023		82	12,119	76,108	9,170	87,777	185,256	2,018	187,274
Balance at 1 January 2023		82	12,119	76,108	9,170	87,777	185,256	2,018	187,274
Changes in equity for the year ended 31 December 2023									
Profit and total comprehensive income for the year		–	–	–	–	68,592	68,592	79	68,671
Arising from reorganisation	*Note 26(d)(i)*	1	(7)	(76,108)	–	(49,512)	(125,626)	(2,097)	(127,723)
Appropriation to PRC statutory reserves		–	–	–	6,933	(6,933)	128,197	–	–
Balance at 31 December 2023		83	12,112	–	16,103	99,924	128,222	–	128,222

The accompanying notes form part of the consolidated financial statements.

Consolidated cash flow statements

(Expressed in RMB)

		Year ended 31 December		
		2021	**2022**	**2023**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Operating activities				
Cash generated from/(used in) operations	*19(b)*	(9,819)	(33,564)	58,231
Income tax paid	*25(a)*	(2,427)	(3,123)	(9,793)
Net cash generated from/(used in) operating activities		(12,246)	(36,687)	48,438
Investing activities				
Payment for the purchase of property, plant and equipment		(7,606)	(8,528)	(863)
Proceeds from disposal of property, plant and equipment		1	7	–
Interest received		112	119	180
Payment for purchase of other financial assets		(4)	(2)	(23)
Net cash used in investing activities		(7,497)	(8,404)	(706)
Financing activities				
Capital element of lease rentals paid	*19(c)*	(384)	(448)	(172)
Interest element of lease rentals paid	*19(c)*	(8)	(5)	(15)
Proceeds from bank borrowings	*19(c)*	311,000	407,000	397,000
Repayment of bank borrowings	*19(c)*	(205,000)	(343,000)	(425,000)
Increase in pledged bank deposit	*18*	(44)	(31)	(64)
Interest paid	*19(c)*	(13,177)	(15,344)	(16,400)
Capital injection from shareholders	*26(d)(i)*	–	27,681	12,119
Repurchase of shares of the companies now comprising the Group		(41,636)	–	–
Payment of listing expenses		(147)	(1,966)	(2,275)
Net cash (used in)/generated from financing activities		50,604	73,887	(34,807)
Net increase in cash and cash equivalents		30,861	28,796	12,925
Cash and cash equivalents at 1 January	*19(a)*	8,989	39,850	68,646
Effect of foreign exchange		–	–	(31)
Cash and cash equivalents as at 31 December	*19(a)*	39,850	68,646	81,540

The accompanying notes form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements
(Expressed in RMB unless otherwise indicated)

1 Basis of preparation and presentation of consolidated financial statements

1.1 General information

Zhonggan Communication (Group) Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 20 April 2022 as an exempted company with limited liability under the Cayman Islands Companies Act.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, the "**Group**") are principally engaged in the provision of (i) telecommunications infrastructure services which comprises infrastructure construction services and maintenance services and (ii) digitalisation solution services for the Group's customers (together, the "**Listing Business**") in the People's Republic of China (the "**PRC**").

1.2 Reorganisation and basis of presentation

Prior to the incorporation of the Company and completion of the group reorganisation mentioned below, the Listing Business was carried out by Zhonggan Communication Company Limited and its subsidiaries (together, "**Zhonggan Communication**"). To rationalise the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Group underwent the group reorganisation, as detailed in the section headed "History and Reorganisation" in the prospectus of the Company dated 21 Jun 2024 (the "Prospectus") (the "**Reorganisation**").

On 25 August 2022, the Company became the holding company of the companies now comprising the Group.

The Reorganisation only involved inserting newly formed investment entities with no substantive operations as holding companies of Zhonggan Communication, and there were no changes in the economic substance of the ownership, business and operations of the Group before and after the Reorganisation. Accordingly, the consolidated financial statements has been prepared and presented as a continuation of the consolidated financial statements of Zhonggan Communication with the assets and liabilities of Zhonggan Communication recognised and measured at their historical carrying amounts prior to the Reorganisation.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the consolidated financial statements.

1.3 Subsidiaries

As at the date of this report, no statutory financial statements have been prepared for the Company as it is an investment holding company and is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries regions in which they were incorporated and/or established.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital/ registered capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	Held by the subsidiary		
Directly held						
Zhonggan Communication (BVI) Holding Co., Ltd ("**Zhonggan BVI**")	British Virgin Islands (BVI)/ 24 May 2022	US$1/US$50,000	100%	–	Investment holding	note (v)
Indirectly held						
Zhonggan Communication Hong Kong Limited （中贛通信香港有限公司）	Hong Kong/ 9 June 2022	HK$1/ HK$1	–	100%	Investment holding	note (v)
Jiangxi Zhongge Communication Company Limited ("**Jiangxi Zhongge**") （江西中歌通信有限公司） *(notes (i) and (ii))*	PRC/ 18 July 2022	HK$13,021,217/ HK$22,806,837	–	100%	Investment holding	note (v)
Zhonggan Communication Company Limited （中贛通信(集團)有限公司） *(notes (i) and (iii))*	PRC/ 23 May 2002	RMB65,522,636/ RMB65,522,636	–	100%	Infrastructure Construction Services/ Digitalisation Solution Services/ Maintenance Services	note (iv)
Jiangxi Gelapu Technology Company Limited （江西戈拉普科技有限公司） *(notes (i) and (iii))*	PRC/ 30 November 2017	RMB30,000,000/ RMB30,000,000	–	100%	Digitalisation Solution Services	note (v)
Gantong Communication (Jiangxi) Company Limited （贛通通信(江西)有限公司） *(notes (i) and (iii))*	PRC/ 28 October 2019	RMB10,000,000/ RMB10,000,000	–	100%	Yet to commence business activities	note (v)
Gantong Communication (Xiamen) Company Limited （贛通通信(廈門)有限公司） *(notes (i) and (iii))*	PRC/ 12 November 2021	RMB Nil/ RMB1,000,000	–	100%	Yet to commence business activities	note (v)
Jiangxi Gelapu Software Company Limited （江西歌拉普軟件有限公司） *(notes (i) and (iii))*	PRC/ 11 February 2022	RMB Nil/ RMB5,000,000	–	100%	Digitalisation Solution Services	note (v)

Notes:

(i) The official name of this entity is in Chinese. The English name is for identification purpose only.

(ii) This entity was registered as a wholly foreign-owned enterprise under the PRC Law.

(iii) These entities were registered as domestic enterprises under the PRC Law.

(iv) The statutory financial statements for Zhonggan Communication Company Limited for the year ended 31 December 2022 was audited by Nanchang Weida Accounting Firm. No statutory financial statements were prepared for the years ended 31 December 2021 and 2023.

(v) No statutory audited financial statements have been prepared for these companies during the Track Record Period as they were not required to issue audited financial statements under the statutory requirements of their places of incorporation.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The consolidated financial statements has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). As the Group's first consolidated financial statements prepared in accordance with HKFRS Accounting Standards, HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards" has been applied save for certain presentation and disclosure provisions therein. The date of transition to HKFRS was 1 January 2021. Further details of the material accounting policy information are set out in note 2.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this consolidated financial statements, the Group has adopted all applicable new and revised HKFRSs for each of the years ended 31 December 2021, 2022 and 2023 (the "**Track Record Period**") consistently throughout the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2023 are set out in note 31.

The consolidated financial statements also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements.

2 Material accounting policy information

(a) Basis of measurement

The consolidated financial statements is presented in RMB, rounded to the nearest thousand unless otherwise indicated.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

(b) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(o) or (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)(ii)).

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over in the financial and operating policies.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the ECL model to such other long-term interests where applicable (see note 2(j)(i)).

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

(e) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(i)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Rental income from investment properties is accounted for as described in note 2(t)(ii)(a).

Depreciation is calculated to write off the costs of investment properties, less its residual value of 5%, if any, using the straight-line method over their estimated useful lives of 40 years. Both the useful life and residual value, if any, are reviewed annually.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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

– Buildings	10-40 years
– Machinery	5 years
– Motor vehicles	8 years
– Office and other equipment	3 years
– Right-of-use assets (see note 2(j))	15-36 months

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Construction in progress

Construction in progress represents buildings and plant under construction and machinery and equipment under installation and testing, and is stated at cost less accumulated impairment loss, if any (see note 2(j)(ii)). The cost includes the direct costs of construction, plant and equipment.

Construction in progress is not depreciated until such time as the assets are completed and ready for operational use, after which the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in note 2(f).

(h) Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group has sufficient resources and the intention to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and impairment losses.

(i) Leased assets

At inception of a contract, the Group assesses whether the 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease components and non-lease components, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f) and 2(j)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in "property, plant and equipment" and presents lease liabilities separately in the consolidated statements of financial position.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

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

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(t)(ii)(a).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(i)(i), then the Group classifies the sub-lease as an operating lease.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits and trade and other receivables); and

– contract assets as defined in HKFRS 15 (see note 2(l)).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with note 2(t)(ii)(b) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets and construction in progress;

– investment property; and

– investments in a subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories and other contract costs

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

(ii) Other contract costs

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2(k)(i)) or, property, plant and equipment (see note 2(f)).

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2(t).

(l) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(t)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(m)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(t)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(m)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(l)).

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, using the effective interest method and including an allowance for credit losses (see note 2(j)(i)).

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits with banks. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2(j)(i).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, loan and borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

(q) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable on the taxable income and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable is the best estimate of the tax amount expected to be paid that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(s) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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.

(t) Revenue and other income

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

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfies a performance obligation in a contract. A performance obligation represents a distinct good or service that is transferred by the Group to the customer, and is satisfied when the customer obtains control over that distinct good or service. The Group recognises revenue, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following conditions is met: (i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; (ii) the customer is able to control goods in the progress during the Group's performance; (iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognised at a point of time when the customer obtains control over the relevant goods or services.

Where the contract contains a financing component which provides a significant financing benefit to the customer, the Group adjusts the promised amount of consideration for the effects of time value of money by using a discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

(a) Provision of infrastructure construction services

The Group recognises revenue from provision of infrastructure construction services over time because the Group's construction activities create or enhance assets controlled by the customers. The Group adopts the input method to measure performance progress and revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs. Where the performance progress cannot be determined reasonably, revenue is recognised based on the amount of cost that is expected to be compensated based on the cost already incurred, until the performance progress can be reasonably determined.

The likelihood of the Group suffering settlement amount adjustments resulting from final completion inspection and project settlement audit are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group applies the most likely amount approach to estimate such variable consideration by considering the single most likely amount in a limited range of possible consideration amounts, taking into account the Group's current progress and adjustment rates over historical periods.

(b) Provision of digitalisation solution services

In this business model, the Group provides the following 3 types of services based on customer needs:

(i) Integrated solution services

The Group designs and provides integrated IT solutions for the customers by integrating different hardware and software based on the service specifications of the customers. The Group develops the integrated IT solutions at the sites designated by the customers. As the Group's performance creates or enhances assets that the customers control as the Group performs, the Group recognises revenue over time. The Group adopts the input method to measure performance progress and revenue is recognised based on the proportion of the actual costs incurred relative to the estimated total costs. Where the performance progress cannot be determined reasonably, revenue is recognised based on the amount of cost that is expected to be compensated based on the cost already incurred, until the performance progress can be reasonably determined.

(ii) System maintenance service

The Group offers optional system maintenance service to provide on-site support to the customers of the integrated solution services. If the customer chooses to purchase system maintenance service, the Group allocates the transaction price to the integrated solution services and system maintenance services. As the Group does not sell the system maintenance service separately, it uses expected cost plus a margin approach to estimate the stand-alone selling price of the system maintenance service. Revenue from the system maintenance service is recognised over time on a straight-line basis as the customer simultaneously receives and consumes the benefits as the Group performs and the Group's efforts are expended evenly during the on-site support period.

(iii) Software solution services

In this service type, the Group grants a licence to customers which allow them to use the software developed by the Group. As the software has standalone functionality and the Group will not undertake future activities that will significantly change the functionality of the software, the Group recognises revenue from the software licensing at a point in time when the customers are able to use the software.

(c) Provision of maintenance services in relation to infrastructure

The Group provides maintenance and repair services to fix and rectify technical issues for infrastructure owned by third parties within their contracted period. Revenue from maintenance and repair service is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Additionally, the Group provides emergency and sporadic repair and maintenance service for customers case by case, the Group recognises revenue upon the completion of the emergency and sporadic service because the service is completed within one day.

(ii) Other income

(a) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. 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.

(b) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

(c) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised by setting up the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(v) Borrowing costs

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

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if 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 the Group's parent.

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

    (i) The entity and the 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 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).

(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 Group's parent.

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

(x) Segment reporting

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

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

The Group operates in a single business segment, accordingly, no segmental analysis is presented.

3 Accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing these financial statements. The principal accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

(a) Loss allowances of trade receivables and contract assets

The Group estimates the loss allowances for trade receivables and contract assets by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecasted general economic conditions at the end of reporting period. The Group keeps assessing the expected credit loss of trade receivables and contract assets during their expected lives.

(b) Recognition of deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

4 Revenue

The principal activities of the Group are the provision of infrastructure construction services, digitalisation solution services and maintenance services for customers in the PRC.

(i) Disaggregation of revenue

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15			
Disaggregated by major products or service lines			
Revenue from telecommunications infrastructure services			
– infrastructure construction services	344,631	309,276	463,367
– infrastructure maintenance services	25,160	33,224	37,990
Revenue from digitalisation solution services			
– integrated solution services	107,364	10,148	41,258
– system maintenance services	1,963	2,044	470
– software solution services	–	58,399	66,216
	479,118	413,091	609,301

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition			
– Over time	467,054	338,214	520,288
– Point in time	12,064	74,877	89,013
	479,118	413,091	609,301

Revenue from major group customers which accounts for 10% or more of the Group's revenue are set out below:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Customer A	332,929	237,660	297,250
Customer B	N/A*	60,816	126,362
Customer C	61,071	N/A*	N/A*
Customer D	N/A*	89,403	132,080
	394,000	387,879	555,692

* *Less than 10% of the Group's revenue in the respective years.*

Details of concentration of credit risk are set out in note 27(a).

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence as at 31 December 2021, 2022 and 2023.

As at 31 December 2021, 2022 and 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing digitalisation solution services contracts is RMB2,810,000, RMB767,000 and RMB1,274,000 respectively. The Group will recognise the expected revenue in future when or as the service is provided, which is expected to occur over the next 1 to 5 years after each reporting date.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts that had an original expected duration of one year or less.

5 Other net income

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest income *(note (i))*	2,043	3,016	1,354
Bank deposit interest income	112	119	180
Government grants *(note (ii))*	3,254	869	3,248
Rentals income from investment properties less direct outgoings	642	642	642
(Loss)/gain on disposal of property, plant and equipment and other financial assets	(25)	(103)	2
Share of profits of associates	–	–	74
Net foreign exchange gain/(loss)	–	344	(732)
Others	(176)	(137)	250
	5,850	4,750	5,018

Notes:

(i) The interest income is attributable to the significant financing benefit to the Group for contracts containing a financing component in accordance with the accounting policies as set out in note 2(t).

(ii) The government grants mainly represent awards from Jiangxi government authorities attributable to (i) the recognition of the Group's efforts in reducing corporate costs and optimising development environment, (ii) the support for Zhonggan Communication's previous A-Share listing plan and equity financing activities, (iii) the recognition of the Group's contribution to the development of high-tech industries in Nanchang, (iv) as subsidies for the Group's research and development activities and (v) software VAT refund upon collection.

6 Profit before taxation

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

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
(a) Finance costs			
Interest on bank borrowings	10,920	15,093	16,660
Interest on contract contains a financing component	552	234	7
Interest on lease liabilities	8	5	15
	11,480	15,332	16,682

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
(b) Staff costs			
Salaries, discretionary bonus and allowance	26,911	25,550	24,459
Contributions to defined contribution retirement plan *(note 24)*	2,175	1,865	2,625
	29,086	27,415	27,084
(c) Other items			
Depreciation			
– property, plant and equipment *(note 11)*	1,698	1,564	1,517
– investment property *(note 12)*	526	525	526
– right-of-use assets *(note 11)*	334	202	284
Impairment losses/(reversal)			
– trade receivables *(note 16)*	3,165	8,373	12,426
– contract assets *(note 15(a))*	98	1,491	(1,158)
– other receivables *(note 16)*	496	978	426
Short-term and low-value assets lease charges	482	476	292
Research and development costs (excluding staff cost)	10,548	7,280	15,037
Labour cost *(note (i))*	299,670	275,820	403,203
Cost of inventories *(note (ii))*	49,117	5,939	23,807
Listing expense	557	6,609	8,566

Notes:

(i) The Group engages labour suppliers to supplement the Group's labor force in performing labour intensive projects.

(ii) Cost of inventories mainly include the cost of hardware used for the provision in digitalisation solution services.

7 Income tax in the consolidated statements of profit or loss and other comprehensive income

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year	9,948	18,831	(16,132)
Deferred tax			
Origination and reversal of temporary differences *(note 25(b))*	(5,202)	(14,866)	17,471
	4,746	3,965	1,339

(b) Reconciliation between tax expense and accounting profit/(loss) at applicable tax rates:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	40,919	38,940	70,010
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned *(notes (i), (ii) and (iii))*	10,229	9,735	17,503
Tax effect of PRC preferential tax treatments *(notes (iv) and (vi))*	(4,092)	(3,971)	(13,817)
Tax effect of additional deduction on research and development costs *(note (v))*	(1,750)	(2,197)	(2,966)
Tax effect of non-deductible expenses	359	398	619
Actual tax expense	4,746	3,965	1,339

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the Track Record Period.

(iii) The subsidiaries of the Group established in the PRC is subject to PRC Corporate Income Tax rate at the statutory rate of 25%.

(iv) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("**HNTE**") which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria. Zhonggan Communication was qualified as an HNTE since 2015, Jiangxi Gelapu Technology Company Limited was qualified as an HNTE since 2020, and these qualifications have remained valid throughout the Track Record Period.

(v) According to the relevant tax rules in the PRC, qualified research and development costs are allowed for bonus deduction for income tax purpose, as a result, an additional 75%, 100% and 100% of the qualified research and development costs could be deemed as deductible expenses in 2021, 2022 and 2023 respectively.

(vi) According to the PRC Corporate Income Tax Law and its implementation regulations, Jiangxi Gelapu Software Company Limited was qualified as a "Small Low-profit Enterprise" and enjoyed a reduced corporate income tax rate of 20% in 2022. In addition, Jiangxi Gelapu Software Company Limited was qualified as a "Double-soft Enterprise" in 2023, which entitles the qualified companies to enjoy full exemption from corporate income tax for the first two years from the profit-making year and a 50% reduction on corporate for the next subsequent three years.

(vii) According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company.

The provision of the related deferred tax liabilities, if any, are based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008. Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of the retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

8 Directors' emoluments

For the Track Record Period, details of the emoluments of the directors of the Company are as follows:

	Year ended 31 December 2021				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Liu Haoqiong	–	965	–	6	971
Mr Liu Dingli	–	247	–	6	253
Mr Peng Shengqian	–	611	–	10	621
Mr Zhou Zhiqiang	–	145	32	6	183
Ms Xie Xiaolan	–	82	81	–	163
Mr Liu Dingyi	–	80	13	6	99
	–	2,130	126	34	2,290

	Year ended 31 December 2022				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr Liu Haoqiong	–	866	–	7	873
Mr Liu Dingli	–	355	–	7	362
Mr Peng Shengqian	–	610	–	12	622
Mr Zhou Zhiqiang	–	229	–	7	236
Ms Xie Xiaolan	–	273	–	–	273
Mr Liu Dingyi	–	115	–	7	122
	–	2,448	–	40	2,488

	Year ended 31 December 2023				
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Liu Haoqiong	–	404	–	7	411
Mr. Liu Dingli	–	382	–	7	389
Mr. Peng Shengqian	–	169	–	20	189
Mr. Zhou Zhiqiang	–	193	–	7	200
Ms. Xie Xiaolan	–	192	–	–	192
Mr. Liu Dingyi	–	150	–	7	157
	–	1,490	–	48	1,538

On 19 May 2022, Mr. Liu Haoqiong, Mr. Liu Dingli, Mr. Peng Shengqian, Ms. Tao Xiulan, Ms. Xie Xiaolan and Mr. Liu Dingyi were appointed as executive directors of the Company. On 13 September 2022, Ms. Tao Xiulan resigned as director of the Company, and Mr. Zhou Zhiqiang was appointed as director of the Company on the same day.

All executive directors acted as key management personnel of the Group during the Track Record Period and the emoluments disclosed above include those for services rendered by them as key management personnel of the Group.

During the Track Record Period, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which an executive director waived or agreed to waive any remuneration during the Track Record Period.

9 Individuals with highest emoluments

During the Track Record Period, of the five individuals with the highest emoluments three, three and two are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining two, two and three individuals are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	527	1,039	858
Retirement scheme contributions	15	19	21
	542	1,058	879

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	Year ended 31 December		
	2021	**2022**	**2023**
	Number of individuals	*Number of individuals*	*Number of individuals*
Nil – HK$1,000,000	2	2	3

10 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results during the Track Record Period using the basis of preparation as disclosed in note 1 above.

11 Property, plant and equipment

	Buildings	Machinery	Motor vehicles	Office and other equipment	Sub-total	Right-of-use assets	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	24,378	2,571	1,915	3,393	32,257	1,014	–	33,271
Additions	–	–	–	128	128	134	432	694
Disposals	–	–	–	(520)	(520)	(624)	–	(1,144)
As at 31 December 2021 and 1 January 2022	24,378	2,571	1,915	3,001	31,865	524	432	32,821
Additions	–	–	–	215	215	395	1,488	2,098
Disposals	–	(1,767)	(118)	(104)	(1,989)	(390)	–	(2,379)
As at 31 December 2022 and 1 January 2023	24,378	804	1,797	3,112	30,091	529	1,920	32,540
Additions	–	150	–	110	260	388	13,311	13,959
Transfer from construction in progress	2,321	–	–	41	2,362	–	(2,362)	–
As at 31 December 2023	26,699	954	1,797	3,263	32,713	917	12,869	46,499
Accumulated depreciation:								
As at 1 January 2021	(3,403)	(2,124)	(1,755)	(2,372)	(9,654)	(630)	–	(10,284)
Charge for the year	(1,078)	(163)	–	(457)	(1,698)	(334)	–	(2,032)
Written back on disposals	–	–	–	494	494	624	–	1,118
As at 31 December 2021 and 1 January 2022	(4,481)	(2,287)	(1,755)	(2,335)	(10,858)	(340)	–	(11,198)
Charge for the year	(1,078)	(152)	–	(334)	(1,564)	(202)	–	(1,766)
Written back on disposals	–	1,678	112	89	1,879	390	–	2,269
As at 31 December 2022 and 1 January 2023	(5,559)	(761)	(1,643)	(2,580)	(10,543)	(152)	–	(10,695)
Charge for the year	(1,313)	(41)	–	(163)	(1,517)	(284)	–	(1,801)
As at 31 December 2023	(6,872)	(802)	(1,643)	(2,743)	(12,060)	(436)	–	(12,496)
Net book value:								
As at 31 December 2021	19,897	284	160	666	21,007	184	432	21,623
As at 31 December 2022	18,819	43	154	532	19,548	377	1,920	21,845
As at 31 December 2023	19,827	152	154	520	20,653	481	12,869	34,003

Notes:

(i) All property, plant and equipment owned by the Group are located in the PRC.

(ii) The Group has obtained the right to use certain staff dormitory through tenancy agreements during the Track Record Period. The leases typically run for an initial period of 15 to 36 months. None of the leases includes variable lease payments.

(iii) As at 31 December 2021, 2022 and 2023, property, plant and equipment with a carrying amount of RMB19,897,000, RMB18,819,000 and RMB19,827,000 respectively are pledged to secure the Group's bank borrowings (note 22).

12 Investment property

	Buildings
	RMB'000
Cost:	
At 1 January 2021, 31 December 2021, 2022 and 2023	22,125
Accumulated amortisation:	
At 1 January 2021	(1,707)
Charge for the year	(526)
At 31 December 2021 and 1 January 2022	(2,233)
Charge for the year	(525)
At 31 December 2022 and 1 January 2023	(2,758)
Charge for the year	(526)
At 31 December 2023	(3,284)
Net book value:	
At 31 December 2021	19,892
At 31 December 2022	19,367
At 31 December 2023	18,841

The Group leases out investment property under operating leases. The leases run for an initial period of 20 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every 3 years to reflect market rentals. Certain leases include variable lease payment terms that are based on the revenue of tenants.

The Group has engaged an independent, professional valuer to determine the fair value of the investment property using the market comparison approach and income approach as at 30 September 2021, 2022 and 2023 amounting to RMB27,886,320, RMB26,795,600 and RMB26,407,500 respectively. The directors of the Company have assessed and estimated the fair value of the investment properties as at 31 December 2021, 2022 and 2023 to be the same as their fair values as at 30 September 2021, 2022 and 2023 respectively.

As at 31 December 2021, 2022 and 2023, investment property with a carrying amount of RMB19,892,000, RMB19,367,000 and RMB18,841,000 respectively was pledged to secure the Group's bank borrowings (note 22).

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

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	1,183	1,183	1,183
After 1 year but within 2 years	1,183	1,183	1,227
After 2 years but within 3 years	1,183	1,227	1,242
After 3 years but within 4 years	1,227	1,242	1,242
After 4 years but within 5 years	1,242	1,242	1,242
After 5 years	18,418	17,176	15,934
	24,436	23,253	22,070

13 Interests in associates

The following list contains the particulars of associates, all of which are unlisted corporate entities whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Jian Qingyoupu Information Technology Limited (吉安青優普信息科技有限公司)	Incorporate	PRC	RMB Nil/ RMB5,000,000	49%	–	49%	Yet to commence business activities
Jiangxi Wanpuxing Information Technology Limited (江西灣普興科技有限公司)	Incorporate	PRC	RMB Nil/ RMB10,000,000	49%	–	49%	Digitalisation solution services

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Aggregate information of associates that are not individually material:

	As at 31 December 2023
	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	7,424
Aggregate amounts of the Group's share of those associates'	
Profit from continuing operations	74
Post-tax profit or loss from discontinued operations	–
Other comprehensive income	–
Total comprehensive income	74

14 Inventories and other contract costs

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Inventories ***(note i)***			
– Hardware	5,078	3,729	520
– Software	591	59	265
	5,669	3,788	785
Other contract costs ***(note ii)***	14,626	16,407	10,455
	20,295	20,195	11,240

Notes:

(i) Inventories

All of the inventories are expected to be recovered within one year.

(ii) Other contact costs

Contract costs capitalised as at 31 December 2021, 2022 and 2023 relate to the suppliers costs incurred in fulfilling construction contracts with customers. Contract costs are recognised as part of cost of sales in the statement of profit or loss and other comprehensive income in the period in which revenue is recognised. The amount of capitalised costs recognised in profit or loss during each of the years ended 31 December 2021, 2022 and 2023 was RMB14,626,000, RMB16,407,000 and RMB10,455,000 respectively. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the Track Record Period.

All of the other capitalised contract costs are expected to be recovered within one year.

15 Contract assets and contract liabilities

(a) Contract assets

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Contract assets			
Arising from performance under provision of telecommunications infrastructure services			
– third parties	514,396	537,825	728,392
Less: loss allowance	(1,503)	(2,202)	(1,957)
	512,893	535,623	726,435
Arising from performance under provision of digitalisation solution services			
– third parties	728	4,972	431
Less: loss allowance	(159)	(950)	(37)
	569	4,022	394
	513,462	539,645	726,829
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" ***(note 16)***	224,943	260,154	249,995

The Group's contract assets consist of project money and retention money.

The payment billing of project money is normally conditional on the Group's work satisfactorily passing the customers' final inspection. On the other hand, revenue arising from such contracts are recognised based on their performance progress or upon completion in accordance with the accounting policies in note 2(t).

Given that the respective considerations can only be collected upon the Group's work satisfactorily passing the customers' final inspection, the difference between the revenue recognised based on the Group's accounting policies and the collection of consideration is recognised as a contract asset until the Group's work satisfactorily passes the customers' final inspection. As at 31 December 2021, 2022 and 2023, project money held as contract assets amounted to RMB509,127,000, RMB530,515,000 and RMB724,004,000 respectively.

The Group also typically agrees to retain 3% to 10% of the contract value as retention money for one to five years upon the completion of work. These amounts are included in contract assets until the end of the retention period as the Group's entitlement to these final payments are conditional on the proper functioning of the Group's projects throughout the retention period. As at 31 December 2021, 2022 and 2023, retention money held as contract assets amounted to RMB4,335,000, RMB9,130,000 and RMB2,825,000 respectively.

Contract assets are transferred to trade receivables when the rights become unconditional.

Further details on the Group's credit policy and credit risk arising from contract assets are set out in note 27(a).

(b) Contract liabilities

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities			
Billings in advance of performance	5,102	7,644	4,795

As at 31 December 2021, 2022 and 2023, billings in advance of performance are expected to be recognised as income within one year.

16 Trade and other receivables

(a) Trade and other receivables of the Group

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– current	189,101	256,214	247,109
– non-current	40,660	16,564	28,504
	229,761	272,778	275,613
Bills receivable	–	568	–
Trade and bills receivables	229,761	273,346	275,613
Other receivables	24,683	14,630	9,872
Less: loss allowance	(6,061)	(15,412)	(28,264)
Trade and bills receivables and other receivables, net of loss allowance	248,383	272,564	257,221
Amounts due from related parties *(note 29(d))*	166	12,574	109
Current tax prepayment	–	–	2,280
Prepayment for labour and services	5,414	28,862	2,006
Prepayment for listing expense	169	2,133	4,822
Deferred VAT refund	6,246	5,369	5,299
	260,378	321,502	271,737

Notes:

(i) Apart from the non-current trade receivables as stated above, all of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(ii) Bills receivable represented outstanding commercial acceptance bills. Bills receivable are due within 6 to 12 months from the date of issue of the bills.

(iii) As at 31 December 2021, 2022 and 2023, trade receivables and contract assets amounted to RMB729,213,000, RMB793,043,000 and RMB624,886,000 were pledged as security for bank borrowings (see note 22).

(iv) Other receivables represented tender bonds and performance bonds which will be released to the Group upon the award and the completion of the relevant projects, as the case may be.

(v) As at 31 December 2022, prepayment for labour and services mainly consisted of prepayment to project funds that will be used for the establishment of a research and development team and purchase of equipment and raw materials.

Ageing analysis

As at 31 December 2021, 2022 and 2023, the ageing analysis of trade and bills receivable, based on the transaction date or invoice date and net of loss allowance, are as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	188,722	199,205	120,668
More than 6 months but within 12 months	22,117	37,239	88,135
More than 12 months but within 18 months	11,103	19,168	39,978
More than 18 months but within 24 months	2,371	13,415	13,570
More than 24 months	5,448	4,319	13,262
Trade and bills receivables	229,761	273,346	275,613
Less: loss allowance	(4,818)	(13,192)	(25,618)
	224,943	260,154	249,995

Trade receivables related to project money from telecommunications infrastructure services are normally due within 90 days from the date of billing. As at 31 December 2021, 2022 and 2023, project money receivable related to telecommunications infrastructure services amounted to RMB73,049,000, RMB72,623,000 and RMB69,712,000 respectively.

Trade receivables related to project money from digitalisation solution services are normally due within 90 days from the completion of work, and the Group has undertaken a few Integrated Solution Services projects for which a payment term of three to five years have been granted, which were provided at the special request of the customers. As at 31 December 2021, 2022 and 2023, project money receivable related to digitalisation solution services amounted to RMB149,153,000, RMB184,927,000 and RMB175,224,000 respectively.

Retention money is normally be settled within 90 days of the end of the retention period. As at 31 December 2021, 2022 and 2023, retention money receivable amounted to RMB2,741,000, RMB2,604,000 and RMB5,059,000 respectively.

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 27(a).

(b) Other receivables of the Company

Other receivables of the Company as at 31 December 2022 and 2023 are the amounts due from its shareholders arising from the Reorganisation.

17 Prepayment for purchases of properties

The Group paid installments of RMB7,096,000 and RMB13,956,000 for purchase of certain office units in Nanchang for office use for the years ended 31 December 2021 and 2022 respectively, in response to the anticipated growth of its digitalisation solution service business.

18 Pledged bank deposits

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Pledged for bank borrowings *(note 22)*	1,054	1,076	1,110
Pledged for bank facilities *(note 22)*	2,034	2,043	2,073
Pledged for letter of guarantee	2,193	2,247	10
	5,281	5,366	3,193

The pledged bank deposits will be released upon the settlement of bank borrowings and the maturity of bank facilities and letter of guarantee.

19 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents in the consolidated cash flow statements comprise:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	39,850	68,646	81,540
	39,850	68,646	81,540

At 31 December 2021, 2022 and 2023, cash that is placed with banks in the Mainland China amounted to RMB39,850,000, RMB81,539,000 and RMB54,859,000 respectively. Remittance of funds out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Reconciliation of profit before taxation to cash generated from/(used in) operations:

	Note	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Profit before taxation		40,919	38,940	70,010
Adjustments for:				
Depreciation	*6(c)*	2,558	2,291	2,327
Interest expenses on bank borrowings and leases	*6(a)*	10,928	15,098	16,675
Interest income from bank deposit	*5*	(112)	(119)	(180)
Loss/(gain) on disposal of property, plant and equipment, other financial assets	*5*	25	103	(2)
Impairment losses recognised	*6(c)*	3,759	10,842	11,694
Share of profits of associates	*5*	–	–	(74)
Foreign exchange loss		–	–	31
Changes in working capital:				
Decrease in inventories and other contract costs		16,756	100	8,955
(Increase)/decrease in trade and other receivables		(90,903)	(85,664)	27,337
(Increase)/decrease in non-current trade receivables		(21,565)	17,236	(11,940)
Increase in contract assets		(73,788)	(27,673)	(186,026)
Increase/(decrease) in trade and other payables		100,764	(6,025)	120,090
Increase/(decrease) in contract liabilities		4,871	2,542	(2,849)
Decrease/(increase) in pledged deposits with banks		2,591	(54)	2,237
Decrease in other non-current liabilities		(6,568)	(1,127)	–
Decrease in deferred income		(54)	(54)	(54)
(Used in)/cash generated from operations		(9,819)	(33,564)	58,231

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank borrowings RMB'000 note 22	Lease Liabilities RMB'000 note 21	Total RMB'000
As at 1 January 2021	207,706	361	208,067
Changes from financing cash flows:			
Proceeds from new bank borrowings	311,000	–	311,000
Repayment of bank borrowings	(205,000)	–	(205,000)
Interest paid	(13,177)	–	(13,177)
Capital element of lease rentals paid	–	(384)	(384)
Interest element of lease rentals paid	–	(8)	(8)
Total changes from financing cash flows	92,823	(392)	92,431
Other changes			
Interest expense *(Note 6(a))*	10,920	8	10,928
Increase in lease liabilities from entering into new leases during the year	–	134	134
As at 31 December 2021	311,449	111	311,560

	Bank borrowings	Lease Liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
	note 22	*note 21*	
As at 1 January 2022	311,449	111	311,560
Changes from financing cash flows:			
Proceeds from new bank borrowings	407,000	–	407,000
Repayment of bank borrowings	(343,000)	–	(343,000)
Interest paid	(15,344)	–	(15,344)
Capital element of lease rentals paid	–	(448)	(448)
Interest element of lease rentals paid	–	(5)	(5)
Total changes from financing cash flows	48,656	(453)	48,203
Other changes			
Interest expense *(note 6(a))*	15,093	5	15,098
Increase in lease liabilities from entering into new leases during the year	–	395	395
As at 31 December 2022	375,198	58	375,256

	Bank borrowings	Lease Liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
	note 22	*note 21*	
As at 1 January 2023	375,198	58	375,256
Changes from financing cash flows:			
Proceeds from new bank borrowings	397,000	–	397,000
Repayment of bank borrowings	(425,000)	–	(425,000)
Interest paid	(16,400)	–	(16,400)
Capital element of lease rentals paid	–	(172)	(172)
Interest element of lease rentals paid	–	(15)	(15)
Total changes from financing cash flows	(44,400)	(187)	(44,587)
Other changes			
Interest expense *(note 6(a))*	16,660	15	16,675
Increase in lease liabilities from entering into new leases during the year	–	388	388
As at 31 December 2023	347,458	274	347,732

20 Trade and other payables

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
– third parties	385,996	362,836	438,053
Accrued payroll	4,865	3,497	4,049
Amounts due to shareholders *(note 29(d))*	1,176	12,143	144,861
Amounts due to associates *(note 29(d))*	–	–	7,350
Other tax payables	48,187	54,128	76,186
Other payables and accruals	3,316	4,947	7,014
	443,540	437,551	677,514

Notes:

(i) The above trade and other payables are expected to be settled within one year or are repayable on demand.

(ii) Other tax payables primarily comprised VAT payables.

As at 31 December 2021, 2022 and 2023, the ageing analysis of trade payables (which are included in trade and other payables), based on the transaction date, is as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	349,056	265,277	327,691
Over 1 year but within 2 years	28,228	75,219	68,215
Over 2 years but within 3 years	1,905	13,642	20,938
Over 3 years	6,807	8,698	21,209
	385,996	362,836	438,053

(i) As at 31 December 2021, 2022 and 2023, other non-current liabilities amounted to RMB1,127,000, nil and nil are project money payable to labour suppliers, which is expected to be settled after more than one year.

21 Lease liabilities

As at 31 December 2021, 2022 and 2023, the lease liabilities were repayable as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	111	45	145
After 1 year but within 2 years	–	13	129
	111	58	274

22 Bank borrowings

(a) The Group's bank borrowings are repayable as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	311,449	375,198	347,458

(b) Assets pledged as security and covenants for bank loans and overdrafts

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Unsecured bank borrowings	–	50,026	50,074
Secured bank borrowings	311,449	325,172	297,384
	311,449	375,198	347,458

The bank borrowings are secured by certain assets of the Group and the carrying amounts of these assets are as below:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment *(note 11)*	19,897	18,819	19,827
Investment property *(note 12)*	19,892	19,367	18,841
Trade receivables and contract assets *(note 16)*	729,213	793,043	624,886
Bank deposits pledged for bank borrowings *(note 18)*	1,054	1,076	1,110
Bank deposits pledged for bank facilities *(note 18)*	2,034	2,043	2,073
	772,090	834,348	666,737

The amount of bank borrowings secured by assets of the Group and the shareholders, or guaranteed by the shareholders and their close family member, the key management personnel and their close family member of the Group (together, the "**Affiliated Individuals**") are as below:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Secured by trade receivables and contract assets of the Group	–	170,090	170,223
Secured by trade receivables and contract assets of the Group and guaranteed by Affiliated Individuals	156,225	–	–
Secured by trade receivables and contract assets of the Group, secured by the properties of shareholders and guaranteed by Affiliated Individuals	–	–	–
Secured by trade receivables, contract assets, property, plant and equipment and investment property of the Group, secured by the properties of shareholders and guaranteed by Affiliated Individuals	155,224	155,082	127,161
	311,449	325,172	297,384

As of the date of this report, the securities from shareholders and guarantees from the Affiliated Individuals have been released.

As at 31 December 2021, 2022 and 2023, the Group's bank borrowings from China Construction Bank Corporation, Nanchang Xihu Branch amounted to RMB155,224,000, RMB155,082,000 and RMB127,161,000 are subjected to loan covenants based on Zhonggan Communication's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If Zhonggan Communication were to breach the covenants, the bank borrowings would become payable on demand.

Zhonggan Communication's loan covenants based on its balance sheet ratios had been breached as at 31 December 2021, 2022 and 2023.

Further details of the Group's management of liquidity risk are set out in note 27(b).

23 Deferred income

	Government grant
	RMB'000
At 1 January 2021	1,995
Amortisation credited to consolidated statement of profit or loss and other comprehensive income	(54)
At 31 December 2021 and 1 January 2022	1,941
Amortisation credited to consolidated statement of profit or loss and other comprehensive income	(54)
At 31 December 2022 and 1 January 2023	1,887
Amortisation credited to consolidated statement of profit or loss and other comprehensive income	(54)
At 31 December 2023	1,833

24 Employee retirement benefits

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the Group's subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "**Schemes**") organised by the PRC municipal government authorities whereby the Group is required to make contributions to the Schemes based on a percentage of the participating employee's salaries. The local government authorities are responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the contributions described above.

25 Income tax in the consolidated statements of financial position

(a) Movements of current taxation in the consolidated statements of financial position:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	1,674	9,195	24,903
Provision for the year *(note 7(a))*	9,948	18,831	(16,132)
Income tax paid	(2,427)	(3,123)	(9,793)
At the end of the year	9,195	24,903	(1,022)
Reconciliation to the consolidated statements of financial position:			
Current tax payable	9,195	24,903	1,258
Current tax prepayment *(note 16(a))*	–	–	(2,280)
	9,195	24,903	(1,022)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

Deferred tax arising from:	Accrued expenses	Significant financing component	Credit loss allowances	Depreciation charge of property, plant and equipment	Right-of-use assets	Lease liabilities	Deferred income	Cumulative tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	2,527	336	595	162	(58)	54	300	–	3,916
Credited/(charged) to profit or loss	4,310	373	563	(29)	30	(37)	(8)	–	5,202
As at 31 December 2021 and 1 January 2022	6,837	709	1,158	133	(28)	17	292	–	9,118
Credited/(charged) to profit or loss	13,715	(417)	1,627	(13)	(29)	(8)	(9)	–	14,866
As at 31 December 2022 and 1 January 2023	20,552	292	2,785	120	(57)	9	283	–	23,984
Credited/(charged) to profit or loss	(18,948)	(185)	1,677	(24)	(15)	32	(8)	–	(17,471)
As at 31 December 2023	1,604	107	4,462	96	(72)	41	275	–	6,513

(ii) Reconciliation to the consolidated statement of financial position

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax asset in the consolidated statement of financial position	9,118	23,984	6,513

(c) *Deferred tax liabilities not recognised*

The Group did not recognise deferred tax liabilities in respect of the PRC dividend withholding tax relating to certain undistributed profits of the PRC subsidiaries as at 31 December 2021, 2022 and 2023 since the Group controls the dividend policy of these subsidiaries. Based on the assessment of the management, as of 31 December 2021, 2022 and 2023, the undistributed profits amounted to RMB56,680,000, RMB87,777,000 and RMB99,924,000 would not be distributed in the foreseeable future.

26 Capital, reserves and dividends

(a) *Movements in components of equity*

The reconciliation between the opening and closing balances of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital	Share premium	Other reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 20 April 2022 (date of incorporation)	*	–	–	*
Changes in equity for 2022:				
Profit and total comprehensive income for the year	–	–	344	344
Shares issued for reorganisation	82	12,119	–	12,201
Balance at 31 December 2022 and 1 January 2023	82	12,119	344	12,545
Changes in equity for 2023:				
Loss and total comprehensive income for the year	–	–	(336)	(336)
Shares issued for reorganisation	1	(7)	–	(6)
Balance at 31 December 2023	83	12,112	8	12,203

* *The balances represent amounts less than RMB1,000.*

(b) *Share capital*

The Company was incorporated in the Cayman Islands on 20 April 2022 with an authorised share capital of HK$100,000 divided into 1,000,000 Shares with a par value of HK$0.1 each.

Following its incorporation, the shares of the Company were allotted and issued to shareholders of Zhonggan Communications as part of the Reorganisation set out in note 1.

On 15 May 2023, the shareholders of the Company approved the issue of 11,260 shares at subscription price of HK$0.1 per share. As a result of the share issue, the Company had an authorised share capital of HK$101,126 divided into 1,011,260 shares.

	Number of shares
	'000
At 20 April 2022 (date of incorporation)	*
Shares issued	1,000
At 31 December 2022 and 1 January 2023	1,000
Shares issued	11
At 31 December 2023	1,011

* The balances represents less than 1,000.

(c) Share Premium

As at 31 December 2022 and 2023, share premium represented the amount of capital excess of share capital that the Company's shareholders has promised to inject into the Company as part of the Reorganisation set out in note 1.

(d) Nature and purpose of reserves

(i) Other reserve

As at 1 January 2021, 31 December 2021 and 2022, other reserve mainly consisted of the paid-in capital of Zhonggan Communication.

On 23 August 2021, Zhonggan Communication held an extraordinary general meeting, in which the shareholders of the Group approved the repurchase by Zhonggan Communication of its 3,200,862 shares held by Gao Xin Hang Chuang. On 20 October 2021, Gao Xin Hang Chuang, Zhonggan Communication and its shareholders entered into a supplemental agreement for share repurchase. Pursuant to the supplemental agreement, Zhonggan Communication paid a total RMB41,636,000 to Gao Xin Hang Chuang for the repurchase of its shares. The consideration paid for the repurchase will reduce the share capital, PRC statutory reserve and retained profits of Zhonggan Communication, which will reduce the other reserve, PRC statutory reserve and retain profits of the Group.

On 14 April 2022, shareholders of Zhonggan Communication and Ms. Yeung Hoi Ka entered into an investment agreement. Pursuant to the agreement, Ms. Yeung Hoi Ka injected RMB5,241,000 to Zhonggan Communication in April 2022 in exchange for 655,226 shares of Zhonggan Communication. The consideration received on the investment will increase share capital of Zhonggan Communication, which will increase the other reserve of the Group.

On 14 April 2022, shareholders of Zhonggan Communication and Shenzhen Youpo Business Consulting Partnership (Limited Partnership) ("**You Po Investment**") entered into an investment agreement. Pursuant to the agreement, You Po Investment injected RMB22,440,000 to Zhonggan Communication in April 2022 in exchange for 2,805,000 shares of Zhonggan Communication. The consideration received on the investment will increase share capital of Zhonggan Communication, which will increase the other reserve of the Group.

On 22 August 2022, as part of the Reorganisation, Jiangxi Zhongge, an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with shareholders of Zhonggan Communication (the "**Transferors**"), pursuant to which the Transferors agreed to transfer in aggregate approximately 98.9% of the equity interest in Zhonggan Communication to Jiangxi Zhongge for a cash consideration of RMB136,262,000. As Jiangxi Zhongge was newly established with insufficient capital, certain of the Transferors and Jiangxi Zhongge entered into a waiver agreement to waive the payment of a part of the consideration amounting to RMB124,142,000 which increased the other reserve of the Group. On 20 February 2023, the remaining 1.1% of the equity interest in Zhonggan Communication held by another shareholder was transferred to Jiangxi Zhongge for a cash consideration of RMB3,575,000, which was subsequently waived under a similar waiver agreement entered between the two parties which increased the other reserve of the Group. Subsequently on 14 December 2023, the relevant shareholders and Jiangxi Zhongge and Zhonggan Communication enter into termination agreements to terminate the aforementioned waiver agreements and revive the obligation of Jiangxi Zhongge to pay the above considerations totaling RMB127,717,000 which decreased the other reserve of the Group.

(ii) Statutory reserve

In accordance with the relevant PRC laws and regulations, the Group's subsidiaries established in the PRC are required to transfer 10% of its net profit each year to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

(e) Dividends

No dividends were paid or declared by the Company or any of its subsidiaries during the Track Record Period.

(f) Capital management

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

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

For the year ended 31 December 2021, 2022 and 2023, except as disclosed in note 22, neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

27 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks, for which the Group considers to have a low credit risk. The Group's credit risk is primarily attributable to trade receivables and contract assets and other receivables.

Trade receivables and contract assets comprise project money and retention money. Project money is transferred from contract assets to trade receivables when the Group's work satisfactorily passes inspection. Trade receivables related to project money from telecommunications infrastructure services are normally due within 90 days from the date of billing. Trade receivables related to project money from digitalisation solution services are normally due within three to five years. Retention money is transferred from contract assets to trade receivables at the end of the retention period (which is normally due within one to five years upon the completion of work). Trade receivables related to retention money are normally due within 90 days from the end of retention period. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2021, 2022 and 2023, 79.12%, 72.12% and 69.66% of total trade receivables and contract assets, respectively, were due from the Group's largest customer in each year during the Track Record Period, and 98.63%, 99.04% and 98.90% of total trade receivables and contract assets, respectively, were due from the five largest customers in each year during the Track Record Period.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. When reasonable and supportable information to measure lifetime ECLs on individual trade receivables and contract assets is available, the Group measures loss allowances for those trade receivables and contract assets on an individual basis. As the Group's historical credit loss experience indicate different loss patterns between project money and retention money, the loss allowance is further distinguished between project money and retention money.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets related to project money as at 31 December 2021, 2022 and 2023:

	As at 31 December 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current	0.09%	694,773	607
Less than 6 months past due	1.23%	17,048	210
More than 6 months but less than 12 months past due	5.73%	20,490	1,174
More than 12 months but less than 18 months past due	25.94%	1,168	303
More than 18 months but less than 24 months past due	62.79%	387	243
More than 24 months past due	100.00%	899	899
Total		734,765	3,436

	As at 31 December 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current	0.19%	708,727	1,327
Less than 6 months past due	1.81%	43,499	789
More than 6 months but less than 12 months past due	7.93%	33,476	2,653
More than 12 months but less than 18 months past due	25.76%	2,042	526
More than 18 months but less than 24 months past due	53.74%	10,912	5,864
More than 24 months past due	100.00%	1,293	1,293
Total		799,949	12,452

	As at 31 December 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current	0.18%	831,587	1,482
Less than 6 months past due	2.04%	38,468	786
More than 6 months but less than 12 months past due	8.40%	19,664	1,652
More than 12 months but less than 18 months past due	24.76%	206	51
More than 18 months but less than 24 months past due	47.97%	2,614	1,254
More than 24 months past due	100.00%	6,149	6,149
		898,688	11,374
Provision on individual basis *(note)*		93,791	12,165
Total		992,479	23,539

Note: During the year ended 31 December 2023, some of the trade receivables related to project money from digitalisation solution services were modified with extended payment terms. In general, the payment terms were extended for three months to two years from the original due dates. In view of the renegotiated payment schedules, the Group had individually assessed the loss allowances from these contracts.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets related to retention money as at 31 December 2021, 2022 and 2023:

	As at 31 December 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current	21.92%	5,552	1,217
Past due	40.00%	4,568	1,827
Total		10,120	3,044

	As at 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	19.10%	11,287	2,156
Past due	40.00%	4,339	1,736
Total		15,626	3,892

	As at 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current	19.88%	3,526	701
Past due	40.00%	8,431	3,372
Total		11,957	4,073

Expected loss rates are based on actual loss experience over the recent past years and forward-looking information. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the Track Record Period is as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning of the year	3,217	6,480	16,344
Impairment losses recognised	3,263	9,864	11,268
Balance at the end of the year	6,480	16,344	27,612

The following changes in gross carrying amounts of trade receivables and contract assets contributed to the increase in the loss allowance:

For trade receivables and contract assets related to project money, increases in amounts past due led to an increase in loss allowance for 2021, 2022 and 2023. Renegotiation of new payment schedules with certain customers related to the project money from digitalisation solution services also resulted in an increase in loss allowance for 2023.

For trade receivables and contract assets related to retention money, the origination of new trade receivables resulted in an increase in loss allowance for 2022, while an increase in amounts past due led to an increase in loss allowance for 2023.

Other receivables

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables related to tender bonds and performance bonds at 31 December 2021, 2022 and 2023:

	As at 31 December 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current	3.31%	10,247	339
Past due	100.00%	904	904
Total		11,151	1,243

	As at 31 December 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current	4.78%	9,284	444
Past due	79.39%	2,237	1,776
Total		11,521	2,220

	As at 31 December 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current	5.54%	4,221	234
Past due	51.95%	4,643	2,412
Total		8,864	2,646

In determining ECLs for other receivables related to tender bonds and performance bonds, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. The management of the Group has assessed that the risk of default of other receivables was not material.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and communicate with major financial institutions to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities as at 31 December 2021, 2022 and 2023 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	As at 31 December 2021			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	318,598	–	318,598	311,449
Trade payables	385,996	–	385,996	385,996
Amounts due to shareholders	1,176	–	1,176	1,176
Other payables and accruals	51,503	–	51,503	51,503
Lease liabilities	114	–	114	111
Other non-current liabilities	–	1,134	1,134	1,127
	757,387	1,134	758,521	751,362

	As at 31 December 2022			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	382,846	–	382,846	375,198
Trade payables	362,836	–	362,836	362,836
Amounts due to shareholders	12,143	–	12,143	12,143
Other payables and accruals	59,075	–	59,075	59,075
Lease liabilities	46	13	59	58
	816,946	13	816,959	809,310

	As at 31 December 2023			
	Contractual undiscounted cash outflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings	347,458	–	347,458	347,458
Trade payables	438,053	–	438,053	438,053
Amounts due to shareholders	144,861	–	144,861	144,861
Amounts due to associates	7,350	–	7,350	7,350
Other payables and accruals	83,201	–	83,201	83,201
Lease liabilities	145	131	276	274
	1,021,068	131	1,021,199	1,021,197

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from loans and borrowing. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The following table details the interest rate profile of the Group's loans and borrowings at the end of each reporting period:

	As at 31 December 2022		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Fixed rate borrowings:			
Bank borrowings	(155,224)	(205,108)	(177,235)
Lease liabilities	(111)	(58)	(274)
	(155,335)	(205,166)	(177,509)
Variable rate borrowings:			
Bank borrowings	(156,225)	(170,090)	(170,223)

(ii) Sensitivity analysis

As at 31 December 2021, 2022 and 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit for the year and retained profits by approximately RMB1,328,000, RMB1,446,000 and RMB1,447,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit for the year and retained profits that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to those financial instruments held by the Group which expose the Group to cash flow interest rate risk at the end of the reporting period. The analysis is performed on the same basis during the Track Record Period.

(d) Currency risk

The Group has no significant foreign exchange exposure as substantially all of the Group's transactions are denominated in RMB.

(e) Fair value measurement

The carrying amounts of the Group's financial instruments measured at amortised cost are not materially different from their fair values as at 31 December 2021, 2022 and 2023.

28 Capital commitments

Capital commitments outstanding at 31 December 2021, 2022 and 2023 for property, plant and equipment, which was not provided in the consolidated financial statements were as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Contracted for property, plant and equipment	6,969	453	–

29 Material related party transactions

(a) Name and relationship with related parties

During the Track Record Period, the directors are of the view that the following are major related parties of the companies now comprising the Group:

Name of party	Relationship
Mr. Liu Haoqiong	Controlling shareholder of the Group
Ms. Tao Xiulan	Controlling shareholder of the Group
GT & Yangtze Limited	Company owned as to 70.0% by Mr. Liu Haoqiong and as to 30.0% by Ms. Tao Xiulan, respectively
Mr. Liu Dingli	Non-controlling shareholder of the Group
Huat Huat Limited	Company wholly-owned by Mr. Liu Dingli
Mr. Liu Dingyi	Non-controlling shareholder of the Group
Octuple Hills Limited	Company wholly-owned by Mr. Liu Dingyi
Ms. Yeung Hoi Ka	Non-controlling shareholder of the Group
You Po Commerce Limited ("**You Po BVI**")	Non-controlling shareholder of the Group
Ying Hua Investment Management Limited ("**Ying Hua BVI**")	Non-controlling shareholder of the Group
Shu Zhi Shen Kong Investment Limited ("**Shu Zhi Cayman**")	Non-controlling shareholder of the Group
Rui Da Xin Tao Capital Management Centre Limited ("**Rui Da BVI**")	Non-controlling shareholder of the Group
You Po Investment	Parent company of You Po BVI
Gongqingcheng Ying Hua Investment Management Partnership (Limited Partnership) ("**Ying Hua Investment**")	Parent company of Ying Hua BVI
Hainan Shu Zhi Shen Kong Investment Partnership (Limited Partnership) ("**Shu Zhi Shen Kong**")	Parent company of Shu Zhi Cayman

Name of party	Relationship
Beijing Rui Da Xin Tao Capital Management Centre (Limited Partnership) (“**Rui Da Xin Tao**”)	Parent company of Rui Da BVI
Jian Qingyoupu Information Technology Limited	Associate of the Group
Jiangxi Wanpuxing Information Technology Limited	Associate of the Group
Ms. Tao Hailan	Close family member of the controlling shareholder, Ms. Tao Xiulan
Ms. Zou Haiqin	Close family member of a key management personnel, Mr. Zhou Zhiqiang
Ms. Chen Jingyuan	Close family member of a key management personnel, Mr. Xiao Wei
Ms. Xiao Haiyan	Key management personnel
Mr. Zhang Jimao	Key management personnel
Mr. Wang Chaoguo	Key management personnel
Mr. Chen Wenjie	Key management personnel
Mr. Zhou Zhiqiang	Key management personnel
Mr. Huang Linjiang	Key management personnel
Mr. Wang Hao	Key management personnel
Ms. Chai Wenxin	Key management personnel
Mr. Xiao Wei	Key management personnel

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	As at 31 December		
	2021	2022	2023
	RMB’000	*RMB’000*	*RMB’000*
Short-term employee benefits	3,685	4,780	3,189
Contributions to defined contribution retirement plan	72	90	89
	3,757	4,870	3,278

Total remuneration is included in “staff costs” (see note 6(b)).

(c) Material transactions with related parties

In addition to the related party information disclosed elsewhere in this consolidated financial statements, the Group enter into the following material related party transactions during the Track Record Period:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Non-recurring transactions:			
Non-trade related:			
Repayment from/advance from related parties			
– Mr. Liu Haoqiong	–	–	86,042
– Mr. Liu Dingli	–	246	9,995
– Ms. Tao Xiulan	–	–	36,645
– Mr. Liu Dingyi	–	–	13,365
– Ms. Yeung Hoi Ka	–	–	1,378
– Ms. Tao Hailan	42	44	–
– Ms. Xiao Haiyan	7	–	–
– Mr. Zhang Jimao	–	45	–
– Mr. Wang Hao	–	104	33
– Mr. Wang Chaoguo	50	–	–
– Ms Chai Wenxin	–	104	40
– Mr. Xiao Wei	152	80	–
– Mr. Huang Linjiang	100	–	–
– You Po Investment	–	5,899	–
– Ying Hua Investment	–	3,589	–
– Shu Zhi Shen Kong	–	1,842	–
– Rui Da Xin Tao	–	789	–
– You Po BVI	–	–	6,067
– Ying Hua BVI	–	–	3,691
– Shu Zhi Cayman	–	–	1,895
– Rui Da BVI	–	–	812
– Jian Qingyoupu Information Technology Limited	–	–	2,450
– Jiangxi Wanpuxing Information Technology Limited	–	–	4,900
	351	12,742	167,313

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Repayment to/advance to related parties			
– Mr. Liu Haoqiong	–	1,152	14,500
– Mr. Liu Dingli	–	246	206
– Ms. Tao Hailan	114	–	–
– Mr. Zhang Jimao	45	–	–
– Mr. Huang Linjiang	100	–	–
– Mr. Wang Hao	–	104	33
– Mr. Wang Chaoguo	50	–	–
– Ms. Chai Wenxin	3	101	40
– Mr. Xiao Wei	194	34	–
– You Po BVI	–	6,067	–
– Ying Hua BVI	–	3,691	–
– Shu Zhi Cayman	–	1,895	–
– Rui Da BVI	–	812	–
– GT & Yangtze Limited	–	68	–
– Huat Huat Limited	–	6	–
– Octuple Hills Limited		6	1
– Ms. Yeung Hoi Ka	–	1	–
	506	14,183	14,780

For the year ended 31 December 2023, increases in non-recurring transactions relevant to related parties were mainly due to the termination of waiver agreements (see note 26(d)(i)).

(d) Balances with related parties

(i) Amounts due from related parties

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Non-trade related			
Other receivables			
– Ms. Tao Hailan	72	28	28
– Ms. Chai Wenxin	3	–	–
– Mr. Xiao Wei	46	–	–
– Mr. Zhang Jimao	45	–	–
– You Po BVI	–	6,067	–
– Ying Hua BVI	–	3,691	–
– Shu Zhi Cayman	–	1,895	–
– Rui Da BVI	–	812	–
– GT & Yangtze Limited	–	68	68
– Huat Huat Limited	–	6	6
– Octuple Hills Limited	–	6	7
– Ms. Yeung Hoi Ka	–	1	–
	166	12,574	109

For the year ended 31 December 2023, movements of amounts due from related parties were mainly due to receive the investment funds from shareholders.

(ii) Amounts due to related parties

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade related			
Other payables			
– Mr. Liu Haoqiong	1,152	–	71,542
– Mr. Liu Dingli	24	24	9,813
– Ms. Tao Xiulan	–	–	36,645
– Mr. Liu Dingyi	–	–	13,365
– Ms. Yeung Hoi Ka	–	–	1,377
– You Po Investment	–	5,899	5,899
– Ying Hua Investment	–	3,589	3,589
– Shu Zhi Shen Kong	–	1,842	1,842
– Rui Da Xin Tao.	–	789	789
– Jian Qingyoupu Information Technology Limited	–	–	2,450
– Jiangxi Wanpuxing Information Technology Limited	–	–	4,900
	1,176	12,143	152,211

The balance with these related parties are unsecured, interest free and have no fixed repayment terms.

For the year ended 31 December 2023, movements of amounts due to related parties were mainly due to the termination of waiver agreements (see note 26(d)(i)).

As of the date of this report, all of the non-trade amounts due from/to related parties have been settled.

(e) Bank borrowings guaranteed by related parties

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade in nature			
Bank borrowings guaranteed by			
– Mr. Liu Haoqiong and Ms. Tao Xiulan	–	–	–
– Mr. Liu Haoqiong, Ms. Tao Xiulan and Mr. Liu Dingyi	156,225	–	–
– Ms. Tao Hailan, Mr. Xiao Wei and Ms. Chen Jingyuan	–	64,034	127,161
– Mr. Liu Haoqiong, Ms. Tao Xiulan, Mr. Liu Dingli, Mr. Liu Dingyi, Ms. Tao Hailan, Mr. Zhou Zhiqiang and Ms. Zou Haiqin, Mr. Xiao Wei	155,224	91,048	–
	311,449	155,082	127,161

As of the date of this report, all of the guarantees provided by related parties have been released.

30 Immediate and ultimate controlling party

As at 31 December 2021, 2022 and 2023, the directors considered the ultimate controlling shareholder of the Group to be Mr. Liu Haoqiong and Ms. Tao Xiulan. As at 31 December 2023, the immediate controlling shareholder of the Company is GT & Yangtze Limited, which was incorporated in the BVI and does not produce financial statements available for public use.

31 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2023

Up to the date of issue of this consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in the consolidated financial statements. These include the following:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1, Presentation of financial statements: Non-current liabilities with covenants	1 January 2024
Amendments to HKAS 1, Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7, Statement of cash flows and HKFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements	1 January 2024
Amendments to HKAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be decided

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far, the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's consolidated financial statements.

32 Subsequent events after the reporting period

In early 2024, the relevant shareholders contributed approximately RMB127,717,000 to the Group and the amounts due to relevant shareholders of RMB127,717,000 arising from the termination of waiver agreements with relevant shareholders (see note 26(d)(i)) was settled on 3 April 2024.

Aside from the above, no significant subsequent events have occurred to the Group since the end of the period reported on.