Forvis Mazars CPA Limited
富睿瑪澤會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road,
Wanchai,
Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話: (852) 2909 5555
Fax 傳真: (852) 2810 0032
Email 電郵: info.hk@forvismazars.com
Website 網址: forvismazars.com/hk

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SOFT INTERNATIONAL GROUP LTD

The Directors
Soft International Group Ltd
Sunny Fortune Capital Limited

Introduction

We report on the historical financial information of Soft International Group Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages I-5 to I-63, which comprises the combined statements of financial position of the Group at 31 December 2021, 2022 and 2023 and 30 September 2024, the statements of financial position of the Company at 31 December 2023 and 30 September 2024, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 19 March 2025 (the "Prospectus") issued in connection with the initial listing of shares of the Company (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group at 31 December 2021, 2022 and 2023 and 30 September 2024, the financial position of the Company at 31 December 2023 and 30 September 2024, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 30 September 2023 and other explanatory information (together the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on

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

REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

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

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared by entities now comprising the Group in respect of the Track Record Period.

Preparation or audit of financial statements

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

Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Group for the Track Record Period have been audited and, if applicable, the name of the auditors.

Forvis Mazars CPA Limited
Certified Public Accountants
Hong Kong

19 March 2025

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

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

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were prepared by the directors of the Company in accordance with the accounting policies that conform with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements") and were audited by Forvis Mazars CPA Limited, *Certified Public Accountants, Hong Kong,* in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue	5	263,226	408,066	654,560	492,804	520,297
Cost of sales		(206,492)	(296,840)	(457,293)	(349,862)	(358,233)
Gross profit		56,734	111,226	197,267	142,942	162,064
Other income	6	3,227	3,732	1,734	1,174	3,846
Selling and distribution expenses		(32,250)	(40,669)	(91,136)	(54,904)	(73,081)
Administrative and other operating expenses		(14,887)	(24,114)	(39,635)	(29,227)	(29,064)
(Provision for) Reversal of loss allowance on trade receivables, net	31	(123)	470	728	(307)	(1,620)
Changes in fair value of investment properties	14	27	807	1,917	1,261	39
Gain on disposal/deregistration of subsidiaries, net	29	–	–	2,494	2,494	–
Finance costs	7	(261)	(548)	(776)	(549)	(501)
Listing expenses	7	–	–	(5,981)	(1,156)	(10,698)
Profit before tax	7	12,467	50,904	66,612	61,728	50,985
Income tax expenses	10	(2,465)	(9,045)	(8,923)	(8,056)	(10,523)
Profit for the year/period		10,002	41,859	57,689	53,672	40,462
Other comprehensive income (loss):						
Item that will not be reclassified to profit or loss						
Exchange difference on translation of the Company's financial statements to presentation currency		–	–	–	–	7
Item that may be reclassified subsequently to profit or loss						
Exchange difference on combination		219	(1,068)	(440)	(716)	(415)
Total other comprehensive income (loss) for the year/period		219	(1,068)	(440)	(716)	(408)
Total comprehensive income for the year/period		10,221	40,791	57,249	52,956	40,054
Profit (Loss) for the year/period attributable to:						
Owners of the Company		10,006	41,860	58,900	54,883	40,462
Non-controlling interests		(4)	(1)	(1,211)	(1,211)	–
		10,002	41,859	57,689	53,672	40,462
Total comprehensive income (loss) for the year/period attributable to:						
Owners of the Company		10,225	40,792	58,460	54,167	40,054
Non-controlling interests		(4)	(1)	(1,211)	(1,211)	–
		10,221	40,791	57,249	52,956	40,054

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Intangible assets	13	1,111	159	400	67
Investment properties	14	41,437	42,244	44,161	44,200
Property, plant and equipment	15	112,297	146,665	179,522	182,676
Right-of-use assets	16	41,109	40,178	39,981	39,173
Deposits paid for acquisition of property, plant and equipment and right-of-use assets		22,280	12,903	7,858	11,064
		218,234	242,149	271,922	277,180
Current assets					
Inventories	17	119,941	153,981	73,808	46,967
Trade and other receivables	18	62,354	100,364	94,713	160,564
Pledged bank deposits	19	14,113	20,934	15,995	19,313
Cash and cash equivalents	20	20,580	6,464	63,000	22,867
		216,988	281,743	247,516	249,711
Current liabilities					
Trade and other payables	21	106,701	123,263	125,666	139,088
Amount due to the Controlling Shareholder	22	137,615	136,212	71,576	23,123
Interest-bearing borrowings	23	10,000	18,000	13,000	18,200
Lease liabilities	16	63	59	268	313
Income tax payable		1,449	8,137	10,594	7,607
		255,828	285,671	221,104	188,331
Net current (liabilities) assets		(38,840)	(3,928)	26,412	61,380
Total assets less current liabilities		179,394	238,221	298,334	338,560
Non-current liabilities					
Lease liabilities	16	59	–	466	271
Amount due to the Controlling Shareholder	22	190,094	206,844	207,284	–
Deferred tax liabilities	24	5,506	6,326	7,593	7,952
		195,659	213,170	215,343	8,223
NET (LIABILITIES) ASSETS		(16,265)	25,051	82,991	330,337
Capital and reserves					
Share capital	25	–	–	–*	9
Reserves	26	(16,261)	24,531	82,991	330,328
Equity attributable to owners of the Company		(16,261)	24,531	82,991	330,337
Non-controlling interests		(4)	520	–	–
TOTAL (DEFICITS) EQUITY		(16,265)	25,051	82,991	330,337

* *Represents amount less than RMB1,000.*

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	At 31 December 2023	At 30 September 2024
		RMB'000	RMB'000
Non-current asset			
Investment in a subsidiary	25(b)	–*	–*
Current assets			
Amount due from the immediate holding company	25(c)	–*	–*
Cash at bank and in hand		–	180
		–*	180
Current liabilities			
Amount due to a subsidiary	25(c)	–	485
Net current assets (liabilities)		–*	(305)
NET ASSETS (LIABILITIES)		–*	(305)
Capital and reserves			
Share capital	25(a)	–*	9
Reserves	25(d)	–*	(314)
TOTAL EQUITY (DEFICITS)		–*	(305)

* *Represents amount less than RMB1,000.*

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Translation reserve	Statutory reserve	Accumulated losses	Total reserves	Non-controlling interests	Total deficits
	RMB'000 (Note 25(a))	RMB'000 (Note 26(a))	RMB'000 (Note 26(b))	RMB'000 (Note 26(c))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	–	1	10	1,313	(27,810)	(26,486)	–	(26,486)
Profit (Loss) for the year	–	–	–	–	10,006	10,006	(4)	10,002
Other comprehensive income								
Item that may be reclassified subsequently to profit or loss								
Exchange difference on combination	–	–	219	–	–	219	–	219
Total comprehensive income (loss) for the year	–	–	219	–	10,006	10,225	(4)	10,221
Transaction with owners								
Contributions and distributions								
Appropriation to statutory reserve	–	–	–	1,371	(1,371)	–	–	–
At 31 December 2021	–	1	229	2,684	(19,175)	(16,261)	(4)	(16,265)

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Translation reserve	Statutory reserve	Accumulated (losses) profits	Total reserves	Non-controlling interests	Total (deficits) equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 25(a))	*(Note 26(a))*	*(Note 26(b))*	*(Note 26(c))*				
At 1 January 2022	–	1	229	2,684	(19,175)	(16,261)	(4)	(16,265)
Profit (Loss) for the year	–	–	–	–	41,860	41,860	(1)	41,859
Other comprehensive loss								
Item that may be reclassified subsequently to profit or loss								
Exchange difference on combination	–	–	(1,068)	–	–	(1,068)	–	(1,068)
Total comprehensive income (loss) for the year	–	–	(1,068)	–	41,860	40,792	(1)	40,791
Transactions with owners								
Contributions and distributions								
Appropriation to statutory reserve .	–	–	–	4,716	(4,716)	–	–	–
Changes in ownership interests								
Non-controlling interest arising from incorporation of a subsidiary	–	–	–	–	–	–	525	525
Total transactions with owners . .	–	–	–	4,716	(4,716)	–	525	525
At 31 December 2022	–	1	(839)	7,400	17,969	24,531	520	25,051

	Attributable to owners of the Company							
		Reserves						
	Share capital	**Capital reserve**	**Translation reserve**	**Statutory reserve**	**Accumulated profits**	**Total reserves**	**Non-controlling interests**	**Total equity**
	RMB'000 *(Note 25(a))*	*RMB'000* *(Note 26(a))*	*RMB'000* *(Note 26(b))*	*RMB'000* *(Note 26(c))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	–	1	(839)	7,400	17,969	24,531	520	25,051
Profit (Loss) for the year	–	–	–	–	58,900	58,900	(1,211)	57,689
Other comprehensive loss								
Item that may be reclassified subsequently to profit or loss								
Exchange difference on combination	–	–	(440)	–	–	(440)	–	(440)
Total comprehensive income (loss) for the year	–	–	(440)	–	58,900	58,460	(1,211)	57,249
Transactions with owners								
Contributions and distributions								
Appropriation to statutory reserve	–	–	–	5,525	(5,525)	–	–	–
Issue of shares	–*	–	–	–	–	–	–	–*
	–*	–	–	5,525	(5,525)	–	–	–*
Changes in ownership interests								
Disposal of subsidiaries *(Note 29(a))*	–	–	–	–	–	–	686	686
Deregistration of subsidiaries *(Note 29(b))*	–	–	–	–	–	–	5	5
	–	–	–	–	–	–	691	691
Total transactions with owners	–*	–	–	5,525	(5,525)	–	691	691
At 31 December 2023	–*	1	(1,279)	12,925	71,344	82,991	–	82,991

* *Represents amount less than RMB1,000.*

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Translation reserve	Statutory reserve	Accumulated profits	Total reserves	Non-controlling interests	Total equity
	RMB'000 (Note 25(a))	RMB'000 (Note 26(a))	RMB'000 (Note 26(b))	RMB'000 (Note 26(c))	RMB'000	RMB'000	RMB'000	RMB'000
Unaudited								
At 1 January 2023	–	1	(839)	7,400	17,969	24,531	520	25,051
Profit (Loss) for the period	–	–	–	–	54,883	54,883	(1,211)	53,672
Other comprehensive loss								
Item that may be reclassified subsequently to profit or loss								
Exchange difference on combination	–	–	(716)	–	–	(716)	–	(716)
Total comprehensive (loss) income for the period	–	–	(716)	–	54,883	54,167	(1,211)	52,956
Transactions with owners								
Contributions and distributions								
Appropriation to statutory reserve	–	–	–	5,421	(5,421)	–	–	–
Changes in ownership interests								
Disposal of subsidiaries *(Note 29(a))*	–	–	–	–	–	–	686	686
Deregistration of subsidiaries *(Note 29(b))*	–	–	–	–	–	–	5	5
	–	–	–	–	–	–	691	691
Total transactions with owners	–	–	–	5,421	(5,421)	–	691	691
At 30 September 2023	–	1	(1,555)	12,821	67,431	78,698	–	78,698

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Translation reserve	Statutory reserve	Accumulated profits	Total reserves	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 25(a))	*(Note 26(a))*	*(Note 26(b))*	*(Note 26(c))*				
At 1 January 2024	–*	1	(1,279)	12,925	71,344	82,991	–	82,991
Profit for the period	–	–	–	–	40,462	40,462	–	40,462
Other comprehensive income (loss)								
Item that will not be reclassified to profit or loss								
Exchange difference on translation of the Company's financial statements to presentation currency	–	–	7	–	–	7	–	7
Item that may be reclassified subsequently to profit or loss								
Exchange difference on combination	–	–	(415)	–	–	(415)	–	(415)
Total other comprehensive loss for the period	–	–	(408)	–	–	(408)	–	(408)
Total comprehensive (loss) income for the period	–	–	(408)	–	40,462	40,054	–	40,054
Transactions with owners								
Contributions and distributions								
Issue of shares *(Remark (a))*	9	–	–	–	–	–	–	9
Reorganisation *(Remark (b))*	–	(1)	–	–	–	(1)	–	(1)
Wavier of amount due to the Controlling Shareholder *(Note 22)*	–	207,284	–	–	–	207,284	–	207,284
Appropriation to statutory reserve	–	–	–	5,923	(5,923)	–	–	–
	9	207,283	–	5,923	(5,923)	207,283	–	207,292
At 30 September 2024	9	207,284	(1,687)	18,848	105,883	330,328	–	330,337

Remarks:

(a) On 23 April 2024, the Company issued 899,999 ordinary shares at par value of Hong Kong Dollars ("HK$") 0.01 each in cash total consideration of HK$9,000 (equivalent to RMB8,537).

(b) On 26 April 2024, the Company, Soft International Group Holding Ltd ("Soft BVI"), the Controlling Shareholder (as defined in Note 1) and Mr. Zeng Guodong (an executive director of the Company) entered into a share transfer agreement pursuant to which the Company agreed to acquire 90% and 10% issued shares with total value of RMB928 of Hong Kong Infant International Group Company Limited ("Soft HK") from the Controlling Shareholder and Mr. Zeng Guodong in total consideration of HK$1,000 (equivalent to RMB928). The consideration was satisfied by way of issuance of 90,000 and 10,000 ordinary shares at par value of HK$0.01 each and credited as fully-paid in the share capital of the Company to two entities, each of them controlled by the Controlling Shareholder and Mr. Zeng Guodong, respectively.

Accordingly, Soft HK became an indirect wholly owned subsidiary of the Company. Details of which are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Prospectus.

* *Represents amount less than RMB1,000.*

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
OPERATING ACTIVITIES						
Profit before tax		12,467	50,904	66,612	61,728	50,985
Adjustments for:						
Amortisation of intangible assets		1,193	952	231	159	333
Depreciation of property, plant and equipment		7,928	11,284	16,117	10,968	12,851
Depreciation of right-of-use assets		931	931	1,020	734	883
Changes in fair value of investment properties		(27)	(807)	(1,917)	(1,261)	(39)
Finance costs		261	548	776	549	501
Gain on disposal/deregistration of subsidiaries, net		–	–	(2,494)	(2,494)	–
Interest income		(314)	(677)	(216)	(158)	(406)
Loss on disposal of property, plant and equipment, net		–	–	99	–	–
Provision for (Reversal of) loss allowance of trade receivables, net		123	(470)	(728)	307	1,620
Operating cash inflows before movements in working capital		22,562	62,665	79,500	70,532	66,728
Changes in working capital:						
Inventories		(20,242)	(34,040)	80,173	38,210	26,841
Trade and other receivables		(4,710)	(37,014)	9,080	(135,656)	(67,473)
Trade and other payables		35,112	14,969	(7,590)	82,875	13,271
Cash generated from operations		32,722	6,580	161,163	55,961	39,367
Income tax paid		(2,078)	(1,537)	(5,199)	(4,050)	(13,151)
Net cash from operating activities		30,644	5,043	155,964	51,911	26,216
INVESTING ACTIVITIES						
Interest received		314	677	216	158	406
Change in pledged bank deposits		(11,357)	(6,821)	4,939	2,318	(3,318)
Payment for purchase of intangible assets		–	–	(472)	–	–
Payment for purchase of property, plant and equipment		(33,355)	(18,821)	(39,746)	(29,973)	(19,556)
Payment for purchase of right-of-use assets		(18,047)	–	–	–	–

	Note	Year ended 31 December			Nine months ended 30 September	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Proceeds from disposal of property, plant and equipment		–	–	1,392	–	497
Net cash inflows from disposal of subsidiaries	*29(a)*	–	–	995	995	–
Net cash inflows from acquisition of a subsidiary	*30*	–	–	1,283	–	–
Net cash used in investing activities		(62,445)	(24,965)	(31,393)	(26,502)	(21,971)
FINANCING ACTIVITIES						
Issue of shares		–	–	–*	–	9
Inception of interest-bearing borrowings		10,000	26,800	13,000	10,000	23,000
Repayment of interest-bearing borrowings		–	(18,800)	(18,000)	(11,000)	(17,800)
Repayment of lease liabilities (including financing components)		(66)	(66)	(158)	(87)	(243)
Interest paid		(256)	(545)	(766)	(544)	(483)
Advance from (Repayment to) the Controlling Shareholder, net		3,920	(1,583)	(62,636)	(27,188)	(48,679)
Settlement of capital contribution due from the non-controlling shareholder of a subsidiary		–	–	525	525	–
Net cash from (used in) financing activities		13,598	5,806	(68,035)	(28,294)	(44,196)
Net (decrease) increase in cash and cash equivalents		(18,203)	(14,116)	56,536	(2,885)	(39,951)
Cash and cash equivalents at the beginning of the reporting period		38,783	20,580	6,464	6,464	63,000
Effect of exchange difference		–	–	–	–	(182)
Cash and cash equivalents at the end of the reporting period	*20*	20,580	6,464	63,000	3,579	22,867

* *Represents amount less than RMB1,000.*

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 November 2023. The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands. The Company's principal place of business in Hong Kong is situated at Room 1910, 19/F., C C Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong and the Group's head office and principal place of business activities are situated at Zhizao Avenue, Quanzhou Jinjiang Economic Development Zone (Food Park), Fujian Province, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of hygienic disposables and nonwoven fabrics in the PRC.

At the date of this report, the immediate holding company of the Company is Wish International Holding Ltd, which is incorporated in the British Virgin Islands (the "BVI"). In the opinion of the directors of the Company, the ultimate holding company is Softo Co., Ltd, a company incorporated in the BVI and controlled by Mr. Ngan Pui Kuan (the "Controlling Shareholder").

Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 26 April 2024, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Prospectus issued in connection with the Listing on the Main Board of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

At the date of this report, the particulars of the Company's major subsidiaries, which are private limited liability companies, of which the Company has direct or indirect interests, are as follows:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued capital	Attributable equity interest held by the Company	Principal activities/place of operation
Directly held					
Soft BVI *(Note a)*	The BVI	27 December 2023	No par value	100%	Investment holding/Hong Kong
Indirectly held					
Soft HK	Hong Kong	17 August 2010	HK$1,000	100%	Investment holding/Hong Kong
嬰舒寶(中國)有限公司 Insoftb (China) Co., Ltd. ("Insoftb China") *(Note e)*	The PRC	30 November 2010	United States Dollars ("US$") 10,000,000	100%	Manufacturing and sales of hygienic disposables/the PRC
福建嬰舒寶新材料科技有限公司 Fujian Insoftb New Materials Technology Co., Ltd. ("Insoftb New Material") *(Notes b, e)*	The PRC	7 August 2020	RMB100,000,000	100%	Manufacturing of hygienic disposables and related products/the PRC
福建藍色巨人衛生用品有限公司 Fujian Blue Giant Hygiene Products Co., Ltd. ("Blue Giant Hygiene Products") *(Notes b, e)*	The PRC	22 December 2016	RMB10,000,000	100%	Sales of hygienic disposables/the PRC
嬰舒寶(滁州)嬰童用品有限公司 Insoftb (Chuzhou) Infant and Child Products Co., Ltd. ("Chuzhou Insoftb") *(Notes b, e)*	The PRC	6 March 2013	RMB5,000,000	100%	Investment holding/the PRC
福建舒寶亨克斯商貿有限公司 Fujian Shubao Heynckes Trading Co., Ltd. ("Heynckes Trading") *(Notes b, e)*	The PRC	23 May 2018	RMB10,000,000	100%	Sales of hygienic disposables/the PRC
晉江市利佰達貿易有限責任公司 Jinjiang Libaida Trading Co., Ltd. ("Jinjiang Libaida") *(Notes b, e)*	The PRC	17 November 2011	RMB1,000,000	100%	Sale of hygienic disposables/the PRC

At the date of this report, the following subsidiaries that were combined in the Historical Financial Information during the Track Record Period have been deregistered/disposed of and in the opinion of the directors of the Company, the following subsidiaries have no material adverse impact on the financial performance and business operation of the Group:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued/Paid up capital	Attributable equity interest held by the Company	Principal activities/place of operation
福建藍色巨人網路科技有限公司 Fujian Blue Giant Network Technology Co., Ltd. ("Blue Giant E-commerce") *(Notes b, c, e)*	The PRC	26 October 2015	RMB10,000,000	100%	Sales of hygienic disposables/the PRC
嬰舒寶(廈門)電子商務有限公司 Insoftb (Xiamen) E-commerce Co., Ltd. ("Xiamen Insoftb E-commerce") *(Notes b, c, e)*	The PRC	14 August 2020	RMB5,000,000	100%	Sales of hygienic disposables/the PRC
福建舒森網路科技有限公司 Fujian Shusen Network Technology Co., Ltd. ("Fujian Shusen") *(Notes b, c, e)*	The PRC	3 February 2021	RMB10,000,000	51%	Inactive/the PRC
福建嬰舒寶電子商務有限公司 Fujian Insoftb E-commerce Co., Ltd. ("Fujian Insoftb E-commerce") *(Notes b, c, e)*	The PRC	17 June 2014	RMB5,280,000	100%	Sales of hygienic disposables/the PRC
福建嬰舒寶親寧衛生用品有限公司 Fujian Insoftb Qinning Hygiene Products Co., Ltd. ("Insoftb Qinning") *(Notes b, c, e)*	The PRC	9 January 2020	RMB10,000,000	75%	Inactive/the PRC
晉江未來藍途科技有限公司 Jinjiang Future Blue Journey Technology Co., Ltd. ("Jinjiang Lantu") *(Notes b, d, e)*	The PRC	30 November 2022	RMB2,000,000	51%	Investments holding/the PRC
江西麗氏衛生用品有限公司 Jiangxi Lishi Hygiene Products Co., Ltd. ("Jiangxi Lishi") *(Notes b, d, e)*	The PRC	5 December 2022	RMB2,000,000	51%	Sale of feminine care/the PRC
江西未來藍圖衛生用品有限公司 Jiangxi Future Blueprint Hygiene Products Co., Ltd. ("Jiangxi Lantu") *(Notes b, d, e)*	The PRC	5 December 2022	RMB2,000,000	51%	Sale of feminine care/the PRC

Set forth below is the information of the financial statements, as prepared in accordance with respective local financial reporting standards, of the Company's subsidiaries that have been audited and fall into the Track Record Period.

Subsidiary	Financial period	Auditors
Soft HK	For the years ended 31 December 2021, 2022 and 2023	Global Glory CPA Limited, *Certified Public Accountants, Hong Kong*
Insofb China	For the years ended 31 December 2021, 2022 and 2023	深圳銘國會計師事務所(普通合伙) (Shenzhen Mingguo Certified Public Accountants LLP) *(Note e)*

Notes:

(a) No statutory audited financial statements have been prepared by Soft BVI for the period from the date of incorporation to the date of this report as it is not required to issue audited financial statements under relevant statutory requirements at the place of incorporation.

(b) No statutory audited financial statements have been prepared for Insoftb New Material, Blue Giant Hygiene Products, Chuzhou Insoftb, Heynckes Trading, Jinjiang Libaida, Blue Giant E-commerce, Xianmen Insoftb E-commerce, Fujian Shusen, Fujian Insoftb E-commerce, Insoftb Qinning, Jinjiang Lantu, Jiangxi Lishi and Jiangxi Lantu as it is not a mandatory requirement for issuance of audited financial statements under the relevant statutory requirement at their places of incorporation.

(c) Blue Giant E-commerce, Fujian Insoftb E-commerce, Fujian Shusen, Insoftb Qinning and Xiamen Insoftb E-commerce, were deregistered on 8 October 2023, 28 September 2023, 16 August 2023, 24 October 2023 and 22 September 2023, respectively *(Note 29(b))*.

(d) These entities were disposed of on 28 September 2023 *(Note 29(a))*.

(e) The English name is translated for identification purpose only.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Prospectus, the Company became the holding company of the entities now comprising the Group on 26 April 2024. Immediately prior to and after the Reorganisation, the Group's business is mainly conducted through Insoftb China, Insoftb New Material, Blue Giant Hygiene Products, Chuzhou Insoftb, Heynckes Trading and Jinjiang Libaida while the Company, Soft BVI and Soft HK are investment holding companies and other entities within the Group have not been involved in any other significant activities prior to the Reorganisation. As the Reorganisation did not result in any change in the ultimate control of and the resources employed by the Group's business, the Group is regarded as a continuity entity and, therefore, the Reorganisation is considered to be a restructuring of entities and business under common control unless otherwise stated.

Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis under merger accounting principles, as further explained in the paragraph headed "Merger accounting for business combination involving entities under common control" in Note 3, which presents the combined financial position, combined financial performance, combined changes in equity and combined cash flows of the entities now comprising the Group as if the current group structure, except for the acquisition of Jinjiang Libaida *(Note 30)* and disposal/deregistration of certain subsidiaries *(Note 29)* prior to the Reorganisation, had always been in existence throughout the Track Record Period or since their respective date of establishment or incorporation, where applicable.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conforms with IFRS Accounting Standards issued by the IASB.

3. MATERIAL ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards issued by the IASB, which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB. The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued a number of new/revised IFRS Accounting Standards during the Track Record Period. For the purpose of the preparation of the Historical Financial Information, the Group has consistently adopted all those new/revised IFRS Accounting Standards that are relevant to its operations and are effective throughout the Track Record Period. The adoption of those new/revised IFRS Accounting Standards does not have any significant impact on the Historical Financial Information.

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

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except for the investment properties which are measured at fair value as explained in the material accounting policies set out below.

Basis of combinations

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

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

Non-controlling interests are presented, separately from owners of the Company, in the combined statements of profit or loss and other comprehensive income and within equity in the combined statements of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRS Accounting Standards.

Allocation of total comprehensive income

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

Changes in ownership interest

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

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

Business combinations

(a) Acquisition method of accounting

The acquisition method is used to account for the acquisition of subsidiaries of the Group, except for those acquisitions which qualify as business combination under common control which are accounted for using merger accounting.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are principally recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets and liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests that are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

(b) Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholder.

The net assets of the combining entities or businesses are combined using the existing carrying values from the Controlling Shareholder's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Shareholder's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recognised directly in equity as part of the capital reserve. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is 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. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

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

Property, plant and equipment

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

Construction in progress represents buildings under construction and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of construction and acquisition and capitalised borrowing costs (if any). No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated below.

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

Buildings	20 - 30 years
Plant and machinery	3 - 10 years
Office equipment	3 - 5 years
Motor vehicles	5 years

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

Investment properties

Investment properties are land and/or building that are held by owner or lessee, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use. The Group's investment properties included leasehold land and buildings.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Research and development costs

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

During the Track Record Period, no development cost was capitalised by the Group.

Intangible assets acquired separately — trademarks

The initial cost of licensed trademarks is capitalised. Trademarks are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of 2 to 3 years.

Financial instruments

Financial assets

Recognition and derecognition

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

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

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

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

Classification and measurement

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

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

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

Financial assets measured at amortised cost

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

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial liabilities

Recognition and derecognition

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

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

Classification and measurement

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

All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

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

Measurement of ECL

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

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

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

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

(i) past due information;

(ii) nature of financial instruments;

(iii) nature of collateral (if any);

(iv) industry of debtors;

(v) geographical location of debtors; and

(vi) external credit risk ratings.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

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

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

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

Assessment of significant increase in credit risk

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

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

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

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

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

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group's bills receivables guaranteed by banks, pledged bank deposits, cash and cash equivalents and other receivables placed in financial institutions are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without a significant financing components or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

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

Cash equivalents

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts (if any).

Revenue recognition

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is manufacturing and sales of disposable hygienic products and nonwoven fabrics.

Identification of performance obligations

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

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

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

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

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

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

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the 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.

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

Revenue from sales of disposable hygienic products and nonwoven fabrics are recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The variable consideration is estimated by using either the expected-value or the most-likely-amount method whichever is better to predict the entitled amount. The estimated variable consideration is then included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised of the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(i) Refund liabilities

The Group grants certain customers with the right to return the products with defective or counterfeit, or for reasons such as a misrepresentation or misleading product description, or within the predetermined period for unconditional return. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group recognises a right to returned goods asset and a corresponding adjustment to cost of sales in respect of the right to recover the product when customers exercise their right of return. With reference to its historical experience and its expectation of future returns as adjusted for current relevant information, the Group estimates the number of returns using the most-likely-amount method and assesses whether the estimated variable consideration is constrained. Any significant estimation variances will be analysed and taken into consideration in the current estimation and assessment. Typically, the estimated consideration is not constrained.

During the Track Record Period, the Group estimated and adjusted the refund liabilities to revenue from time to time and there were no significant product return from customers which is subject to refund liabilities at the end of each reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for specified goods or services to be provided by the other party.

The Group is acting as a principal for all of its goods as the Group controls all of its goods before the good transferred to its customers and its performance obligation is to transfer those goods to its customers.

Interest income

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

Rental income

Rental income from leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Contract liabilities

If a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

Contract liabilities in relation to the non-refundable receipts in advance is reported under "Other Payables".

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB and rounded to the nearest thousands unless otherwise indicated. The Company's functional currency is HK$ and the functional currency of majority of the Group's subsidiaries is RMB.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("foreign operations") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;

- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and

- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

Inventories

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

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

Impairment of other assets

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

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

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

Borrowing costs

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

Government grants

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

Leases

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

The Group as lessee

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

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

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate stand-alone price of the non-lease components.

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

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

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

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

Leasehold land	50 years
Leased properties	Over the lease term

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

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

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

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

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

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

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;

(b) the Group determines the lease term of the modified contract;

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and/or

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

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

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

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

The Group as lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

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

Operating lease

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group's rental income from operating lease is recognised to profit or loss on a straight-line basis over the term of the relevant lease.

Employee benefits

Short term employee benefits

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

Defined contribution plans App D1A-33 (4)(a)-(b)

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

In accordance with the rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Taxation

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

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

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

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

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

Related parties

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

(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 of a holding company of the Group.

(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 holding company, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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 holding company of the entity); and

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

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

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

Segment reporting

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

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

Critical accounting estimates and judgements

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

Key sources of estimation uncertainty:

(i) Useful lives of intangible assets, property, plant and equipment and right-of-use assets

The management of the Group determines the estimated useful lives of the Group's intangible assets, property, plant and equipment and right-of-use assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(ii) Impairment of non-financial assets

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

(iii) Allowance for inventories

The management of the Group reviews the inventory ageing analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

(iv) Loss allowance for ECL

The management of the Group estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables.

(v) Income taxes

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

(vi) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such estimate is changed.

(vii) Fair value of investment properties

Investment properties are revalued at the end of each reporting period based on the appraised market value provided by an independent professional valuer. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The most significant input for the Group's estimation of the fair value is market price for similar properties adjusted for age, location, condition, size and other relevant factors.

Future changes in IFRS Accounting Standards

At the date of approving the Historical Financial Information, the IASB has issued the following new/revised IFRS Accounting Standards that are not yet effective for the Track Record Period, which the Group has not early adopted.

Amendments to IAS 21	Lack of Exchangeability[1]
Annual Improvements to IFRS Accounting Standards	Volume 11[2]
IFRS 9 and IFRS 7	Amendments to the Classification and Measurements of Financial Instruments[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosure[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

(1) Effective for annual periods beginning on or after 1 January 2025

(2) Effective for annual periods beginning on or after 1 January 2026

(3) Effective for annual periods beginning on or after 1 January 2027

(4) The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised IFRS Accounting Standards in future periods will have any material impact on the Group's combined financial information.

4. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the Track Record Period, as the Group manages its business as a whole as the manufacturing and sales of hygienic disposables and nonwoven fabrics. The executive directors of the Company, being the chief operating decision-makers of the Group, regularly review the internal financial reports on the same basis for the purposes of allocating resources and assessing performance of the Group.

Geographical information

(a) Revenue from external customers

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of the revenue is presented based on the domicile of external customers' countries.

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
The PRC	92,683	140,188	205,759	118,990	242,531
Russia	105,371	205,506	377,452	325,741	206,214
Southeast Asia *(Note)*	31,771	27,940	34,423	19,508	36,713
Kazakhstan	5,237	12,232	6,890	6,502	222
Others	28,164	22,200	30,036	22,063	34,617
	263,226	408,066	654,560	492,804	520,297

Note: Southeast Asia included the sales to external customers located in Malaysia, Thailand, Singapore, Indonesia, Philippines, Vietnam and Myanmar.

(b) *Non-current assets*

The non-current assets information is based on the locations of assets and included the Group's investment properties, property, plant and equipment and right-of-use assets (the "Non-current Assets"). All of the Group's Non-current Assets were located in the PRC.

Information about major customers

Details of the customers (presented by entities under common control, if appropriate) individually accounting for 10% or more of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Sales of hygienic disposables and nonwoven fabrics					
Customer A	31,053	128,429	318,983	276,540	191,434
Customer B	31,555	*Note*	*Note*	*Note*	*Note*

Note: Customer B contributed less than 10% of the Group's total revenue during the respective periods for the Track Record Period.

5. REVENUE

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue from contracts with customers within IFRS 15					
At a point in time					
Sales of hygienic disposables					
– Babycare	228,498	322,077	467,960	388,852	286,151
– Feminine care	1,057	1,994	113,744	51,726	157,997
– Adult incontinence	12,313	6,714	13,419	10,041	14,305
– Others	19,196	10,425	7,269	6,565	3,939
	261,064	341,210	602,392	457,184	462,392
Sales of nonwoven fabrics and others	2,162	66,856	52,168	35,620	57,905
	263,226	408,066	654,560	492,804	520,297

Note: The revenue recognised for the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 2024, which was included in the contract liabilities at the beginning of respective reporting periods were approximately RMB17,970,000, RMB13,054,000, RMB27,498,000, RMB26,261,000 (unaudited) and RMB20,189,000, respectively *(Note 21(c))*.

6. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Exchange gain, net	108	–	–	96	–
Government grants *(Note)*	1,403	595	529	117	530
Interest income	314	677	216	157	406
Rental income	855	1,255	907	786	402
Sales of scrap materials	458	1,200	10	–	2,085
Sundry income	89	5	72	18	423
	3,227	3,732	1,734	1,174	3,846

Note: Government grants represent various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business supports and awarded to the Group on a discretionary basis. The Group received these government grants in respect of its investments in the PRC.

There were no unfulfilled conditions or contingencies relating to these grants during the Track Record Period.

7. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Finance costs					
Interest on interest-bearing borrowings	256	545	766	544	483
Interest on lease liabilities	5	3	10	5	18
	261	548	776	549	501
Staff costs (including directors' emoluments)					
Salaries, discretionary bonus, allowances and other benefits in kind	21,577	27,802	35,744	27,326	14,840
Contributions to defined contribution plans	1,999	5,552	5,269	4,100	2,515
	23,576	33,354	41,013	31,426	17,355
Other items					
Auditors' remuneration	8	9	9	4	4
Amortisation of intangible assets (charged to "selling and distribution expenses")	1,193	952	231	159	333
Cost of inventories *(Note (a))*	206,492	296,840	457,293	349,862	358,233
Depreciation of property, plant and equipment (charged to "cost of sales", "selling and distribution expenses" and "administrative and other operating expenses", as appropriate)	7,928	11,284	16,117	10,968	12,851

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Depreciation of right-of-use assets (charged to "cost of sales" and "administrative and other operating expenses") . . .	931	931	1,020	734	883
Direct operating expenses arising from investment properties that generate rental income.	820	445	414	312	203
Exchange (gain) loss, net	(108)	1,720	34	(96)	207
Expenses recognised under short-term leases	97	4	292	292	–
Listing expenses	–	–	5,981	1,156	10,698
Loss on disposal of property, plant and equipment, net	–	–	99	–	–
Research and development expenses *(Note (b))*	9,812	12,895	20,638	13,779	14,899

Notes:

(a) Cost of inventories included approximately RMB21,999,000, RMB30,221,000, RMB39,889,000, RMB29,419,000 (unaudited) and RMB19,688,000 relating to the aggregated amount of certain staff costs, depreciation of property, plant and equipment and right-of-use assets which were included in the respective amounts as disclosed above during the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively.

(b) During the Track Record Period, the Group carried out several research and development projects for (i) enhancement of the existing products quality and production efficiency and (ii) development of new products (together, the "Research and Development Activities"). Having considered the enhancement to the existing products' quality and production efficiency cannot be clearly quantified and the technical feasibility for the completion of new projects are uncontrollable, the costs incurred in the Research and Development Activities are recognised in the profit or loss as incurred during the Track Record Period.

8. DIRECTORS' REMUNERATION

The Company was incorporated in the Cayman Islands on 22 November 2023. Mr. Ngan Pui Kuan, Mr. Zeng Guodong, Mr. Gao Yue and Zhou Jiahao were appointed as executive directors of the Company on 4 December 2023, 8 May 2024, 8 May 2024 and 8 May 2024, respectively. Mr. Cai Hao was appointed as non-executive director of the Company on 8 May 2024. Ms. Leong Kai Weng Subrina, Mr. Wong Tai Wai David and Mr. Ng Brian Hong Jing were appointed as independent non-executive directors of the Company on 10 March 2025.

Certain directors of the Company received remuneration from the Group during the Track Record Period for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company during the Track Record Period are set out below.

Year ended 31 December 2021

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Ngan Pui Kuan	–	179	–	4	183
Mr. Zeng Guodong	–	142	–	–	142
Mr. Gao Yue	–	111	–	5	116
Mr. Zhou Jiahao	–	66	–	–	66
	–	498	–	9	507

Year ended 31 December 2022

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Ngan Pui Kuan	–	195	–	9	204
Mr. Zeng Guodong	–	163	–	9	172
Mr. Gao Yue	–	132	–	9	141
Mr. Zhou Jiahao	–	150	–	–	150
	–	640	–	27	667

Year ended 31 December 2023

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Ngan Pui Kuan	–	204	–	9	213
Mr. Zeng Guodong	–	202	–	25	227
Mr. Gao Yue	–	142	–	9	151
Mr. Zhou Jiahao	–	180	–	–	180
	–	728	–	43	771

Nine months ended 30 September 2023 (Unaudited)

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Ngan Pui Kuan	–	153	–	7	160
Mr. Zeng Guodong	–	151	–	18	169
Mr. Gao Yue	–	106	–	7	113
Mr. Zhou Jiahao	–	135	–	–	135
	–	545	–	32	577

Nine months ended 30 September 2024

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Ngan Pui Kuan	–	168	–	2	170
Mr. Zeng Guodong	–	151	–	22	173
Mr. Gao Yue	–	108	–	10	118
Mr. Zhou Jiahao	–	135	–	6	141
Non-executive director					
Mr. Cai Hao	–	–	–	–	–
	–	562	–	40	602

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

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Track Record Period is as follows:

	Number of individuals				
	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
				(Unaudited)	
Director	2	2	2	3	3
Non-director	3	3	3	2	2
	5	5	5	5	5

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

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, discretionary bonus, allowances and other benefits in kind	457	480	557	283	284
Contributions to defined contribution plans	8	8	16	7	21
	465	488	573	290	305

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

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
				(Unaudited)	
Nil to HK$1,000,000	3	3	3	2	2

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

10. TAXATION

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Current tax					
PRC Enterprise Income Tax ("PRC EIT")	2,711	8,225	7,656	7,160	10,164
Deferred taxation *(Note 24)*					
Changes in temporary differences	(246)	820	1,267	896	359
Total income tax expenses for the year/period	2,465	9,045	8,923	8,056	10,523

The Group's entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the Track Record Period.

The Group's entities established in the PRC are subject to the PRC EIT at a statutory rate of 25% during the Track Record Period except for Insoftb China which has been recognised as High and New Technology Enterprise (the "HNTE") since December 2020 and is entitled to a preferential tax rate of 15% during the Track Record Period. The entitlement of the HNTE is subject to renewal by the tax bureau in the PRC every three years. The latest approval of the HNTE for Insoftb China was obtained in December 2023 for the three years ending 31 December 2026.

Reconciliation of income tax expenses

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit before tax	12,467	50,904	66,612	61,728	50,985
Income tax at statutory tax rate applicable in respective territories	3,117	12,726	16,653	15,432	12,746
Effect of preferential tax treatments	(1,566)	(4,285)	(7,226)	(6,914)	(4,497)
Non-deductible expenses	604	945	1,231	977	1,922
Unrecognised tax losses	1,170	1,307	1,361	628	2,587
Additional tax deduction for research and development expenses *(Note)*	(860)	(1,648)	(3,096)	(2,067)	(2,235)
Income tax expenses	2,465	9,045	8,923	8,056	10,523

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, an enterprise engaging in research and development activities is entitled to claim 175% to 200% of its qualified research and development expenses incurred as tax deductible expenses when determining its assessable profits for the relevant years/periods.

11. EARNINGS PER SHARE

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

12. DIVIDENDS

During the Track Record Period, no dividends have been declared or paid by the entities now comprising the Group.

13. INTANGIBLE ASSETS

	Trademarks
	RMB'000
Reconciliation of carrying amount – year ended 31 December 2021	
At 1 January 2021	2,304
Amortisation	(1,193)
At 31 December 2021	1,111
Reconciliation of carrying amount – year ended 31 December 2022	
At 1 January 2022	1,111
Amortisation	(952)
At 31 December 2022	159
Reconciliation of carrying amount – year ended 31 December 2023	
At 1 January 2023	159
Addition	472
Amortisation	(231)
At 31 December 2023	400
Reconciliation of carrying amount – nine months ended 30 September 2024	
At 1 January 2024	400
Amortisation	(333)
At 30 September 2024	67
At 31 December 2021	
Cost	4,128
Accumulated amortisation	(3,017)
	1,111
At 31 December 2022	
Cost	2,858
Accumulated amortisation	(2,699)
	159
At 31 December 2023	
Cost	3,330
Accumulated amortisation	(2,930)
	400
At 30 September 2024	
Cost	3,330
Accumulated amortisation	(3,263)
	67

Trademarks were licensed from independent third parties in relation to the Group's ordinary business for a period of 2 to 3 years. During the year ended 31 December 2023, the licence for one of the trademarks was extended for 1 year at a consideration of approximately RMB472,000.

14. INVESTMENT PROPERTIES

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At fair value				
At the beginning of the reporting period . .	41,410	41,437	42,244	44,161
Changes in fair value.	27	807	1,917	39
At the end of the reporting period	41,437	42,244	44,161	44,200

The Group's investment properties consist of leasehold land and buildings located in the PRC, which were held under leases to earn rental income or for capital appreciation. During the Track Record Period, the Group's investment properties are leased to third parties to earn rental income under operating leases, which are detailed in Note 16(b) to the Historical Financial Information.

At the end of each reporting period, the fair value of the investment properties was determined by the Group's management with reference to the valuation report from an independent professional qualified valuer, BonVision International Appraisals Limited, who holds a recognised and relevant professional qualification and has relevant experience in the location and category of the Group's investment properties being valued. The valuations of investment properties have been arrived by adopting direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition adjusted for differences in key valuation attributes, such as age, location, condition and size, were used to value the properties. The most significant input into this valuation approach is the adjusted price per square meter. A significant increase/decrease in the estimated price per square meter will result in a significant increase/decrease in the fair value of the investment properties.

At 31 December 2021, 2022 and 2023 and 30 September 2024, the Group's investment properties with carrying amount of Nil, Nil, approximately RMB44,161,000 and RMB44,200,000 were pledged to secure banking facilities of the Group, respectively *(Note 23)*.

Fair value measurement of investment properties

(a) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of each reporting period in the Historical Financial Information on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13, *"Fair Value Measurement"*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 (lowest level): unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021				
Recurring fair value measurement				
Investment properties	–	–	41,437	41,437
At 31 December 2022				
Recurring fair value measurement				
Investment properties	–	–	42,244	42,244

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2023				
Recurring fair value measurement				
Investment properties	–	–	44,161	44,161
At 30 September 2024				
Recurring fair value measurement				
Investment properties	–	–	44,200	44,200

During the Track Record Period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

(b) Information about Level 3 fair value measurements

Below is summary of valuation techniques used and the key inputs to the valuations in respect of investment properties included in Level 3 categories together with the sensitivity analysis at the end of each of the reporting period:

Description	Valuation technique	Significant unobservable inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
Investment properties	Direct comparison approach	Adjusted market price per square meter at RMB2,277, RMB2,321, RMB2,431 and RMB2,431 per square meter, taking into account of age, location, condition, size and other individual factors of the subject investment properties and price information of comparable properties at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively	10%	The higher adjusted market price per square meter, the higher fair value of the investment properties, and vice versa	Increase/decrease 10% result in increase/decrease in fair value by approximately RMB4,144,000, RMB4,224,000, RMB4,416,000 and RMB4,420,000 for the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024, respectively

The fair value measurement is based on the above assets' highest and best use, which does not differ from their actual use.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount – year ended 31 December 2021						
At 1 January 2021	53,059	36,174	57	119	4,661	94,070
Additions	–	16,465	–	–	9,690	26,155
Depreciation	(2,955)	(4,952)	(21)	–	–	(7,928)
Transfers	3,464	–	–	–	(3,464)	–
At 31 December 2021	53,568	47,687	36	119	10,887	112,297

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount – year ended 31 December 2022						
At 1 January 2022	53,568	47,687	36	119	10,887	112,297
Additions	–	30,972	–	173	14,507	45,652
Depreciation	(3,064)	(8,182)	(19)	(19)	–	(11,284)
Transfers	6,220	–	–	–	(6,220)	–
At 31 December 2022	56,724	70,477	17	273	19,174	146,665
Reconciliation of carrying amount – year ended 31 December 2023						
At 1 January 2023	56,724	70,477	17	273	19,174	146,665
Additions	–	43,681	–	–	6,784	50,465
Disposals	–	(1,491)	–	–	–	(1,491)
Depreciation	(4,527)	(11,557)	–	(33)	–	(16,117)
Transfers	25,958	–	–	–	(25,958)	–
At 31 December 2023	78,155	101,110	17	240	–	179,522
Reconciliation of carrying amount – nine months ended 30 September 2024						
At 1 January 2024	78,155	101,110	17	240	–	179,522
Additions	972	15,362	44	124	–	16,502
Disposals	–	(497)	–	–	–	(497)
Depreciation	(3,390)	(9,428)	(6)	(27)	–	(12,851)
At 30 September 2024	75,737	106,547	55	337	–	182,676
At 31 December 2021						
Cost	66,807	121,915	897	2,370	10,887	202,876
Accumulated depreciation	(13,239)	(74,228)	(861)	(2,251)	–	(90,579)
	53,568	47,687	36	119	10,887	112,297
At 31 December 2022						
Cost	73,027	152,887	897	2,543	19,174	248,528
Accumulated depreciation	(16,303)	(82,410)	(880)	(2,270)	–	(101,863)
	56,724	70,477	17	273	19,174	146,665
At 31 December 2023						
Cost	98,985	191,382	897	2,543	–	293,807
Accumulated depreciation	(20,830)	(90,272)	(880)	(2,303)	–	(114,285)
	78,155	101,110	17	240	–	179,522
At 30 September 2024						
Cost	99,956	202,127	370	2,667	–	305,120
Accumulated depreciation	(24,219)	(95,580)	(315)	(2,330)	–	(122,444)
	75,737	106,547	55	337	–	182,676

Up to the date of this report, the Group was in the process of applying for the title certificates of buildings with an aggregate net carrying amount of approximately RMB53,568,000, RMB56,724,000, RMB78,155,000 and RMB49,085,000 at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively.

16. LEASE

(a) The Group as lessee

Right-of-use assets

	Leased properties	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation of carrying amount – year ended 31 December 2021			
At 1 January 2021	183	19,610	19,793
Additions	–	22,247	22,247
Depreciation	(62)	(869)	(931)
At 31 December 2021	121	40,988	41,109
Reconciliation of carrying amount – year ended 31 December 2022			
At 1 January 2022	121	40,988	41,109
Depreciation	(62)	(869)	(931)
At 31 December 2022	59	40,119	40,178
Reconciliation of carrying amount – year ended 31 December 2023			
At 1 January 2023	59	40,119	40,178
Additions	823	–	823
Depreciation	(151)	(869)	(1,020)
At 31 December 2023	731	39,250	39,981
Reconciliation of carrying amount – nine months ended 30 September 2024			
At 1 January 2024	731	39,250	39,981
Additions	75	–	75
Depreciation	(231)	(652)	(883)
At 30 September 2024	575	38,598	39,173
At 31 December 2021			
Cost	189	43,447	43,636
Accumulated depreciation	(68)	(2,459)	(2,527)
	121	40,988	41,109
At 31 December 2022			
Cost	189	43,447	43,636
Accumulated depreciation	(130)	(3,328)	(3,458)
	59	40,119	40,178
At 31 December 2023			
Cost	1,012	43,447	44,459
Accumulated depreciation	(281)	(4,197)	(4,478)
	731	39,250	39,981
At 30 September 2024			
Cost	1,087	43,447	44,534
Accumulated depreciation	(512)	(4,849)	(5,361)
	575	38,598	39,173

The Group leases properties for its daily operations with the initial lease terms ranging from 2 to 3 years during the Track Record Period. The leasehold land represents lump sum consideration paid by the Group for lease period of 50 years and there are no ongoing payments to be made under the terms of the land leases.

One of the Group's leasehold land with a net carrying amount of approximately RMB21,802,000, RMB21,357,000, RMB20,912,000 and RMB20,578,000 at 31 December 2021, 2022 and 2023 and 30 September 2024 was pledged to secure the banking facilities of the Group, respectively *(Note 23)*.

During the Track Record Period, the Group was in the process of applying for the title certificate of one of the Group's leasehold land with a net carrying amount of approximately RMB19,186,000, RMB18,762,000, RMB18,338,000 and Nil at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively. During the nine months ended 30 September 2024, the title certificate of the said leasehold land has been obtained.

Extension and termination options

The lease contracts of leased properties contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. The extension option of the leased properties are normally exercised after the contracts terms and conditions are renegotiated and agreed between the Group and the lessor because the Group does not want to incur additional costs, such as leasehold improvements, while exercising the termination option is normally unusual unless the Group could replace the leased properties without significant costs or acquisition of new properties. The Group seldom exercises termination options that were included in the leases. All of lease contracts for leased properties contain an extension or termination option, in which the total lease payment made amounted to approximately RMB66,000, RMB66,000, RMB158,000, RMB87,000 (unaudited) and RMB243,000, respectively, representing the total cash outflows for leased properties for the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

Restriction or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessors, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

Commitments under leases

At 31 December 2021, 2022 and 2023 and 30 September 2024, no commitments on short-term leases or low-value asset leases.

Lease liabilities

	At 31 December			At 30 September
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	63	59	268	313
Non-current portion	59	–	466	271
	122	59	734	584

Commitments and present value of lease liabilities:

	Lease payments				Present value of lease payments			
	At 31 December			At 30 September	At 31 December			At 30 September
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable:								
Within one year	66	60	289	329	63	59	268	313
More than 1 year but within 2 years	60	–	289	265	59	–	277	261
More than 2 years but within 3 years	–	–	190	11	–	–	189	10
	126	60	768	605	122	59	734	584
Less: future finance charges	(4)	(1)	(34)	(21)	–	–	–	–
Total lease liabilities	122	59	734	584	122	59	734	584

At 31 December 2021, 2022 and 2023 and 30 September 2024, the weighted average effective interest rates of the lease liabilities of the Group were approximately 3.45%, 3.31%, 3.49% and 3.49% per annum, respectively.

The total cash flows in relation to leases for the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 30 September 2024 were approximately RMB18,210,000, RMB70,000, RMB450,000, RMB379,000 (unaudited) and RMB243,000, respectively.

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

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Interest on lease liabilities	5	3	10	5	18
Depreciation of right-of-use assets	931	931	1,020	734	883
Expenses relating to short-term leases	97	4	292	292	–
	1,033	938	1,322	1,031	901

(b) The Group as lessor

The investment properties are leased to several tenants for initial lease terms ranging from two to three years which are non-cancellable by the tenants. The leases do not contain any renewal option. Monthly rental charges consist of fixed payments.

At the end of each reporting period, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	981	709	513	351
More than one year but less than two years	374	43	191	49
More than two years but less than three years	6	–	–	–
	1,361	752	704	400

17. INVENTORIES

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	76,393	101,285	28,306	15,974
Finished goods	43,548	52,696	45,502	30,993
	119,941	153,981	73,808	46,967

18. TRADE AND OTHER RECEIVABLES

		At 31 December			At 30 September
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
From third parties		37,769	67,608	36,329	80,673
From a former related company	*18(a)*	1,745	2,564	–	–
		39,514	70,172	36,329	80,673
Less: Loss allowances	*31*	(2,638)	(2,168)	(1,440)	(3,060)
	18(b)	36,876	68,004	34,889	77,613
Bills receivables	*18(c)*	–	–	25,425	20,462
Other receivables					
Prepaid listing expenses		–	–	837	1,765
Prepaid promotion expenses	*18(d)*	–	–	–	14,641
Prepayment to suppliers		13,433	12,142	13,542	13,306
Deposits paid to digital platforms		2,473	1,784	2,291	3,426
Receivables from digital platforms	*18(e)*	3,042	2,376	9,777	8,524
Amount due from a director	*18(f)*	151	151	–	–
Amount due from a related company	*18(g)*	239	122	–	–
Capital contribution receivable from the non-controlling shareholder of a subsidiary	*18(h)*	–	525	–	–
Value-added tax and other tax recoverables		3,850	12,470	2,674	12,749
Other prepayment, deposits and receivables		2,290	2,790	5,278	8,078
		25,478	32,360	34,399	62,489
		62,354	100,364	94,713	160,564

HKEx 20241009 Q15(ii)

18(a) Trade receivables from a former related company

The amounts represented trade receivables due from a former related company, Jinjiang Libaida, in which 51% equity interests were held by Mr. Zeng Guodong, an executive director of the Company, during the period from 15 November 2021 to 27 October 2023. On 27 October 2023, Jinjiang Libaida became an indirectly wholly-owned subsidiary of the Company *(Note 30)*. The amount due was unsecured, interest-free and had a credit period of 30 days.

	Year ended 31 December 2021		
	Greatest outstanding amount during the year	Balance at 31 December 2021	Balance at 1 January 2021
	RMB'000	*RMB'000*	*RMB'000*
Jinjiang Libaida	2,166	1,745	N/A

	Year ended 31 December 2022		
	Greatest outstanding amount during the year	Balance at 31 December 2022	Balance at 1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Jinjiang Libaida	2,564	2,564	1,745

	Year ended 31 December 2023		
	Greatest outstanding amount during the year	Balance at 31 December 2023	Balance at 1 January 2023
	RMB'000	*RMB'000*	*RMB'000*
Jinjiang Libaida	26,166	*Remark*	2,564

Remark: Upon the acquisition of Jinjiang Libaida as detailed in Note 30 to the Historical Financial Information, the amount has been eliminated by combination and was not separately disclosed since then.

18(b) Trade receivables

The ageing analysis of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	11,435	25,133	23,185	39,376
31 to 60 days	6,854	30,557	3,962	31,081
61 to 90 days	9,202	9,180	6,852	2,090
91 to 180 days	1,452	208	519	4,882
181 to 365 days	1,162	1,881	25	184
Over 1 year	6,771	1,045	346	–
	36,876	68,004	34,889	77,613

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not yet due	17,149	52,440	21,766	68,835
Past due:				
Within 30 days	6,834	6,958	5,746	2,905
31 to 60 days	3,620	3,086	2,032	329
61 to 90 days	1,049	2,426	4,455	3,148
91 to 180 days	444	190	512	2,212
181 to 365 days	1,009	293	8	184
Over 1 year	6,771	2,611	370	–
	19,727	15,564	13,123	8,778
	36,876	68,004	34,889	77,613

The Group normally grants credit terms up to 90 days from the date of issuance of invoices.

18(c) Bills receivables

At the end of each reporting period, the bills receivables were interest-free and guaranteed by banks in the PRC and had maturities of less than six months.

18(d) Prepaid promotion expenses

At 30 September 2024, the amount of approximately RMB14,641,000 represented the promotion expenses prepaid to certain marketing agents for the promotion on digital platforms. The amount was expected to be recognised in profit or loss within one year.

18(e) Receivables from digital platforms

The amounts represented the sales received by the digital platforms on behalf of the Group through the Group's self-operated online retail stores via their platforms. The amounts were repayable on demand upon the request from the Group.

18(f) Amount due from a director

The amount due was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2023.

	Year ended 31 December 2021		
	Greatest outstanding amount during the year	Balance at 31 December 2021	Balance at 1 January 2021
	RMB'000	*RMB'000*	*RMB'000*
Mr. Gao Yue	151	151	151

	Year ended 31 December 2022		
	Greatest outstanding amount during the year	Balance at 31 December 2022	Balance at 1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Mr. Gao Yue	151	151	151

	Year ended 31 December 2023		
	Greatest outstanding amount during the year	Balance at 31 December 2023	Balance at 1 January 2023
	RMB'000	*RMB'000*	*RMB'000*
Mr. Gao Yue	151	–	151

18(g) Amount due from a related company

深圳市耀信盛電子商務有限公司 (Shenzhen Yaoxinsheng E-Commerce Co., Ltd.*) ("Yaoxinsheng") was controlled by Mr. Zeng Guodong, an executive director of the Company, and was de-registered during the year ended 31 December 2023. The amount due was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled prior to its de-registration during the year ended 31 December 2023.

	Year ended 31 December 2021		
	Greatest outstanding amount during the year	Balance at 31 December 2021	Balance at 1 January 2021
	RMB'000	*RMB'000*	*RMB'000*
Yaoxinsheng	239	239	239

	Year ended 31 December 2022		
	Greatest outstanding amount during the year	Balance at 31 December 2022	Balance at 1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Yaoxinsheng	239	122	239

	Year ended 31 December 2023		
	Greatest outstanding amount during the year	Balance at 31 December 2023	Balance at 1 January 2023
	RMB'000	*RMB'000*	*RMB'000*
Yaoxinsheng	122	–	122

* *The English name is translated for identification purpose only.*

18(h) Capital contribution receivable from the non-controlling shareholder of a subsidiary HKEx 20241009 Q15(ii)

The amount due was non-trade in nature, unsecured, interest-free and fully settled during the year ended 31 December 2023.

19. PLEDGED BANK DEPOSITS

Pledged bank deposits were deposits which are placed in the PRC banks as securities for the issuance of bills payables (*Note 21(b)*).

20. CASH AND CASH EQUIVALENTS

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and in hand	5,620	6,464	63,000	22,867
Non-pledged time deposits with original maturity of 3 months or less when acquired	14,960	–	–	–
Cash and cash equivalents in the combined statements of financial position and the combined statements of cash flows	20,580	6,464	63,000	22,867

At 31 December 2021, 2022 and 2023 and 30 September 2024, bank balances in total of approximately RMB4,977,000, RMB6,019,000, RMB62,983,000 and RMB22,863,000, respectively, carried interest at floating rates based on daily bank deposit rates. Non-pledged time deposits were made between one month and three months depending on the immediate cash requirement of the Group, and earned interest at the prevailing short-term deposit rates.

At 31 December 2021, 2022 and 2023 and 30 September 2024, bank balances that were placed in the PRC amounted to approximately RMB19,937,000, RMB6,019,000, RMB60,631,000 and RMB18,804,000, respectively. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

21. TRADE AND OTHER PAYABLES

		At 31 December			At 30 September
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables to third parties	*21(a)*	26,841	18,985	15,483	31,358
Bills payables	*21(b)*	42,675	39,777	40,329	49,049
Other payables					
Contract liabilities – receipts in advance	*21(c)*	13,054	27,498	20,189	11,652
Salary payables		2,009	2,504	2,656	1,437
Other tax payables		461	423	432	648
Accruals and other payables		9,531	18,462	20,184	23,845
Payables for purchase of property, plant and equipment		–	1,592	7,266	7,114
Payables for distribution service fees					
– to a related company	*21(d)*	12,130	13,930	16,155	10,417
– to third parties		–	92	2,504	786
Accrued listing expenses		–	–	468	2,782
		37,185	64,501	69,854	58,681
		106,701	123,263	125,666	139,088

21(a) Trade payables

The trade payables were unsecured, interest-free and with normal credit terms up to 60 days.

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	6,775	6,477	3,305	15,747
31 to 60 days	2,747	5,678	4,039	9,470
61 to 90 days	2,886	2,763	1,200	2,247
Over 90 days	14,433	4,067	6,939	3,894
	26,841	18,985	15,483	31,358

21(b) Bills payables

At the end of each reporting period, the bills payables were interest-free, guaranteed by banks in the PRC and had maturities of less than six months. The Group's bills payables were secured by pledged bank deposits of approximately RMB14,113,000, RMB20,934,000, RMB15,995,000 and RMB19,313,000 at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively *(Note 19)*.

21(c) Contract liabilities

The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The movements (excluding those arising from increases and decreases both occurred within the same reporting period) of contract liabilities within IFRS 15 during the Track Record Period are as follows:

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	17,970	13,054	27,498	20,189
Additions	13,054	27,498	20,189	11,652
Revenue recognised *(Note 5)*	(17,970)	(13,054)	(27,498)	(20,189)
At the end of the reporting period	13,054	27,498	20,189	11,652

The contract liabilities of approximately RMB13,054,000, RMB27,498,000, RMB20,189,000 and RMB11,652,000 at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively, represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of each reporting period. The Group expects the transaction price of approximately RMB13,054,000, RMB27,498,000, RMB20,189,000 and RMB11,652,000 at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively, allocated to the unsatisfied performance obligations are expected to be recognised as revenue in one year or less when the obligations are performed.

Contract liabilities primarily represent advance payments received from customers for goods that have not been transferred to the customers. The changes in contract liabilities during the Track Record Period were mainly due to the changes in number of sales orders which required advance payments at the end of each reporting period.

21(d) Payables for distribution service fees to a related company

At 31 December 2021, 2022 and 2023 and 30 September 2024, the amounts were payable to a related company, 晉江市志華物流有限公司 (Jinjiang Zhihua Logistics Co., Ltd.*) ("Zhihua") which is controlled by Mr. Gao Yue, an executive director of the Company in relation to provision of distribution services. The amount due was unsecured, interest-free and will be settled in accordance with a credit period of 30 days granted to the Group.

22. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

At 31 December 2021, 2022 and 2023 and 30 September 2024, the amount due to the Controlling Shareholder of approximately RMB190,094,000, RMB206,844,000, RMB207,284,000 and Nil, respectively, had been classified as non-current liabilities of the Group as the Controlling Shareholder confirmed in writing that such amount represented a loan capital, which is non-trade in nature, unsecured and interest free, as an initial and continuing financial supports for funding the Group's operations and business development and committed not to demand for repayment not less than 5 years at the end of each reporting period. On 31 March 2024, the amount due to the Controlling Shareholder classified under non-current liabilities of approximately RMB207,284,000 was waived and credited to the capital reserve under equity upon execution of a deed of wavier by the Controlling Shareholder.

The remaining amount of approximately RMB137,615,000, RMB136,212,000, RMB71,576,000 and RMB23,123,000 at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively, which was classified under current liabilities, was non-trade in nature, unsecured, interest-free, repayable on demand and has been fully settled prior to the Listing.

23. INTEREST-BEARING BORROWINGS

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed-rate borrowings				
Secured and guaranteed bank loans				
– within one year	10,000	18,000	13,000	18,200
Effective interest rates per annum for fixed-rate borrowings	3.35%	3.20%–4.30%	3.45%–3.50%	3.15%–3.35%

The interest-bearing borrowings were collectively secured by:

(a) personal guarantees provided by the Controlling Shareholder and his spouse;

(b) properties held by the Controlling Shareholder;

(c) corporate guarantee provided by a subsidiary of the Group;

(d) leasehold land with a net carrying amount of approximately RMB21,802,000, RMB21,357,000, RMB20,912,000 and RMB20,578,000 at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively *(Note 16)*; and

(e) investment properties of Nil, Nil, approximately RMB44,161,000 and RMB44,200,000 at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively *(Note 14)*.

All banking facilities are subject to the fulfilment of covenants, as is commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. At the end of each reporting period, none of the covenants relating to drawn down facilities had been breached.

The guarantees and the pledged properties provided by the Controlling Shareholder and his spouse are subsequently released and replaced by a corporate guarantee provided by a subsidiary of the Group.

* *The English name is translated for identification purpose only.*

24. DEFERRED TAXATION

The movements in the Group's deferred tax assets (liabilities) during the Track Record Period were as follows:

	Accrued revenue and costs	Depreciation allowance	Fair value changes on investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	45	(324)	(5,473)	(5,752)
Income tax credit (expenses)	329	(75)	(8)	246
At 31 December 2021	374	(399)	(5,481)	(5,506)
At 1 January 2022	374	(399)	(5,481)	(5,506)
Income tax expenses	(384)	(194)	(242)	(820)
At 31 December 2022	(10)	(593)	(5,723)	(6,326)
At 1 January 2023	(10)	(593)	(5,723)	(6,326)
Income tax expenses	(61)	(631)	(575)	(1,267)
At 31 December 2023	(71)	(1,224)	(6,298)	(7,593)
At 1 January 2024	(71)	(1,224)	(6,298)	(7,593)
Income tax credit (expenses)	30	(377)	(12)	(359)
At 30 September 2024	(41)	(1,601)	(6,310)	(7,952)

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

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	374	–	–	–
Deferred tax liabilities	(5,880)	(6,326)	(7,593)	(7,952)
	(5,506)	(6,326)	(7,593)	(7,952)

At 31 December 2021, 2022 and 2023 and 30 September 2024, the Group has unused tax losses of approximately RMB16,724,000, RMB21,952,000, RMB27,396,000 and RMB37,744,000, subject to the approval by the relevant tax authorities, available for offset against future taxable profits of the respective subsidiaries for a maximum of 5 years from the period in which the tax loss was incurred. At 31 December 2021, 2022 and 2023 and 30 September 2024, no deferred tax assets have been recognised in respect of these tax losses as it is not probable that sufficient future taxable profits will be available for the respective subsidiaries against which the assets can be utilised.

At the end of each reporting period, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the management of the Group, it is probable that the earnings will not be distributed in the foreseeable future. The unremitted accumulated profits were approximately RMB9,491,000, RMB52,933,000, RMB101,524,000 and RMB154,832,000 at 31 December 2021, 2022 and 2023 and 30 September 2024, respectively.

25. SHARE CAPITAL AND THE FINANCIAL INFORMATION OF THE COMPANY

25(a) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 November 2023. Upon its incorporation, the authorised share capital of HK$380,000 was divided into 38,000,000 ordinary shares at HK$0.01 each and 1 ordinary share with total consideration of HK$0.01 was issued at the date of incorporation.

On 23 April 2024 and 26 April 2024, total 899,999 and 100,000 shares were allotted and issued at an aggregate consideration of HK$10,000 (equivalent to RMB9,465).

Pursuant to the resolution of the Company's shareholders dated 6 May 2024, the Company subdivided each of its existing issued and unissued ordinary share with a par value of HK$0.01 each into 100 shares with a par value of HK$0.0001 each. Accordingly, the authorised and issued share capital of the Company becomes HK$380,000 divided into 3,800,000,000 shares and HK$10,000 divided into 100,000,000 shares with a par value of HK$0.0001 each, respectively.

Pursuant to the Reorganisation completed on 26 April 2024, the Company became the holding company of the entities now comprising the Group. Further details of the change in authorised and issued capital of the Company since its incorporation are set out in the paragraph headed "Reorganisation" of the section headed "History, Development and Reorganisation" of the Prospectus.

Save as disclosed above, the Company has not commenced any significant business or operation since its incorporation.

25(b) Investment in a subsidiary

Investment in a subsidiary represents 100% of the issued share capital of Soft BVI.

25(c) Amounts due from (to) the immediate holding company/a subsidiary

The amounts due were non-trade in nature, unsecured, interest-free and repayable on demand.

25(d) Reserves of the Company

	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 22 November 2023 (date of incorporation)	–	–	–
Profit for the period	–*	–*	–*
Other comprehensive income			
Exchange difference on translation of the Company's financial statements to presentation currency	–*	–	–*
At 31 December 2023	–*	–*	–*
At 31 December 2023 and 1 January 2024	–*	–*	–*
Loss for the period	–*	(321)	(321)
Other comprehensive income			
Exchange difference on translation of the Company's financial statements to presentation currency	7	–	7
At 30 September 2024	7	(321)	(314)

Note: During the year ended 31 December 2023 and the nine months ended 30 September 2024, the listing expenses of approximately RMB5,981,000 and RMB10,698,000 were borne by the Company's subsidiaries without recharge.

* *Represents amount less than RMB1,000.*

26. RESERVES

26(a) Capital reserve

The capital reserve represents (i) the aggregate amount of the nominal value of the issued/paid-up capital of the entities now comprising the Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation and (ii) deemed capital contribution from the Controlling Shareholder through the waiver of the amount due to the Controlling Shareholder of approximately RMB207,284,000 as detailed in Note 22 to the Historical Financial Information.

26(b) Translation reserve

The translation reserve represents all foreign exchange differences arising from the translation of the Group's entities, including the Company, that have functional currency different from the Group's presentation currency for combinations.

26(c) Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the PRC are required to appropriate to the statutory reserve an amount not less than 10% of the amount of profit after tax (as reported in the respective statutory financial statements of the PRC subsidiaries prepared in accordance with the PRC accounting regulations). If the accumulated statutory reserve reaches 50% of the registered share capital of the respective PRC subsidiaries, the subsidiary may not be required to make any further appropriation. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

27. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions during the Track Record Period.

(a) Related party transactions of the Group

Transactions between the group entities have been eliminated by combination and are not disclosed. During the Track Record Period, the Group had the following significant transactions with related parties. In the opinion of the directors of the Company, they are under normal commercial terms that are fair and reasonable and in the best interests of the Group.

		Year ended 31 December			Nine months ended 30 September	
Name of the related party	**Nature of the transaction**	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Jinjiang Libaida *(Note 18(a))*.	Sales of hygienic disposables	130	1,014	41,263	26,598	–
福建省晉江市對外貿易有限公司 (Fujian Province Jinjiang City Foreign Trade Co., Ltd.*) ("Jinjiang Foreign Trade") *(Note)* . . .	Agency fee for import and export services	805	772	795	514	192
Zhihua *(Note 21(d))*.................	Provision of distribution services	4,698	5,000	15,669	8,568	13,579
Zeng Guodong, an executive director of the Company . .	Consideration paid for acquisition of Jinjiang Libaida *(Note 30)*	–	–	551	–	–

Note:

During the Track Record Period, 30% of equity interests in Jinjiang Foreign Trade was held by the Controlling Shareholder of the Group. On 18 April 2024, the Controlling Shareholder of the Group disposed his 30% of equity interests in Jinjiang Foreign Trade to an independent third party. Since then, Jinjiang Foreign Trade ceased to be a related party of the Group.

* *The English name is translated for identification purpose only.*

(b) Remuneration for key management personnel (including directors of the Company) of the Group

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, allowances, discretionary bonus, and other benefits in kind	878	1,072	1,185	887	908
Contributions to defined contribution plans	16	39	68	50	70
	894	1,111	1,253	937	978

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

(c) Pledge of assets/guarantees provided for interest-bearing borrowings of the Group by the related parties

As detailed in Note 23 to the Historical Financial Information, the interest-bearing borrowings of approximately RMB10,000,000, RMB18,000,000, RMB13,000,000 and RMB18,200,000 at 31 December 2021, 2022 and 2023 and 30 September 2024 were secured by, among others, (i) properties held by the Controlling Shareholder and (ii) guarantees given by the Controlling Shareholder and his spouse.

The above guarantees and the pledged assets provided by the related parties are subsequently released and replaced by a corporate guarantee provided by a subsidiary of the Group.

(d) Balances with related parties

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables from a former related company *(Note a)*				
Jinjiang Libaida	1,745	2,564	N/A	N/A
Amount due from a director *(Note b)*				
Mr. Gao Yue	151	151	–	–
Amount due from a related company *(Note b)*				
Yaoxinsheng	239	122	–	–
Capital contribution receivable from the non-controlling shareholder of a subsidiary *(Note c)*	–	525	–	–
Amount due to the Controlling Shareholder – Mr. Ngan Pui Kan *(Note 22)*				
Current portion *(Note d)*	137,615	136,212	71,576	23,123
Non-current portion *(Note e)*	190,094	206,844	207,284	–
	327,709	343,056	278,860	23,123
Payables for distribution services fees to a related company *(Note f)*				
Zhihua	12,130	13,930	16,155	10,417

Notes:

(a) The amount due was trade in nature, unsecured, interest-free and had a credit period of 30 days. Upon the completion of acquisition of Jinjiang Libaida as detailed in Note 30 to the Historical Financial Information, the amount has been eliminated by combination and was not separately disclosed since then.

(b) The amount due was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2023.

(c) The amount was non-trade in nature, unsecured, interest-free and fully settled during the year ended 31 December 2023. HKEX 20241009 Q15(ii)

(d) The amount was non-trade in nature, unsecured, interest-free, repayable on demand and has been fully settled prior to the Listing.

(e) The amount represented a loan capital, which is non-trade in nature, unsecured and interest free, as an initial and continuing financial supports for funding the Group's operations and business development. On 31 March 2024, the amount of approximately RMB207,284,000 was waived and credited to the capital reserve under equity upon execution of a deed of wavier by the Controlling Shareholder.

(f) The amount was trade in nature, unsecured, interest-free and will be settled in accordance with a credit period of 30 days granted to the Group.

28. ADDITIONAL INFORMATION ON THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

In addition to the information disclosed elsewhere in the Historical Financial Information, the Group had the following major non-cash transactions:

During the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 2024, certain of property, plant and equipment acquired with an aggregate amount of approximately RMB6,053,000, RMB15,862,000, Nil, Nil (unaudited) and Nil, respectively, were settled by the Controlling Shareholder on behalf of the Group.

During the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the Group recognised right-of-use assets by incurring lease liabilities of Nil, Nil, approximately RMB823,000, RMB636,000 (unaudited) and RMB75,000, respectively.

During the nine months ended 30 September 2024, the Group and the Controlling Shareholder entered into a deed of waiver dated and executed on 31 March 2024, pursuant to which, the amount due to the Controlling Shareholder classified as non-current liabilities of approximately RMB207,284,000 was waived and credited to the capital reserve under the equity.

(b) Reconciliation of liabilities arising from financing activities

The movements during the Track Record Period in the Group's liabilities arising from financing activities are as follows:

			Non-cash changes						
	At 1 January 2021	Net cash flows	Acquisition of property, plant and equipment	Addition of right-of-use assets	Waiver of amount due to the Controlling Shareholder	Disposal of subsidiaries	Finance costs	Exchange realignment	At 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
<u>Year ended 31 December 2021</u>									
Amount due to the Controlling Shareholder . . .	317,955	3,920	6,053	–	–	–	–	(219)	327,709
Interest-bearing borrowings . . .	–	10,000	–	–	–	–	–	–	10,000
Lease liabilities . .	183	(66)	–	–	–	–	5	–	122
Total liabilities from financing activities	318,138	13,854	6,053	–	–	–	5	(219)	337,831

	At 1 January 2022	Net cash flows	Non-cash changes: Acquisition of property, plant and equipment	Addition of right-of-use assets	Waiver of amount due to the Controlling Shareholder	Disposal of subsidiaries	Finance costs	Exchange realignment	At 31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022									
Amount due to the Controlling Shareholder	327,709	(1,583)	15,862	–	–	–	–	1,068	343,056
Interest-bearing borrowings	10,000	8,000	–	–	–	–	–	–	18,000
Lease liabilities	122	(66)	–	–	–	–	3	–	59
Total liabilities from financing activities	337,831	6,351	15,862	–	–	–	3	1,068	361,115

	At 1 January 2023	Net cash flows	Non-cash changes: Acquisition of property, plant and equipment	Addition of right-of-use assets	Waiver of amount due to the Controlling Shareholder	Disposal of subsidiaries	Finance costs	Exchange realignment	At 31 December 2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023									
Amount due to the Controlling Shareholder	343,056	(62,636)	–	–	–	(2,000)	–	440	278,860
Interest-bearing borrowings	18,000	(5,000)	–	–	–	–	–	–	13,000
Lease liabilities	59	(158)	–	823	–	–	10	–	734
Total liabilities from financing activities	361,115	(67,794)	–	823	–	(2,000)	10	440	292,594

	At 1 January 2023	Net cash flows	Non-cash changes: Acquisition of property, plant and equipment	Addition of right-of-use assets	Waiver of amount due to the Controlling Shareholder	Disposal of subsidiaries	Finance costs	Exchange realignment	At 30 September 2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Nine months ended 30 September 2023 (Unaudited)									
Amount due to the Controlling Shareholder	343,056	(27,188)	–	–	–	(2,000)	–	716	314,584
Interest-bearing borrowings	18,000	(1,000)	–	–	–	–	–	–	17,000
Lease liabilities	59	(87)	–	636	–	–	5	–	613
Total liabilities from financing activities	361,115	(28,275)	–	636	–	(2,000)	5	716	332,197

	At 1 January 2024	Net cash flows	Non-cash changes: Acquisition of property, plant and equipment	Addition of right-of-use assets	Waiver of amount due to the Controlling Shareholder	Disposal of subsidiaries	Finance costs	Exchange realignment	At 30 September 2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note 22)	RMB'000	RMB'000	RMB'000	RMB'000
Nine months ended 30 September 2024									
Amount due to the Controlling Shareholder	278,860	(48,679)	–	–	(207,284)	–	–	226	23,123
Interest-bearing borrowings	13,000	5,200	–	–	–	–	–	–	18,200
Lease liabilities	734	(243)	–	75	–	–	18	–	584
Total liabilities from financing activities	292,594	(43,722)	–	75	(207,284)	–	18	226	41,907

29. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES UNDER THE REORGANISATION

In preparation for the Listing, certain subsidiaries were disposed of/deregistered as part of the Reorganisation:

(a) Disposal of subsidiaries

On 27 September 2023, the Group disposed of its 51% equity interests in Jinjiang Lantu together with its wholly-owned subsidiaries, Jiangxi Lishi and Jiangxi Lantu (collectively referred to as "**Jinjiang** Lantu **Group**") to an independent third party at a cash consideration of approximately RMB1,785,000 (the "**Disposal**"). The Disposal was completed on 28 September 2023.

Details of the consideration received for the Disposal and net liabilities of Jinjiang Lantu Group at the date of the Disposal are summarised as follows:

	RMB'000
Consideration received, satisfied by:	
Cash received	1,785
Net liabilities disposed of:	
Trade and other receivables	1,549
Cash and bank balances	790
Trade receivables due from Jinjiang Lantu Group	(1,097)
Amount due to the Controlling Shareholder	(2,000)
Other payables	(642)
Net liabilities upon disposal	(1,400)
Non-controlling interests	686
Consideration	(1,785)
Gain on disposal of subsidiaries	(2,499)
Net cash inflows from the Disposal:	
Consideration received	1,785
Less: cash and bank balances disposed of	(790)
	995

(b) Deregistration of subsidiaries

During the year ended 31 December 2023, subsidiaries of the Group including Blue Giant E-commerce, Fujian Insoftb E-commerce, Fujian Shusen, Insoftb Qinning and Xiamen Insoftb E-commerce (collectively referred to as the "**Deregistered Subsidiaries**") have been deregistered (as set out in Note 1 to the Historical Financial Information). Upon the deregistration, a loss on deregistration of the Deregistered Subsidiaries of Nil, Nil, approximately RMB5,000, RMB5,000 (unaudited) and Nil has been recognised in profit or loss during the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

Details of aggregated net liabilities of the Deregistered Subsidiaries are summarised as follows:

	Year ended 31 December			Nine months ended 30 September	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Aggregated net liabilities	–	–	–	–	–
Non-controlling interests	–	–	5	5	–
Loss on deregistration	–	–	5	5	–
Net cash flow from deregistration of subsidiaries	–	–	–	–	–

30. ACQUISITION OF A SUBSIDIARY UNDER THE REORGANISATION

On 27 October 2023, Insoftb China, being the acquirer, while Mr. Zeng Guodong and an independent third party, being the Vendors (each of them held 51% and 49% of the equity interests in Jinjiang Libaida on that date, respectively) (collectively referred to as **"Vendors"**) entered into an agreement, pursuant to which Insoftb China has agreed to acquire 51% and 49% of the equity interests in Jinjiang Libaida from the Vendors, respectively, at a cash consideration of approximately RMB551,000 and RMB529,000, respectively (the **"Acquisition"**).

The Acquisition was completed on 27 October 2023 (the "Acquisition Date") and Jinjiang Libaida has become an indirectly wholly-owned subsidiary of the Company. The principal activity of Jinjiang Libaida is sales of hygienic disposables in the PRC.

The Group's management considered that the Acquisition constituted a business combination and had been accounted for using the acquisition method of accounting under IFRS 3 (Revised) *"Business Combinations"*.

Details of the consideration paid and the amounts of the assets acquired and liabilities assumed at the Acquisition Date are summarised as follows:

	RMB'000
Consideration paid, satisfied by cash	1,080
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Trade and other receivables	6,776
Cash and bank balances	2,363
Trade receivables from Jinjiang Libaida	(7,998)
Other payables	(61)
Total identifiable net assets, at fair value	1,080
Net cash inflows from the Acquisition	
Cash and bank balances acquired from the Acquisition	2,363
Less: Consideration paid	(1,080)
	1,283

The management of the Group considered that the carrying values of all identifiable assets acquired and liabilities assumed of Jinjiang Libaida approximate to their fair values at the Acquisition Date.

The fair values of trade and other receivables acquired included trade receivables with fair value of approximately RMB5,776,000 and other receivables with fair value of approximately RMB1,000,000. The total gross contractual amounts of the trade and other receivables are approximately RMB6,776,000, of which no provision was made against trade receivables and other receivables.

Since acquisition and up to 31 December 2023, Jinjiang Libaida has contributed revenue and net losses of approximately RMB24,852,000 and RMB1,553,000 to the Group, respectively.

If the business combination of Jinjiang Libaida was effected at 1 January 2021, the combined revenue and net profit for the Group would have been approximately RMB263,319,000 and RMB9,950,000, respectively, for the year ended 31 December 2021, approximately RMB408,158,000 and RMB41,499,000, respectively, for the year ended 31 December 2022, approximately RMB657,751,000 and RMB39,601,000, respectively, for the year ended 31 December 2023 and approximately RMB494,902,000 (unaudited) and RMB41,359,000 (unaudited), respectively, for the nine months ended 30 September 2023.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of pledged bank deposits, cash and cash equivalents, amount due to the Controlling Shareholder, interest-bearing borrowings and lease liabilities. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The accounting policies for financial instruments have been applied to the line items below:

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets – at amortised cost				
Financial assets included in trade and other receivables	44,136	73,777	73,615	115,977
Pledged bank deposits	14,113	20,934	15,995	19,313
Cash and cash equivalents	20,580	6,464	63,000	22,867
	78,829	101,175	152,610	158,157
Financial liabilities – at amortised cost				
Financial liabilities included in trade and other payables	85,316	81,498	86,102	107,863
Amount due to the Controlling Shareholder	327,709	343,056	278,860	23,123
Interest-bearing borrowings	10,000	18,000	13,000	18,200
Lease liabilities	122	59	734	584
	423,147	442,613	378,696	149,770

The main risks arising from the Group's financial instruments are credit risk, foreign currency risk and liquidity risk. The Group generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The management of the Group reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Credit risk

The carrying amount of financial assets recognised on the Historical Financial Information, which is net of loss allowances, represents the Group's exposure to credit risk on these financial assets without taking into account the credit enhancements.

Trade receivables

The Group trades only with recognised, creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 90 days.

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

At 31 December 2021, 2022 and 2023 and 30 September 2024, the Group had a concentration of credit risk as approximately 18%, 62%, 37% and 64% of the total trade receivables was due from the Group's largest trade debtor, respectively, and approximately 50%, 81%, 64% and 79% of the total trade receivables was due from the Group's five largest trade debtors, respectively.

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' domicile and abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises loss allowances based on lifetime ECL at the end of each reporting period.

As part of the Group's credit risk management, the Group has applied internal credit rating for its customers and established a provision matrix that is based on historical credit loss experience having considered the ageing of debtors, adjusted for forward-looking factors specific to the debtors, the economic environment and the domicile of the debtors' countries. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past periods and adjusted for current and forward-looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

The Group does not hold any collateral over trade receivables at 31 December 2021, 2022 and 2023 and 30 September 2024.

None of the trade receivables were written off during the Track Record Period.

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers and the domicile of the customers' countries at 31 December 2021, 2022 and 2023 and 30 September 2024 is summarised below.

Internal credit rating (Remark)	Weighted average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
At 31 December 2021			
PRC customers			
– Risk Category 1	3.16	6,613	209
– Risk Category 2	16.60	8,119	1,348
Russia customers			
– Risk Category 1	4.33	14,586	631
Other countries customers			
– Risk Category 1	4.41	10,196	450
		39,514	2,638

Internal credit rating (Remark)	Weighted average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
At 31 December 2022			
PRC customers			
– Risk Category 1	2.18	5,561	121
– Risk Category 2	4.99	2,748	137
Russia customers			
– Risk Category 1	3.05	53,980	1,645
Other countries customers			
– Risk Category 1	3.36	7,883	265
		70,172	2,168

Internal credit rating (Remark)	Weighted average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
At 31 December 2023			
PRC customers			
– Risk Category 1	1.66	10,867	180
– Risk Category 2	3.65	384	14
Russia customers			
– Risk Category 1	5.63	17,556	988
Other countries customers			
– Risk Category 1	3.43	7,522	258
		36,329	1,440

Internal credit rating (Remark)	Weighted average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
At 30 September 2024			
PRC customers			
– Risk Category 1	1.56	17,067	267
Russia customers			
– Risk Category 1	4.80	52,280	2,508
Other countries customers			
– Risk Category 1	2.52	11,326	285
		80,673	3,060

Remarks:

Risk Category	Description
Risk Category 1	The debtor has on-going business relationship with the Group with a good credit history. The Group expects the debtor to settle the receivable within one year.
Risk Category 2	The debtor failed to settle on time due to a temporary problem, but the Group expects the problem could be resolved and the outstanding amount could be settled in a foreseeable future.
Risk Category 3	The debtor failed to settle the receivables on time and the situation could not be resolved in a foreseeable future.

The movements in loss allowances for trade receivables during the Track Record Period are summarised below.

	Year ended 31 December			Nine months ended 30 September
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the reporting period	2,515	2,638	2,168	1,440
Increase (Decrease) in loss allowance, net	123	(470)	(728)	1,620
At the end of the reporting period	2,638	2,168	1,440	3,060

During the year ended 31 December 2021, the increase in loss allowance on trade receivables was mainly due to the increase in long overdue trade receivables.

During the year ended 31 December 2022, the decrease in loss allowance on trade receivables was mainly due to the settlement of long overdue trade receivables from certain debtors.

During the year ended 31 December 2023, the decrease in loss allowance on trade receivables was mainly due to the decrease in gross balances of the trade receivables.

During the nine months ended 30 September 2024, the increase in loss allowance on trade receivables was mainly due to the increase in gross balances of the trade receivables.

Other financial assets carried at amortised costs

The Group's other financial assets carried at amortised costs include pledged bank deposits, cash and cash equivalents and other receivables in the combined statements of financial position.

The Group's pledged bank deposits and cash and cash equivalents include cash at banks and assets with similar nature as cash, of which cash at banks are deposited in major financial institutions located in the PRC and assets with similar nature as cash are deposited in high creditworthy financial institutions located in the PRC, which are of high credit rating. The management of the Group does not expect any losses arising from non-performance by these counterparties.

The management of the Group considers that the other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Loss allowances on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures.

In estimating the ECL, the management of the Group has taken into account the historical actual credit loss experience over the past years, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Group considers the ECL of other receivables to be negligible after taking into account the financial position, credit quality and past settlement records of the counterparties.

There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

Foreign currency risk

The Group's transactions are mainly denominated in RMB and US$.

Certain financial assets and financial liabilities of the Group are denominated in currencies other than the functional currency of the respective group entities and therefore exposed to foreign currency risk. The net carrying amounts of those financial assets and liabilities are analysed as follows:

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets, net				
US$	3,496	5,430	9,027	1,759

At 31 December 2021, 2022 and 2023 and 30 September 2024, if the exchange rate of US$ had increased/decreased by 5% against the functional currencies of the respective Group's entities and other variables were held constant, the Group's pre-tax profits would increase/decrease by approximately RMB175,000, RMB272,000, RMB451,000 and RMB88,000 for the years ended 31 December 2021, 2022 and 2023 and the nine months ended 30 September 2024, respectively.

The sensitivity analysis has been determined assuming that the changes in foreign exchange rates had occurred at the end of each reporting period and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the year until the end of the next reporting period.

In the opinion of the Group's management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

The Group's management monitors the related foreign currency risk exposure closely on daily basis and, pursuant to a written foreign currency hedging policy as approved by the Group's management, the Group would only enter into foreign currency forward contracts should need arise. At the end of each reporting period, the Group had no significant outstanding foreign currency forward contracts.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is summarised below:

	Total carrying amount	Total contractual undiscounted cash flow	On demand or less than 1 year	1 to 2 years	2 to 3 years	Over 3 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021						
Trade and other payables	85,316	85,316	85,316	–	–	–
Amount due to the Controlling Shareholder	327,709	327,709	137,615	–	–	190,094
Interest-bearing borrowings	10,000	10,254	10,254	–	–	–
Lease liabilities	122	126	66	60	–	–
	423,147	423,405	233,251	60	–	190,094
At 31 December 2022						
Trade and other payables	81,498	81,498	81,498	–	–	–
Amount due to the Controlling Shareholder	343,056	343,056	136,212	–	–	206,844
Interest-bearing borrowings	18,000	18,373	18,373	–	–	–
Lease liabilities	59	60	60	–	–	–
	442,613	442,987	236,143	–	–	206,844
At 31 December 2023						
Trade and other payables	86,102	86,102	86,102	–	–	–
Amount due to the Controlling Shareholder	278,860	278,860	71,576	–	–	207,284
Interest-bearing borrowings	13,000	13,417	13,417	–	–	–
Lease liabilities	734	768	289	289	190	–
	378,696	379,147	171,384	289	190	207,284
At 30 September 2024						
Trade and other payables	107,863	107,863	107,863	–	–	–
Amount due to the Controlling Shareholder	23,123	23,123	23,123	–	–	–
Interest-bearing borrowings	18,200	18,501	18,501	–	–	–
Lease liabilities	584	605	329	265	11	–
	149,770	150,092	149,816	265	11	–

32. FAIR VALUE MEASUREMENTS

The management of the Group estimates the fair value of its financial assets and financial liabilities measurement of amortise cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined statements of financial position approximate their fair values.

33. COMMITMENTS

(a) Capital expenditure commitments

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for net of deposits paid for acquisition of property, plant and equipment	19,214	6,872	6,903	3,919

(b) Commitments under leases

The Group as lessor

The Group leases out its properties under operating leases with lease terms ranging from one year to three years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	At 31 December			At 30 September
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	981	709	513	351
More than one year but less than two years.	374	43	191	49
More than two years but less than three years	6	–	–	–
	1,361	752	704	400

34. CAPITAL MANAGEMENT

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

35. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2024, the Group has the following subsequent events:

(i) Pursuant to the resolution in writing of the Company's shareholders passed on 10 March 2025, subject to the share premium account of the Company being credited as a result of the offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 650,000,000 shares of HK$0.0001 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$65,000 standing to be credit of the share premium account of the Company (the "**Capitalisation Issue**") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue).

(ii) As disclosed in Note 22 to the Historical Financial Statements, the amount due to the Controlling Shareholder has been fully settled prior to the Listing.

(iii) As disclosed in Note 23 to the Combined Financial Statements, the guarantee and the pledged properties provided by the Controlling Shareholder and his spouse on the Group's interest-bearing borrowings are subsequently released and replaced by a corporate guarantee provided by a subsidiary of the Group.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with IFRS Accounting Standards and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2024.