

APPENDIX I

ACCOUNTANT’S REPORT

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

[DRAFT]

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF QINGDAO AINNOVATION TECHNOLOGY GROUP CO., LTD, UBS SECURITIES HONG KONG LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CHINA RENAISSANCE SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Qingdao AInnovation Technology Group Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-4] to [I-78], which comprises the consolidated statements of financial position as at 31 December 2018, 2019 and 2020 and 30 September 2021, the statements of financial position of the Company as at 31 December 2018, 2019 and 2020 and 30 September 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity/(deficits) and the consolidated statements of cash flows for the period from 6 February 2018 (the date of incorporation of the Company) to 31 December 2018 and each of the years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-4] to [I-82] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

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

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at 31 December 2018, 2019 and 2020 and 30 September 2021, and the consolidated financial position of the Group as at 31 December 2018, 2019 and 2020 and 30 September 2021, and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity/(deficits) and cash flows for the nine months ended 30 September 2020 and other explanatory information (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 set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). 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 International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

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

Adjustments

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

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

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I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all amounts are rounded to the nearest thousand yuan (RMB’000), unless otherwise stated.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
		2018	2019	2020	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	37,208	229,141	462,324	297,639	553,015
Cost of sales	9	(13,823)	(157,528)	(327,703)	(212,367)	(382,091)
Gross profit		23,385	71,613	134,621	85,272	170,924
Selling and distribution expenses ...	9	(20,678)	(75,965)	(60,410)	(39,216)	(91,407)
General and administrative expenses	9	(49,707)	(126,873)	(195,186)	(125,348)	(311,085)
Research and development expenses	9	(28,681)	(113,296)	(181,538)	(114,391)	(176,534)
Net impairment losses on financial assets	3.1	(855)	(5,496)	(18,950)	(5,176)	(20,905)
Other income	7	6,856	27,125	34,952	21,650	14,421
Other gains/(losses), net	8	143	936	(290)	(425)	(1,045)
Operating loss		(69,537)	(221,956)	(286,801)	(177,634)	(415,631)
Finance costs	10	(2,587)	(35,599)	(83,111)	(53,248)	(35,324)
Finance income	10	979	9,499	9,449	6,228	15,507
Loss before income tax		(71,145)	(248,056)	(360,463)	(224,654)	(435,448)
Income tax expense	11	(29)	(303)	(172)	(8,356)	(2,571)
Loss for the period/year		<u>(71,174)</u>	<u>(248,359)</u>	<u>(360,635)</u>	<u>(233,010)</u>	<u>(438,019)</u>
Loss for the period/year attributable to:						
Owners of the Company		(70,661)	(244,227)	(360,999)	(234,955)	(435,488)
Non-controlling interests		(513)	(4,132)	364	1,945	(2,531)
		<u>(71,174)</u>	<u>(248,359)</u>	<u>(360,635)</u>	<u>(233,010)</u>	<u>(438,019)</u>
Other comprehensive income/ (loss), net of tax						
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Changes in the fair value of equity investments at fair value through other comprehensive income	25	—	(1,682)	(712)	(712)	22
Other comprehensive income/(loss) for the period/year, net of tax		—	(1,682)	(712)	(712)	22
Total comprehensive loss for the period/year, net of tax		<u>(71,174)</u>	<u>(250,041)</u>	<u>(361,347)</u>	<u>(233,722)</u>	<u>(437,997)</u>
Total comprehensive loss for the period/year attributable to:						
Owners of the Company		(70,661)	(245,909)	(361,711)	(235,667)	(435,466)
Non-controlling interests		(513)	(4,132)	364	1,945	(2,531)
Total comprehensive loss for the period/year		<u>(71,174)</u>	<u>(250,041)</u>	<u>(361,347)</u>	<u>(233,722)</u>	<u>(437,997)</u>
Basic and diluted loss per share for loss attributable to the Owners of the Company (in RMB)	15	<u>(0.38)</u>	<u>(1.09)</u>	<u>(1.49)</u>	<u>(0.98)</u>	<u>(1.03)</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at 30 September
		2018	2019	2020	2021
		RMB’000	RMB’000	RMB’000	RMB’000
ASSETS					
Non-current assets					
Property, plant and equipment	17	23,730	49,587	57,488	80,051
Right-of-use assets	18	7,631	11,088	13,843	9,054
Intangible assets	19	1,017	810	603	651
Financial assets at fair value through other comprehensive income	25	—	118	106	—
Other non-current assets	20	7,005	1,599	1,322	4,082
Total non-current assets		<u>39,383</u>	<u>63,202</u>	<u>73,362</u>	<u>93,838</u>
Current assets					
Inventories	22	3,043	32,327	55,310	43,359
Prepayments and other receivables	24	3,594	23,190	27,329	46,833
Trade and notes receivables	23	16,241	120,737	189,554	296,353
Financial assets at fair value through other comprehensive income	25	—	6,446	3,937	27,093
Financial assets at fair value through profit or loss	26	14,000	—	—	—
Amounts due from related parties	42(c)	100	2	2,321	8,606
Restricted cash	27	7,447	2,979	1,491	206
Cash and cash equivalents	27	74,396	605,631	1,042,502	1,654,623
Total current assets		<u>118,821</u>	<u>791,312</u>	<u>1,322,444</u>	<u>2,077,073</u>
Total assets		<u>158,204</u>	<u>854,514</u>	<u>1,395,806</u>	<u>2,170,911</u>
LIABILITIES					
Non-current liabilities					
Lease liabilities	18	6,557	6,595	9,457	7,116
Financial liabilities of redeemable shares	38	50,650	826,808	1,659,214	—
Other non-current liabilities	33	39,143	55,387	48,459	38,987
Total non-current liabilities		<u>96,350</u>	<u>888,790</u>	<u>1,717,130</u>	<u>46,103</u>
Current liabilities					
Lease liabilities	18	1,597	4,633	5,233	3,712
Trade and notes payables	35	12,881	64,828	63,199	127,209
Contract liabilities	37	2,029	9,685	38,440	29,082
Other payables and accruals	36	22,122	34,738	84,900	82,434
Amounts due to related parties	42(c)	177	14,703	931	773
Current income tax liabilities	29	29	303	—	567
Total current liabilities		<u>38,835</u>	<u>128,890</u>	<u>192,703</u>	<u>243,777</u>
Total liabilities		<u>135,185</u>	<u>1,017,680</u>	<u>1,909,833</u>	<u>289,880</u>
EQUITY/(DEFICITS)					
Equity/(deficits) attributable to owners of the Company					
Share capital	28	—	—	—	514,560
Paid-in capital	28	13,483	20,872	24,105	—
Share premium	29	—	—	—	1,674,871
Capital reserve	29	53,371	47,208	44,741	—
Other reserves	30	23,339	74,887	89,129	387,108
Accumulated losses	31	(70,661)	(314,888)	(675,887)	(701,762)
		<u>19,532</u>	<u>(171,921)</u>	<u>(517,912)</u>	<u>1,874,777</u>
Non-controlling interests		<u>3,487</u>	<u>8,755</u>	<u>3,885</u>	<u>6,254</u>
Total equity/(deficits)		<u>23,019</u>	<u>(163,166)</u>	<u>(514,027)</u>	<u>1,881,031</u>
Total equity/(deficits) and liabilities		<u>158,204</u>	<u>854,514</u>	<u>1,395,806</u>	<u>2,170,911</u>

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STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at 30 September
	Note	2018	2019	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Investment in subsidiaries	16	41,022	121,031	270,851	325,757
Property, plant and equipment		—	—	—	20,562
		<u>41,022</u>	<u>121,031</u>	<u>270,851</u>	<u>346,319</u>
Current asset					
Inventories		1,065	338	30,474	11,338
Prepayments and other receivables	24	256	10,884	2,936	15,680
Trade and notes receivables	23	1,543	2,097	7,804	70,021
Amounts due from related parties		100	—	—	—
Amounts due from subsidiaries	39	44,607	736,772	1,186,259	1,135,341
Restricted cash		—	—	192	206
Cash and cash equivalents		28,137	4,238	198,064	1,000,556
		<u>75,708</u>	<u>754,329</u>	<u>1,425,729</u>	<u>2,233,142</u>
Total assets		<u>116,730</u>	<u>875,360</u>	<u>1,696,580</u>	<u>2,579,461</u>
LIABILITIES					
Non-current liabilities					
Financial liabilities of redeemable shares	38	<u>50,650</u>	<u>826,808</u>	<u>1,659,214</u>	<u>—</u>
Current liabilities					
Trade and notes payables		—	120	2,156	37,291
Contract liabilities		1,907	359	32,154	3,019
Other payables and accruals	36	2,867	5,333	25,978	32,293
Amounts due to related parties		—	—	9	—
Amounts due to subsidiaries	39	1,463	25,778	37,136	46,600
		<u>6,237</u>	<u>31,590</u>	<u>97,433</u>	<u>119,203</u>
Total liabilities		<u>56,887</u>	<u>858,398</u>	<u>1,756,647</u>	<u>119,203</u>
EQUITY/(DEFICITS)					
Equity/(deficits) attributable to owners of the Company					
Share capital	28	—	—	—	514,560
Paid-in capital	28	13,483	20,872	24,105	—
Share premium	29	—	—	—	1,674,871
Capital reserve	29	53,371	47,208	44,741	—
Other reserves	30	23,339	76,569	210,319	505,904
Accumulated losses		(30,350)	(127,687)	(339,232)	(235,077)
Total equity/(deficits)		<u>59,843</u>	<u>16,962</u>	<u>(60,067)</u>	<u>2,460,258</u>
Total equity/(deficits) and liabilities		<u>116,730</u>	<u>875,360</u>	<u>1,696,580</u>	<u>2,579,461</u>

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICITS)

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Paid-in capital	Capital reserve	Other reserves	Accumulated losses	Total		
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Balance at 6 February 2018 . . .		—	—	—	—	—	—	—
Loss for the period		—	—	—	(70,661)	(70,661)	(513)	(71,174)
Transactions with owners in their capacity as owners								
—Capital injection	28	13,483	101,564	—	—	115,047	—	115,047
—Obligation related to redeemable rights of shares	29	—	(48,193)	—	—	(48,193)	—	(48,193)
—Share-based payment expenses	32	—	—	23,339	—	23,339	—	23,339
—Capital injection by non-controlling interests	16	—	—	—	—	—	4,000	4,000
Total transactions with owners in their capacity as owners . .		13,483	53,371	23,339	—	90,193	4,000	94,193
Balance at 31 December 2018		13,483	53,371	23,339	(70,661)	19,532	3,487	23,019

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICITS) (Continued)

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity/(deficits)
		Paid-in capital	Capital reserve	Other reserves	Accumulated losses	Total		
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Balance at 1 January 2019 . . .		13,483	53,371	23,339	(70,661)	19,532	3,487	23,019
Loss for the year		—	—	—	(244,227)	(244,227)	(4,132)	(248,359)
Other comprehensive losses								
—Changes in the fair value of equity investments at fair value through other comprehensive income	30	—	—	(1,682)	—	(1,682)	—	(1,682)
Total other comprehensive loss for the year		—	—	(1,682)	—	(1,682)	—	(1,682)
Transactions with owners in their capacity as owners								
—Capital injection	28	7,389	734,837	—	—	742,226	—	742,226
—Obligation related to redeemable rights of shares	29	—	(741,000)	—	—	(741,000)	—	(741,000)
—Share-based payment expenses	32	—	—	53,230	—	53,230	—	53,230
—Capital injection by non-controlling interests	16	—	—	—	—	—	9,400	9,400
Total transactions with owners in their capacity as owners		7,389	(6,163)	53,230	—	54,456	9,400	63,856
Balance at 31 December 2019		20,872	47,208	74,887	(314,888)	(171,921)	8,755	(163,166)

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICITS) (Continued)

	Note	Attributable to owners of the Company					Non-controlling interests	Total deficits
		Paid-in capital	Capital reserve	Other reserves	Accumulated losses	Total		
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Balance at 1 January 2020 . .		20,872	47,208	74,887	(314,888)	(171,921)	8,755	(163,166)
(Loss)/profit for the year . . .		—	—	—	(360,999)	(360,999)	364	(360,635)
Other comprehensive losses								
—Changes in the fair value of equity investments at fair value through other comprehensive income	30	—	—	(712)	—	(712)	—	(712)
Total other comprehensive loss for the year		—	—	(712)	—	(712)	—	(712)
Transactions with owners in their capacity as owners								
—Capital injection	28	3,233	747,533	—	—	750,766	—	750,766
—Obligation related to redeemable rights of shares	29	—	(750,000)	—	—	(750,000)	—	(750,000)
—Share-based payment expenses	32	—	—	133,750	—	133,750	—	133,750
—Transactions with non-controlling interests	16	—	—	(118,796)	—	(118,796)	(5,234)	(124,030)
Total transactions with owners in their capacity as owners		3,233	(2,467)	14,954	—	15,720	(5,234)	10,486
Balance at 31 December 2020		24,105	44,741	89,129	(675,887)	(517,912)	3,885	(514,027)

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICITS) (Continued)

	Note	Attributable to owners of the Company						Non-controlling interests	Total equity /(deficits)
		Share capital	Paid-in capital	Share premium	Capital reserve	Other reserves	Accumulated losses	Total	
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Balance at 1 January 2021		—	24,105	—	44,741	89,129	(675,887)	(517,912)	3,885
Loss for the period		—	—	—	—	—	(435,488)	(435,488)	(2,531)
Other comprehensive income									
—Changes in the fair value of equity investments at fair value through other comprehensive income	30	—	—	—	—	22	—	22	—
Total other comprehensive income for the period		—	—	—	—	22	—	22	—
Transactions with owners in their capacity as owners									
—Capital injection	28	2,035	2,446	734,309	99,689	—	—	838,479	—
—Obligation related to redeemable rights of shares ...	29	—	—	—	(100,000)	—	—	(100,000)	—
—Transfer from financial liabilities at amortised cost due to cancellation of redeemable rights	38	—	—	—	1,794,091	—	—	1,794,091	—
—Conversion into a joint stock company	28	26,551	(26,551)	1,426,536	(1,838,521)	—	411,985	—	—
—Conversion of share premium into share capital	28	485,974	—	(485,974)	—	—	—	—	—
—Share-based payment expenses	32	—	—	—	—	295,585	—	295,585	—
—Capital injection by non-controlling interests	16	—	—	—	—	—	—	—	4,900
—Disposal of financial assets at fair value through other comprehensive income	30	—	—	—	—	2,372	(2,372)	—	—
Total transactions with owners in their capacity as owners		514,560	(24,105)	1,674,871	(44,741)	297,957	409,613	2,828,155	4,900
Balance at 30 September 2021		514,560	—	1,674,871	—	387,108	(701,762)	1,874,777	6,254

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY/(DEFICITS) (Continued)

	Note	Attributable to owners of the Company					Non-controlling interests	Total deficits
		Paid-in capital	Capital reserve	Other reserves	Accumulated losses	Total		
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
(Unaudited)								
Balance at 1 January 2020		20,872	47,208	74,887	(314,888)	(171,921)	8,755	(163,166)
(Loss)/profit for the period		—	—	—	(234,955)	(234,955)	1,945	(233,010)
Other comprehensive losses								
—Changes in the fair value of equity investments at fair value through other comprehensive income	30	—	—	(712)	—	(712)	—	(712)
Total other comprehensive loss for the period		—	—	(712)	—	(712)	—	(712)
Transactions with owners in their capacity as owners								
—Share-based payment expenses	32	—	—	93,691	—	93,691	—	93,691
—Transactions with non-controlling interests	16	—	—	(21,188)	—	(21,188)	(2,042)	(23,230)
Total transactions with owners in their capacity as owners		—	—	72,503	—	72,503	(2,042)	70,461
Balance at 30 September 2020		20,872	47,208	146,678	(549,843)	(335,085)	8,658	(326,427)

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
		2018	2019	2020	2020	2021
		RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Cash flows from operating activities						
Cash used in operations	40	(3,872)	(198,457)	(182,643)	(146,478)	(187,889)
Interest received		979	9,499	9,449	6,228	15,507
Income taxes paid		—	(29)	(1,011)	(1,011)	(2,004)
Net cash used in operating activities		<u>(2,893)</u>	<u>(188,987)</u>	<u>(174,205)</u>	<u>(141,261)</u>	<u>(174,386)</u>
Cash flows from investing activities						
Payments of property, plant and equipment and intangible assets		(27,648)	(32,374)	(18,507)	(16,721)	(41,345)
Proceeds from disposal of financial assets at fair value through profit or loss		16,000	340,000	—	—	1,100,000
Payments of financial assets at fair value through profit or loss		(30,000)	(326,000)	—	—	(1,100,000)
Payments of financial assets at fair value through other comprehensive income		—	(1,800)	(700)	(700)	—
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	—	(26)	(26)	128
Loans to a related party		(100)	100	—	—	—
Interest received on financial assets at fair value through profit or loss		142	1,119	—	—	4,883
Net cash used in investing activities		<u>(41,606)</u>	<u>(18,955)</u>	<u>(19,233)</u>	<u>(17,447)</u>	<u>(36,334)</u>
Cash flows from financing activities						
Capital injection from shareholders	28, 38	115,047	742,226	750,766	—	838,479
Capital injection of subsidiaries from non-controlling interests	16	4,000	9,400	—	—	4,900
Acquisition of non-controlling interests	16	—	—	(101,630)	(23,230)	—
Principal elements of lease payments	18	(152)	(3,431)	(6,832)	(4,878)	(4,797)
Payment for [REDACTED] expenses		—	—	—	—	[REDACTED]
Payments of financing service expenses		—	(9,018)	(11,995)	(3,428)	—
Net cash generated from/(used in) financing activities		<u>118,895</u>	<u>739,177</u>	<u>630,309</u>	<u>(31,536)</u>	<u>828,591</u>
Net increase/(decrease) in cash and cash equivalents		74,396	531,235	436,871	(190,244)	617,871
Cash and cash equivalents at beginning of the period/year	27(b)	—	74,396	605,631	605,631	1,042,502
Exchange losses on cash and cash equivalents	8	—	—	—	—	(5,750)
Cash and cash equivalents at the end of the period/year	27(b)	<u>74,396</u>	<u>605,631</u>	<u>1,042,502</u>	<u>415,387</u>	<u>1,654,623</u>

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 General information of the Group**

Qingdao AInnovation Technology Group Co., Ltd. (the “Company”, formerly known as “Shenzhen AInnovation Technology Co., Ltd.”) was incorporated in the People’s Republic of China (the “PRC”) on 6 February 2018 as a limited liability company. The address of the Company’s registered office is Room 501, Block A, Haier International Plaza, No. 939 Zhenwu Road, Economic Development Zone, Jimo District, Qingdao, Shandong, PRC.

The Company and its subsidiaries (collectively, the “Group”) conduct research and development and sells Artificial Intelligence based software and hardware technology solutions in China. A group of entities and individuals collectively held 30.014% of the equity interest of the Group as at 30 September 2021, namely Sinovation Ventures (Beijing) Enterprise Management Limited (the “Sinovation Ventures”), Beijing Sinovation Ventures Yucheng Management Consulting Co., Ltd., Mr. Wang Hua, Ms. Tao Ning, Ms. Lang Chunhui and Mr. Zhang Ying (“Single Largest Shareholders Group”). They acted in concert with each other according to the concerted agreement.

The major subsidiaries were disclosed in Note 16.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets and liabilities that are measured at fair value.

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

All effective standards, amendments to standards and interpretations, including IFRS 15 and IFRS 9, which are mandatory for the financial year beginning 1 January 2018, and IFRS 16, which is mandatory for the financial year beginning 1 January 2019, are consistently applied to the Group for the Track Record Period.

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to standards and interpretations have been issued but are not effective and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments (amendments)	1 January 2022
IFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
IAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16	2018-2020 annual improvement cycle	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023
IAS 1 (Amendment) and IFRS Practice Statement 2 (Amendment)	Disclosure of Accounting Policy	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimate	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, which are relevant to the Group’s operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.2 Subsidiaries

Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.2 Subsidiaries (continued)***Consolidation (continued)*

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

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

2.3 Business combination

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

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

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.3 Business combination (continued)**

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

Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

During the Track Record Period, the Group has been focusing on research and development of artificial intelligence solutions. Accordingly, the management considers that the Group is operated and managed as a single operating segment and hence no segment information is presented.

2.6 Foreign currencies*Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). Since all of the assets and operations of the Group are located in the PRC, the consolidated financial statements are presented in RMB, which is the Company’s functional and the Group’s presentation currency.

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.6 Foreign currencies (continued)***Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognized in the consolidated statement of comprehensive income on a net basis within “Other gains/(losses), net”.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Electronic equipment	3 years
Office equipment	5 years
Leasehold improvements	5 years, or over lease term, whichever is the shorter

Construction in progress represents electronic and office equipments and leasehold improvements under construction or pending installation and is stated at cost. 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 brought into use, the costs are transferred to relevant category within property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.7 Property, plant and equipment (continued)**

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within “Other gains/(losses), net” in the consolidated statements of comprehensive income.

2.8 Intangible assets*Software*

Acquired software is initially capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Software is stated at historical cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 5 years.

The amortisation period and amortisation method of intangible assets are reviewed at each reporting period. The effects of any revision are recognized as profit or loss when the changes arise.

Research and development

The Group incurs significant costs and efforts on research and development activities, which include expenditures on artificial intelligence technology. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed artificial intelligence products and all the following can be demonstrated (if applicable):

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. No development costs met these criteria and therefore, were capitalised as intangible assets during the Track Record Period.

2.9 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.9 Impairment of non-financial assets (continued)**

impairment loss is recognized in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Financial assets**(i) Classification**

The Group classifies its financial assets in the following categories:

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.10 Financial assets (continued)****(iii) Measurement (continued)****Debt instruments**

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **Financial assets at fair value through other comprehensive income (“FVOCI”):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (“OCI”). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to the consolidated statements of comprehensive income and recognized in “Other gains/(losses), net”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **Financial assets at fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented net in “Other gains/(losses), net” in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss when the Group’s right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL are recognized in “other gains/(losses), net” in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

2 Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

(iv) Impairment

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

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

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventories are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade and other receivables

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

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 23 for further information about the Group’s accounting for trade receivables and Note 3.1 for a description of the Group’s impairment policies.

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statements, cash and cash equivalents include cash on hand, demand deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.14 Paid-in capital, share capital, capital reserve and share premium**

Ordinary shares are classified as equity.

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

Where any group company purchases the company’s equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Where the Company issued shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over share capital shall be classified as share premium.

2.15 Trade and other payables

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

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

2.16 Redeemable shares

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount (“Redeemable Shares”). If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity.

2.17 Current and deferred income tax

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

Current income tax

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

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.17 Current and deferred income tax (continued)***Deferred income tax*

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

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

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

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

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

2.18 Employee benefits*Short-term obligations*

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

Pension obligations

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.18 Employee benefits (continued)***Pension obligations (continued)*

plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group’s future obligations to such defined contribution pension plans even if the employee leaves.

Housing funds, medical insurances and other social insurances

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

2.19 Share-based payments

(a) The Group operates an equity-settled share-based compensation plan, under which the Group receives service from its employees in exchange for the equity instruments of the Group. As disclosed in Note 32, during the Track Record Period, equity-settled share options and restricted stock unit (“RSUs”) were granted to certain directors, senior management, employees and consultants. The fair value of the employee service received in exchange for the grant of share options and RSUs is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions (e.g. the entity’s share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

Non-market performance and service conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognized over the vesting period, in which all of the specified vesting conditions are to be satisfied.

At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of profit or loss, with a corresponding adjustment to equity.

Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognized for the services received over the remainder of the vesting period. The incremental fair value is excess of the fair value of the modified equity instrument over that of the

APPENDIX I**ACCOUNTANT'S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.19 Share-based payments (continued)**

original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognized over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognized over the remainder of the original vesting period. Furthermore, if the entity modifies the terms or conditions of the equity instruments granted in a manner that reduces the total fair value of the share-based compensation plan, or is not otherwise beneficial to the employee, the entity shall nevertheless continue to account for the services received as consideration for the equity instruments granted as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

(b) Share-based payment transaction among group entities

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity.

2.20 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.21 Revenue recognition

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.21 Revenue recognition (continued)**

- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

In determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group follows the accounting guidance for principal-agent considerations to assess whether the Group controls the specified goods or service before it is transferred to the customer, the indicators of which including but not limited to (a) whether the entity is primarily responsible for fulfilling the promise to provide the specified service; (b) whether the entity has inventory risk before the specified service has been transferred to a customer; and (c) whether the entity has discretion in establishing the prices for the specified goods or service. The management considers the above factors in totality, as none of the factors individually are considered presumptive or determinative, and applies judgment when assessing the indicators depending on each different circumstances.

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Sales of products and solutions

The Group provides multiple deliverables to customers, including the design of artificial intelligence solution, delivery of products and software, and installation of products and software. It is accounted for as a single performance obligation since the Group provides an integrated products and solutions.

The revenue of such integrated products and solutions are recognized at a point of time when the customers accept the products and solutions after the installation is complete or when the customers obtain the control of the products and solutions if no installation is required.

(b) Services of data solutions

The Group provides services of data solutions to customers during a certain period. Data solutions include cloud services, and data analysis, etc.

Revenue from data solutions is accounted for as a single performance obligation and recognized when the Group has provided the promised relevant services. As the customer simultaneously receives and consumes the services provided by the Group over the period, the performance obligation is satisfied over time with reference to the customers’ usage of services to the satisfaction of the performance obligation of the projects.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.22 Interest income**

Interest income from financial assets at FVPL is included in other gains/(losses), net (Note 8). Any other interest income is included in finance income.

Interest income from cash at bank is recognized on a time-proportion basis using the effective interest method.

2.23 Earnings per share

(i) Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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

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

2.24 Leases

The Group mainly leases office and warehouse as lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

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

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

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

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.24 Leases (continued)**

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

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

The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group’s incremental borrowing rate.

To determine the incremental borrowing rate, the Group:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise small items of IT equipments.

Lease income from operating leases where the Group is a lessor is recognized in revenue on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2.25 Government grants

Grants from the government are recognized at their fair value where there is a 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 recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to other non-current liabilities account and is released to the consolidated statements of comprehensive income on a straight-line basis over the expected useful life of the relevant assets.

The recognition period of government grants are reviewed, and adjusted if appropriate, at the end of each reporting period.

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**2 Summary of significant accounting policies (continued)****2.26 Dividend distribution**

Dividend distribution to the Company’s shareholders is recognized as a liability in the Group’s and the Company’s financial statements in the period in which the dividends are approved by the Company’s directors or shareholders, where applicable.

3 Financial risk management**3.1 Financial risk factors**

The Group’s activities expose it to a variety of financial risks: foreign exchange risk, cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures during the Track Record Period.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the respective group entities’ functional currency. The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group currently does not have a foreign currency hedging policy. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group’s exposure to foreign currency risk at 31 December 2018, 2019 and 2020 and 30 September 2021 was insignificant as each of the group entities did not hold significant assets and liabilities denominated in a currency other than its functional currency.

Cash flow and fair value interest rate risk

The Group’s income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets and liabilities, except for lease liabilities (Note 18), financial liabilities of redeemable shares (Note 38), cash and cash equivalents (Note 27) and restricted cash (Note 27). Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

Management does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents and restricted cash, FVPL, FVOCI, amounts due from related parties and trade and notes receivables and other receivables. The carrying amount of each class of the above financial assets represents the Group’s maximum exposure to credit risk in relation to the corresponding class of financial assets.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Credit risk (continued)

(i) Credit risk of cash and cash equivalents and restricted cash

To manage this risk, cash deposits at banks are mainly placed with state-owned and reputable financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

(ii) Credit risk of trade receivables (including trade receivables due from related parties)

The Group has policies in place to ensure that trade receivables and trade receivables due from related parties with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the aging.

The expected loss rates are based on the credit rating of counter parties and the payment profiles of sales over a period of each reporting period and probability of default of counter parties on an ongoing basis throughout each reporting period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP) and the growth rate of information technology industry to be the most relevant factor, and accordingly adjusted the historical loss rates based on expected changes in these factors.

Individually impaired trade receivables are related to customers who are experiencing unexpected economic difficulties. The Group expects that the amounts of the receivables will partially or entirely have difficulty to be recovered and has recognized impairment losses.

	Less than 3 months RMB'000	3 months to 6 months RMB'000	6 months to 12 months RMB'000	1 year to 2 years RMB'000	Total RMB'000
31 December 2018					
Trade receivables (Note 23 and 42)					
Gross carrying amount	14,746	2,350	—	—	17,096
Expected loss rate	(4.81%)	(6.17%)	—	—	(5.00%)
Loss allowance	(710)	(145)	—	—	(855)

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Credit risk (continued)

(ii) Credit risk of trade receivables (including trade receivables due from related parties) (Continued)

	Less than 3 months RMB'000	3 months to 6 months RMB'000	6 months to 12 months RMB'000	1 year to 2 years RMB'000	Total RMB'000	
31 December 2019						
Trade receivables (Note 23 and 42)						
Gross carrying amount	95,476	18,660	8,794	—	122,930	
Expected loss rate	(4.65%)	(5.69%)	(9.65%)	—	(5.17%)	
Loss allowance	(4,441)	(1,061)	(849)	—	(6,351)	
	Less than 3 months RMB'000	3 months to 6 months RMB'000	6 months to 12 months RMB'000	1 year to 2 years RMB'000	Total RMB'000	
31 December 2020						
Trade receivables (Note 23 and 42)						
Gross carrying amount	125,699	39,531	33,598	17,116	215,944	
Expected loss rate	(4.87%)	(5.92%)	(21.16%)	(56.70%)	(11.71%)	
Loss allowance	(6,125)	(2,341)	(7,111)	(9,705)	(25,282)	
	Less than 3 months RMB'000	3 months to 6 months RMB'000	6 months to 12 months RMB'000	1 year to 2 years RMB'000	2 years to 3 years RMB'000	Total RMB'000
30 September 2021						
Trade receivables (Note 23 and 42)						
Gross carrying amount	170,058	112,602	31,557	34,180	1,659	350,056
Expected loss rate	(4.55%)	(9.46%)	(15.62%)	(63.43%)	(71.19%)	(13.19%)
Loss allowance	(7,745)	(10,652)	(4,930)	(21,679)	(1,181)	(46,187)

The movements in provision for impairment of trade receivables are as follows:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Trade receivables					
At the beginning of the period/year	—	855	6,351	6,351	25,282
Provisions	855	5,496	18,950	5,176	20,905
Written off as uncollectible	—	—	(19)	(19)	—
At the end of the period/year	<u>855</u>	<u>6,351</u>	<u>25,282</u>	<u>11,508</u>	<u>46,187</u>

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**3 Financial risk management (continued)****3.1 Financial risk factors (continued)***Credit risk (continued)*

- (iii) Credit risk of notes receivables and other receivables (including other receivables due from related parties)

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group believe that there is no material credit risk inherent in the Group’s outstanding balance of other receivables.

Other receivables mainly comprise deposits, other receivables (including other receivables due from related parties). The Group considers the probability of default on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party’s ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

For notes receivables, the Group expects that the credit risk associated with notes receivables is considered to be low. The Group has assessed that the expected credit losses rate for notes receivables are immaterial under 12 months expected credit losses method, and thus the loss allowance is immaterial.

As at 31 December 2018, 2019 and 2020 and 30 September 2021, there was no significant increase in credit risk since initial recognition, the Group assessed that the expected credit losses for these receivables are not material through using the 12 months expected losses method.

- (iv) Credit risk of FVPL

The Group is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments (30 September 2021: nil; 31 December 2020: nil; 31 December 2019: nil; 31 December 2018: RMB14,000,000).

Liquidity risk

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

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Liquidity risk (continued)

The table below analyses the Group’s financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB’000	Between 1 and 2 years RMB’000	Between 2 and 5 years RMB’000	More than 5 years RMB’000	Total RMB’000
As at 31 December 2018					
Trade and notes payables	12,881	—	—	—	12,881
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	10,575	—	—	—	10,575
Amounts due to related parties	177	—	—	—	177
Lease liabilities	1,949	1,949	5,198	—	9,096
Financial liabilities of redeemable shares	—	—	—	85,047	85,047
	<u>25,582</u>	<u>1,949</u>	<u>5,198</u>	<u>85,047</u>	<u>117,776</u>
As at 31 December 2019					
Trade and notes payables	64,828	—	—	—	64,828
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	10,690	—	—	—	10,690
Amounts due to related parties	14,703	—	—	—	14,703
Lease liabilities	5,071	4,832	3,249	—	13,152
Financial liabilities of redeemable shares	—	—	1,162,369	—	1,162,369
	<u>95,292</u>	<u>4,832</u>	<u>1,165,618</u>	<u>—</u>	<u>1,265,742</u>
As at 31 December 2020					
Trade and notes payables	63,199	—	—	—	63,199
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	45,517	—	—	—	45,517
Amounts due to related parties	931	—	—	—	931
Lease liabilities	6,596	6,334	4,819	—	17,749
Financial liabilities of redeemable shares	—	—	2,153,343	—	2,153,343
	<u>116,243</u>	<u>6,334</u>	<u>2,158,162</u>	<u>—</u>	<u>2,280,739</u>
As at 30 September 2021					
Trade and notes payables	127,209	—	—	—	127,209
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	41,805	—	—	—	41,805
Amounts due to related parties	773	—	—	—	773
Lease liabilities	3,855	3,724	4,127	—	11,706
	<u>173,642</u>	<u>3,724</u>	<u>4,127</u>	<u>—</u>	<u>181,493</u>

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.2 Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the net debt equity ratio. This ratio is calculated as “net debt” divided by “total equity/(deficits)”. Net debt is calculated as total lease liabilities and financial liabilities of redeemable shares less cash and cash equivalents. The net debt equity ratios of 31 December 2018, 2019 and 2020 and 30 September 2021 were as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Lease liabilities	8,154	11,228	14,690	10,828
Financial liabilities of redeemable shares	50,650	826,808	1,659,214	—
Less: cash and cash equivalents	(74,396)	(605,631)	(1,042,502)	(1,654,623)
Net debt	(15,592)	232,405	631,402	(1,643,795)
Total equity/(deficits)	23,019	(163,166)	(514,027)	1,881,031
Net debt equity ratio	N/A	N/A	N/A	N/A

3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group’s assets and liabilities that are measured at fair value.

	Level 1	Level 2	Level 3	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at December 31, 2018				
Assets				
FVPL	—	14,000	—	14,000
As at December 31, 2019				
Assets				
FVOCI	—	—	6,564	6,564

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

	Level 1	Level 2	Level 3	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As at December 31, 2020				
Assets				
FVOCI	—	—	4,043	4,043
As at September 30, 2021				
Assets				
FVOCI	—	—	27,093	27,093

There were no transfers between Level 1, 2 and 3 during the Track Record Period.

Level 2 FVPL include structured deposits acquired from banks with interests unguaranteed. The return was linked to spot exchange rate of euro and US dollar on an agreed future day. The main inputs used by the Group are estimated yield rates in contracts.

Level 3 FVOCI include an equity investment that are not publicly traded. The fair value is estimated by the Group using its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each date of statement of financial position. In connection with the equity investments, the Group adopts a net asset value approach to assess the fair value of this financial asset.

Level 3 FVOCI also comprise bank acceptance notes and commercial acceptance notes that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned bank.

The following table presents the changes in level 3 items for the years ended 31 December 2019 and 2020 and nine months ended 30 September 2021:

	Unlisted equity investments	Bank acceptance notes	Commercial acceptance notes	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Balance at 31 December 2018	—	—	—	—
Addition	1,800	7,846	—	9,646
Change in fair value	(1,682)	—	—	(1,682)
Disposals	—	(1,400)	—	(1,400)
Balance at 31 December 2019	118	6,446	—	6,564
Addition	700	4,777	—	5,477
Change in fair value	(712)	—	—	(712)
Disposals	—	(7,286)	—	(7,286)
Balance at 31 December 2020	106	3,937	—	4,043
Addition	—	21,432	10,447	31,879
Change in fair value	22	—	—	22
Disposals	(128)	(6,647)	(2,076)	(8,851)
Balance at 30 September 2021	—	18,722	8,371	27,093

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

FVOCI	Fair value		Significant un-observable inputs	Valuation technique	Range of inputs (probability-weighted average)				Relationship of unobservable inputs to fair value
	As at 31 December				Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019				2019	2020		
	RMB'000	RMB'000				RMB'000			
Bank and commercial acceptance notes	—	6,446	3,937	27,093	Discount rates	N/A	2.51%	2.51%	The higher the discount rate, the lower the fair value
Unlisted equity investments	—	118	106	—	Lack of marketability discount	N/A	20.00%	20.00%	The higher the lack of marketability discount, the lower the fair value

The higher the discount rate, the lower the fair value
The higher the lack of marketability discount, the lower the fair value

Increasing/decreasing the discount rates by 0.5% would decrease/increase the fair values of bank acceptance notes as at 31 December 2019, 2020 and 30 September 2021 by approximately RMB 15,000, RMB 1,000 and RMB 61,000 respectively.

Increasing the lack of marketability discount by 0.5% would decrease the fair values of unlisted equity investments as at 31 December 2019 and 2020 by approximately zero and RMB 1,000 respectively. Decreasing the lack of marketability discount by 0.5% would increase the fair values of unlisted equity investments as at 31 December 2019 and 2020 by approximately RMB 1,000 and zero respectively.

APPENDIX I**ACCOUNTANT’S REPORT**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)**4 Critical estimates and judgements**

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

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

(a) Share-based payments

As disclosed in Note 32, the Company granted equity-settled share options and restricted share units to certain directors, senior management, employees and consultants. Significant estimate on assumptions in determining the fair value of the granted share options and RSUs include risk-free interest rate, expected volatility and dividend yield.

(b) Impairment of trade receivables

The loss allowance for financial assets disclosed in Note 3.1 is based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The carrying amounts of the Group’s trade receivables are disclosed in Note 23.

(c) Income taxes and deferred income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group recognises deferred tax assets based on estimates that is probable to generate sufficient taxable profits in the foreseeable future against which the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management’s judgements and estimations about the timing and the amount of taxable profits of the companies who had tax losses. During the Track Record Period, deferred tax assets have not been recognized in respect of these accumulated tax losses and other deductible temporary differences based on the fact that the future taxable profits would be uncertain.

5 Segment information

The executive director of the Company has been identified as the chief operating decision-maker of the Group who reviews the Group’s internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

5 Segment information (continued)

The revenue of the Group are primarily derived from artificial intelligence service, so no operating segment information is presented.

No geographical segment information is presented as all the revenue and operating losses of the Group are derived within PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

Revenue from customers contributing over 10% of the total revenue of the Group in 2020 and nine months ended 30 September 2020 and 2021 is as follows:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Customer A	*	*	53,645	53,645	*
Customer B	*	*	*	*	77,337
Customer C	*	*	*	*	58,088
Customer D	*	*	*	41,132	*

* Less than 10%

6 Revenue

An analysis of revenue is as follows:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Point in time					
—Sales of products and solutions	36,545	224,408	451,726	291,403	541,927
Over time					
—Services of data solutions	663	4,733	10,598	6,236	11,088
	<u>37,208</u>	<u>229,141</u>	<u>462,324</u>	<u>297,639</u>	<u>553,015</u>

7 Other income

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grants(i)	<u>6,856</u>	<u>27,125</u>	<u>34,952</u>	<u>21,650</u>	<u>14,421</u>

(i) Government grants provided to the Group mainly related to financial assistance from the local government in the PRC.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

8 Other gains/(losses), net

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Interests received on FVPL	142	1,119	—	—	4,883
Foreign exchange losses	—	—	—	—	(5,750)
Donation	—	—	(277)	(277)	(400)
Losses on disposal of property, plant and equipment	—	(137)	(3)	(1)	(5)
Others	1	(46)	(10)	(147)	227
	<u>143</u>	<u>936</u>	<u>(290)</u>	<u>(425)</u>	<u>(1,045)</u>

9 Expenses by nature

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Employee benefit expenses (Note 12)	62,833	199,622	311,710	221,424	434,255
Material costs	2,889	76,326	228,160	131,497	264,414
Subcontracting costs	13,105	88,330	146,621	95,736	175,247
[REDACTED] expenses	—	—	—	—	[REDACTED]
Depreciation of property, plant and equipment (Note 17)	324	8,213	15,801	11,413	14,782
Service fee	3,718	23,343	19,368	6,084	7,914
Travelling expenses	3,782	9,063	8,047	5,509	5,441
Depreciation of right-of-use assets (Note 18)	545	2,607	6,834	5,142	5,277
Recruiting and training expenses . .	7,428	6,880	2,539	937	3,355
Rental and property management expenses	148	3,677	3,111	2,657	3,588
Marketing expenses	12,597	46,415	7,984	2,716	7,284
Amortisation of intangible assets (Note 19)	17	207	207	155	204
Auditors’ remuneration	94	61	212	87	113
Share-based payment expenses to investor (Note 32)	2,787	—	—	—	—
Other expenses	2,622	8,918	14,243	7,965	12,685
	<u>112,889</u>	<u>473,662</u>	<u>764,837</u>	<u>491,322</u>	<u>961,117</u>

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

10 Finance costs and income

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance costs:					
Finance costs of financial liabilities of redeemable shares (Note 38)	(2,457)	(35,158)	(82,406)	(52,729)	(34,877)
Interest expenses on lease liabilities (Note 18)	(130)	(441)	(705)	(519)	(447)
Total finance costs	(2,587)	(35,599)	(83,111)	(53,248)	(35,324)
Finance income:					
Interest income from bank deposits	979	9,499	9,449	6,228	15,507
Finance costs and income—net . . .	<u>(1,608)</u>	<u>(26,100)</u>	<u>(73,662)</u>	<u>(47,020)</u>	<u>(19,817)</u>

11 Income tax expense

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax on profits for the period/year	29	303	172	8,356	2,571
Deferred income tax (Note 34) . . .	—	—	—	—	—
Income tax expense	<u>29</u>	<u>303</u>	<u>172</u>	<u>8,356</u>	<u>2,571</u>

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

11 Income tax expense (continued)

The difference between the actual income tax expense charged to the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rates to loss before taxation can be reconciled as follows:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before taxation	(71,145)	(248,056)	(360,463)	(224,654)	(435,448)
Tax calculated at tax rates applicable to profits of the respective subsidiaries	(17,786)	(62,014)	(90,116)	(56,164)	(108,862)
Preferential tax of certain subsidiaries	644	11,730	12,606	9,892	8,220
Expenses not deductible for tax purposes	6,667	22,273	53,632	36,308	81,026
Super deductions from research and development expenditures	(4,247)	(11,687)	(11,969)	(6,555)	(9,602)
Utilisation of the tax losses unrecognized previously	—	—	—	(240)	(1,770)
Temporary difference for which no deferred tax asset was recognized	1,369	3,109	4,891	1,183	7,086
Tax losses for which no deferred tax asset was recognized	13,382	36,892	31,128	23,932	26,473
Income tax expense	29	303	172	8,356	2,571

The Group’s subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% on estimated assessable profits.

AInnovation (Beijing) Technology Co., Ltd. had been recognized as the High New Tech Enterprises in 2019. AInnovation (Guangzhou) Technology Co., Ltd., AInnovation (Hefei) Technology Co., Ltd. and AInnovation (Chongqing) Technology Co., Ltd. had been recognized as the High New Tech Enterprises in 2020. According to the tax incentives of the Corporate Income Tax Law of the People’s Republic of China (the “CIT Law”) for High New Tech Enterprises, these companies are subject to a reduced corporate income tax rate of 15% for three years commencing from the years when these companies are recognized as High New Tech Enterprises.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

12 Employee benefit expenses

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Wages, salaries and bonuses	31,209	106,781	155,280	110,483	112,342
Pension costs-defined contribution plans	3,930	13,461	2,143	2,003	8,375
Other social security and housing fund	5,466	21,656	16,179	12,301	12,088
Share-based payment expenses	20,552	53,230	133,750	93,691	295,585
Other employee benefits	1,676	4,494	4,358	2,946	5,865
	<u>62,833</u>	<u>199,622</u>	<u>311,710</u>	<u>221,424</u>	<u>434,255</u>

13 Emoluments of the directors and the five highest paid individuals

(a) Directors’ and the chief executive officer’s emoluments

The remuneration of every director and the chief executive officer is set out below:

For the period from 6 February 2018 to 31 December 2018:

Name	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security and housing fund	Share-based payment expenses	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
<u>Chairman:</u>					
Dr. Kai-Fu Lee	—	—	—	—	—
<u>Chief executive officers:</u>					
Mr. Xu Hui*	1,466	33	43	5,356	6,898
<u>Directors:</u>					
Mr. Wang Hua	—	—	—	—	—
Ms. Tao Ning	—	—	—	—	—
Ms. Wang Jing	1,383	—	—	3,417	4,800
Mr. Wang Yonggang	—	—	—	2,662	2,662
Mr. Jiang Shaoqing**	—	—	—	—	—
<u>Supervisor:</u>					
Ms. Lin Ying	—	—	—	—	—
Total:	<u>2,849</u>	<u>33</u>	<u>43</u>	<u>11,435</u>	<u>14,360</u>

Dr. Kai-Fu Lee, Mr. Wang Hua, Ms. Tao Ning, Ms. Wang Jing, and Mr. Wang Yonggang were appointed as directors in February 2018, which is the date of establishment, and Mr. Wang Yonggang resigned as director in February 2019. Ms. Lin Ying was appointed as supervisor in February 2018.

* Mr. Xu Hui was appointed as chief executive officer of the Company in February 2018. Mr. Xu Hui was appointed as directors in April 2018.

** Mr. Jiang Shaoqing was appointed as the director of the Company in June 2018.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13 Emoluments of the directors and the five highest paid individuals (continued)

(a) Directors’ and the chief executive officer’s emoluments—(Continued)

For the year ended 31 December 2019:

Name	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security and housing fund	Share-based payment expenses	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman:					
Dr. Kai-Fu Lee	—	—	—	—	—
Chief executive officer:					
Mr. Xu Hui	1,661	49	66	21,785	23,561
Directors:					
Mr. Wang Hua	—	—	—	—	—
Ms. Tao Ning	—	—	—	—	—
Ms. Wang Jing	1,159	31	64	1,939	3,193
Mr. Wang Yonggang	—	—	—	—	—
Mr. Jiang Shaoqing	—	—	—	—	—
Mr. Zhang Fa’en*	1,817	50	76	11,792	13,735
Mr. Liang Guozhong*	—	—	—	—	—
Mr. Fang Yimin*	—	—	—	—	—
Mr. Zhou Wei**	—	—	—	—	—
Ms. Zou Yanshu***	—	—	—	—	—
Supervisor:					
Ms. Lin Ying	—	—	—	—	—
Total:	4,637	130	206	35,516	40,489

* Mr. Zhang Fa’en, Mr. Liang Guozhong and Mr. Fang Yimin was appointed as the director of the Company in January 2019.

** Mr. Zhou Wei was appointed as the director of the Company in February 2019.

*** Ms. Zou Yanshu was appointed as the director of the Company in December 2019.

For the year ended 31 December 2020:

Name	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security and housing fund	Share-based payment expenses	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Chairman:					
Dr. Kai-Fu Lee	—	—	—	—	—
Chief executive officer:					
Mr. Xu Hui	1,619	8	53	71,518	73,198
Directors:					
Mr. Wang Hua	—	—	—	—	—
Ms. Tao Ning	—	—	—	—	—
Ms. Wang Jing	290	8	60	816	1,174
Mr. Jiang Shaoqing	—	—	—	—	—
Mr. Zhang Fa’en	1,651	8	60	17,361	19,080
Mr. Liang Guozhong	—	—	—	—	—
Mr. Fang Yimin	—	—	—	—	—
Mr. Zhou Wei	—	—	—	—	—
Ms. Zou Yanshu	—	—	—	—	—
Supervisor:					
Ms. Lin Ying	—	—	—	—	—
Total:	3,560	24	173	89,695	93,452

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13 Emoluments of the directors and the five highest paid individuals (continued)

(a) Directors’ and the chief executive officer’s emoluments—(Continued)

For the nine months ended 30 September 2020 (Unaudited):

Name	Wages, salaries and bonuses RMB’000	Pension costs-defined contribution plans RMB’000	Other social security and housing fund RMB’000	Share-based payment expenses RMB’000	Total RMB’000
Chairman:					
Dr. Kai-Fu Lee	—	—	—	—	—
Chief executive officer:					
Mr. Xu Hui	1,058	8	41	51,941	53,048
Directors:					
Mr. Wang Hua	—	—	—	—	—
Ms. Tao Ning	—	—	—	—	—
Ms. Wang Jing	180	8	46	643	877
Mr. Jiang Shaoqing	—	—	—	—	—
Mr. Zhang Fa’en	1,058	8	46	16,636	17,748
Mr. Liang Guozhong	—	—	—	—	—
Mr. Fang Yimin	—	—	—	—	—
Mr. Zhou Wei	—	—	—	—	—
Ms. Zou Yanshu	—	—	—	—	—
Supervisor:					
Ms. Lin Ying	—	—	—	—	—
Total:	2,296	24	133	69,220	71,673

For the nine months ended 30 September 2021:

Name	Wages, salaries and bonuses RMB’000	Pension costs-defined contribution plans RMB’000	Other social security and housing fund RMB’000	Share-based payment expenses RMB’000	Total RMB’000
Chairman:					
Dr. Kai-Fu Lee	—	—	—	—	—
Chief executive officer:					
Mr. Xu Hui	1,137	42	42	57,721	58,942
Directors:					
Mr. Wang Hua	—	—	—	—	—
Ms. Tao Ning**	—	—	—	—	—
Ms. Wang Jing**	120	25	27	125	297
Mr. Jiang Shaoqing**	—	—	—	—	—
Mr. Zhang Fa’en**	822	25	27	899	1,773
Mr. Liang Guozhong**	—	—	—	—	—
Mr. Fang Yimin**	—	—	—	—	—
Mr. Zhou Wei	—	—	—	—	—
Ms. Zou Yanshu**	—	—	—	—	—
Mr. Xie Deren*	156	—	—	—	156
Ms. Siu Hera Kitwan*	125	—	—	—	125
Ms. Gao Yingxin*	125	—	—	—	125
Supervisor:					
Ms. Lin Ying	—	—	—	—	—
Mr. Gu Xuan Richard*	—	—	—	—	—
Mr. Nie Mingming*	146	21	19	—	186
Total:	2,631	113	115	58,745	61,604

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13 Emoluments of the directors and the five highest paid individuals (continued)

(a) Directors’ and the chief executive officer’s emoluments—(Continued)

* Mr. Xie Deren, Ms. Siu Hera Kitwan and Ms. Gao Yingxin were appointed as independence directors in May 2021. Mr. Gu Xuan Richard and Mr. Nie Mingming were appointed as supervisors in May 2021.

** Ms. Tao Ning, Ms. Wang Jing, Mr. Jiang Shaoqing, Mr. Zhang Fa’en, Mr. Liang Guozhong, Mr. Fang Yimin and Ms. Zou Yanshu resigned as directors in May 2021.

(i) Directors’ retirement benefits

None of the directors received or will receive any retirement benefits for the Track Record Period.

(ii) Directors’ termination benefits

None of the directors received or will receive any termination benefits for the Track Record Period.

(iii) Consideration provided to third parties for making available directors’ services

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

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

There are no loans, quasi-loans and other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(v) Directors’ material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13 Emoluments of the directors and the five highest paid individuals (continued)

(v) *Directors’ material interests in transactions, arrangements or contracts (continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the period from 6 February 2018 to 31 December 2018 and years ended 31 December 2019 and 2020 and nine months ended 30 September 2020 and 2021 included 1, 2, 2 and 1 director(s), respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining individuals during the Track Record Period are as follows:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Wages, salaries and bonuses	3,345	3,489	1,915	1,987	2,270
Pension costs-defined contribution plans	57	116	8	18	91
Other social security and housing fund	69	197	92	110	100
Share based payment expenses	10,827	4,947	20,166	8,131	92,362
	<u>14,298</u>	<u>8,749</u>	<u>22,181</u>	<u>10,246</u>	<u>94,823</u>

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

13 Emoluments of the directors and the five highest paid individuals (continued)

(v) *Directors’ material interests in transactions, arrangements or contracts (continued)*

(b) Five highest paid individuals—(Continued)

The emoluments of the five highest paid individuals except for the director(s), whose emoluments have been disclosed above, fell within the following bands:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
				(Unaudited)	
Nil to HKD 1,000,000	—	—	—	—	—
HKD 1,000,000 to HKD 2,000,000	1	—	—	—	—
HKD 2,000,000 to HKD 3,000,000	—	1	—	2	—
HKD 3,000,000 to HKD 4,000,000	1	2	—	—	—
HKD 4,000,000 to HKD 5,000,000	—	—	1	—	—
HKD 5,000,000 to HKD 6,000,000	1	—	1	—	—
HKD 6,000,000 to HKD 7,000,000	1	—	—	1	—
HKD 7,000,000 to HKD 8,000,000	—	—	—	—	—
HKD 8,000,000 to HKD 9,000,000	—	—	—	—	—
HKD 9,000,000 to HKD 10,000,000	—	—	—	—	—
HKD 10,000,000 to HKD 11,000,000	—	—	—	—	—
HKD 11,000,000 to HKD 12,000,000	—	—	—	—	—
HKD 12,000,000 to HKD 13,000,000	—	—	—	—	—
HKD 13,000,000 to HKD 14,000,000	—	—	—	—	1
HKD 14,000,000 to HKD 15,000,000	—	—	—	—	—
HKD 15,000,000 to HKD 16,000,000	—	—	—	—	1
HKD 18,000,000 to HKD 19,000,000	—	—	—	—	1
	<u>4</u>	<u>3</u>	<u>2</u>	<u>3</u>	<u>3</u>

1) For Zou Quan, his emoluments for the year 2020 are between HKD 15,000,000 to HKD 16,000,000 and his emoluments for nine months ended 30 September 2021 are between HKD 67,000,000 to HKD 68,000,000, which are excluded in this table.

14 Dividends

No dividend has been paid or declared by the Company or companies comprising the Group during the Track Record Period.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15 Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of shares in issue or deemed to be in issue during the Track Record Period. The weighted average number of ordinary shares deemed in issue before the conversion into a joint stock company was determined as assuming that:

- (1) The Redeemable Shares were treated as treasury share before the cancellation of redeemable rights as described in Note 29. So, the related capital was deducted from the paid-in capital before the cancellation of redeemable rights for the purpose of calculating the number of ordinary shares deemed in issue;
- (2) The remaining paid-in capital had been fully converted into number of ordinary shares deemed in issue at the same conversion ratio of 1:1 as upon transformation into joint stock company;
- (3) The above number of ordinary shares had been further retrospectively adjusted for the effect of shares conversion from share premium into share capital at the conversion ratio of 1:17 as described in Note 28.

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss from continuing operation attributable to the ordinary equity holders of the Company	(70,661)	(244,227)	(360,999)	(234,955)	(435,488)
Weighted average number of ordinary shares in issue ('000)	183,880	223,382	241,859	238,912	421,429
Basic loss per share (RMB)	<u>(0.38)</u>	<u>(1.09)</u>	<u>(1.49)</u>	<u>(0.98)</u>	<u>(1.03)</u>

The calculation of weighted average number of ordinary shares in issue is issued as below:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	'000	'000	'000	'000 (Unaudited)	'000
Weighted average amount of paid-in capital/share capital	10,858	17,632	21,459	20,872	26,765
Less: Weighted average amount of Redeemable Shares in paid-in capital before the cancellation of redeemable rights	<u>(642)</u>	<u>(5,222)</u>	<u>(8,022)</u>	<u>(7,599)</u>	<u>(3,352)</u>
Weighted average amount of remaining paid-in capital/share capital	10,216	12,410	13,437	13,273	23,413
Weighted average number of ordinary shares in issue at the conversion ratio of 1:1	10,216	12,410	13,437	13,273	23,413

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

15 Loss per share (continued)

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	'000	'000	'000	'000	'000
				(Unaudited)	
Add: Shares conversion from share premium into share capital at the conversion ratio of 1:17	173,664	210,972	228,422	225,639	398,016
Weighted average number of ordinary shares in issue ('000)	183,880	223,382	241,859	238,912	421,429

(b) Diluted loss per share

As the Group incurred losses for the Track Record Period, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the Track Record Period are the same as basic loss per share of the respective period/year.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16 Investment in subsidiaries—the Company

	As at 31 December			As at 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Investment in unlisted shares (i)	38,570	115,280	247,310	262,550	
Share-based payments for subsidiaries	2,452	5,751	23,541	63,207	
	41,022	121,031	270,851	325,757	

(i) Investment in unlisted shares

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital			Attributable equity interest to the Company				Principal activities and place of operation
			As at 31 December			As at 31 December		As at 30 September		
			2018	2019	2020	2018	2019	2020	2021	
			RMB'000	RMB'000	RMB'000		%	%	%	
AInnovation (Beijing) Technology Co., Ltd.	Limited liability company	The PRC 24 April 2018	10,000	10,000	10,000	100.00	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Chongqing) Technology Co., Ltd.	Limited liability company	The PRC 7 June 2018	10,000	10,000	10,000	100.00	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Nanjing) Technology Co., Ltd. (iv) ...	Limited liability company	The PRC 15 June 2018	820	6,820	6,820	100.00	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AInnovation (Guangzhou) Technology Co., Ltd.	Limited liability company	The PRC 3 July 2018	20,000	20,000	20,000	80.00	80.00	80.00	80.00	Technology and software development, artificial intelligence research and product development, in the PRC

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16 Investment in subsidiaries—the Company (continued)

(i) Investment in unlisted shares (continued)

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital			Attributable equity interest to the Company				Principal activities and place of operation
			As at 31 December		As at 30 September	As at 31 December		As at 30 September		
			2018	2019	2020	2021	2018	2019	2020	
			RMB'000	RMB'000	RMB'000		%	%	%	
Alnovation (Hefei) Technology Co., Ltd. (v) . . .	Limited liability company	The PRC 25 July 2018	1,000	9,860	9,860	10,000	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Ningbo) Technology Co., Ltd. (vi) . . .	Limited liability company	The PRC 24 Aug 2018	750	2,000	—	—	100.00	100.00	—	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Chengdu) Technology Co., Ltd.	Limited liability company	The PRC 26 February 2019	—	10,000	10,000	10,000	—	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
Chongqing CISA Technology Co., Ltd.	Limited liability company	The PRC 29 March 2019	—	10,000	10,000	10,000	—	51.00	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
Alnovation (Qingdao) Technology Co., Ltd.	Limited liability company	The PRC 1 April 2019	—	20,000	20,000	20,000	—	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16 Investment in subsidiaries—the Company (continued)

(i) Investment in unlisted shares (continued)

Company name	Type of legal entity	Country/Place and date of incorporation	Paid-in capital			As at 30 September			Attributable equity interest to the Company			Principal activities and place of operation
			As at 31 December			As at 30 September			As at 31 December			
			2018	2019	2020	2018	2019	2020	2018	2019	2020	
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	%	%	%	%	
RewinCloud (Chongqing) Technology Co., Ltd. (vii)	Limited liability company	The PRC 14 June 2019	—	10,000	10,000	10,000	—	—	55.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AIInnovation (Shanghai) Technology Co., Ltd.	Limited liability company	The PRC 30 September 2019	—	10,000	10,000	10,000	—	100.00	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AIInnovation (Xi'an) Technology Co., Ltd.	Limited liability company	The PRC 28 October 2019	—	10,000	10,000	10,000	—	100.00	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
AIInnovation (Shenzhen) Technology Co., Ltd.	Limited liability company	The PRC 10 June 2020	—	—	10,000	10,000	—	—	100.00	100.00	100.00	Technology and software development, artificial intelligence research and product development, in the PRC
China Railway Qizhi (Hefei) Technology Co., Ltd.	Limited liability company	The PRC 2 February 2021	—	—	—	10,000	—	—	—	—	51.00	Technology and software development, artificial intelligence research and product development, in the PRC
AIInnovation (Zhejiang) Technology Co., Ltd.	Limited liability company	The PRC 23 February 2021	—	—	—	10,000	—	—	—	—	100.00	Technology and software development, artificial intelligence research and product development, in the PRC

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

16 Investment in subsidiaries—the Company (continued)

- (i) Investment in unlisted shares (continued)
- (i) The statutory financial statements of all subsidiaries for the period from 6 February 2018 to 31 December 2018 were audited by Beijing Xinghua Certified Public Accountants Co., Ltd. in the PRC.
- (ii) The statutory financial statements of all subsidiaries for the year ended 31 December 2019 were audited by Shenzhen Boqin Certified Public Accountants Co., Ltd. in the PRC.
- (iii) The statutory financial statements of all subsidiaries for the year ended 31 December 2020 were audited by Beijing Huimingwei Certified Public Accountants Co., Ltd. in the PRC.
- (iv) The paid-in capital of AInnovation (Nanjing) Technology Co., Ltd. was increased by RMB 6,000,000 to RMB 6,820,000 in 2019, which was injected by the Company.
- (v) The paid-in capital of AInnovation (Hefei) Technology Co., Ltd. was increased by RMB 8,860,000 to RMB 9,860,000 in 2019, and increased by RMB 140,000 to RMB 10,000,000 in 2021, which was injected by the Company.
- (vi) In October 2019, the registration of AInnovation (Ningbo) Technology Co., Ltd., a subsidiary, was deregistered.
- (vii) As at 31 December 2020, the Group completed the acquisition of 45% non-controlling interests in RewinCloud (Chongqing) Technology Co., Ltd., a subsidiary at a total consideration of approximately RMB 124,030,000, with RMB 101,630,000 paid in 2020 and RMB 22,400,000 was paid in October 2021.

As of the date of this report, there were no changes to the equity interests held by the Company in these subsidiaries since 30 September 2021.

* *The English name of the company referred above represents the best effort made by management of the Company to directly translate the Chinese names as they have not registered any official English names.*

17 Property, plant and equipment

	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in-progress RMB'000	Total RMB'000
As at date 6 February 2018 (date of establishment)				
Cost	—	—	—	—
Accumulated depreciation	—	—	—	—
Net book amount	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Period from 6 February 2018 to 31 December 2018				
Opening net book amount	—	—	—	—
Additions	42	19,366	4,646	24,054
Depreciation (Note 9)	(1)	(323)	—	(324)
Net book amount	<u>41</u>	<u>19,043</u>	<u>4,646</u>	<u>23,730</u>
As at 31 December 2018				
Cost	42	19,366	4,646	24,054
Accumulated depreciation	(1)	(323)	—	(324)
Net book amount	<u>41</u>	<u>19,043</u>	<u>4,646</u>	<u>23,730</u>

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17 Property, plant and equipment (continued)

	Electronic equipment	Office equipment	Leasehold improvements	Construction in-progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2019					
Opening net book amount	—	41	19,043	4,646	23,730
Additions	2,435	1,546	—	30,225	34,206
Disposals	(105)	(31)	—	—	(136)
Depreciation (Note 9)	(780)	(205)	(7,228)	—	(8,213)
Transfer	2,110	463	27,348	(29,921)	—
Net book amount	3,660	1,814	39,163	4,950	49,587
As at 31 December 2019					
Cost	4,421	2,017	46,714	4,950	58,102
Accumulated depreciation	(761)	(203)	(7,551)	—	(8,515)
Net book amount	3,660	1,814	39,163	4,950	49,587
	Electronic equipment	Office equipment	Leasehold improvements	Construction in-progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Year ended 31 December 2020					
Opening net book amount	3,660	1,814	39,163	4,950	49,587
Additions	7,423	982	—	15,314	23,719
Disposals	(17)	—	—	—	(17)
Depreciation (Note 9)	(2,238)	(464)	(13,099)	—	(15,801)
Transfers	—	—	15,446	(15,446)	—
Net book amount	8,828	2,332	41,510	4,818	57,488
As at 31 December 2020					
Cost	11,808	2,999	62,160	4,818	81,785
Accumulated depreciation	(2,980)	(667)	(20,650)	—	(24,297)
Net book amount	8,828	2,332	41,510	4,818	57,488
	Electronic equipment	Office equipment	Leasehold improvements	Construction in-progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Nine months ended 30 September 2021					
Opening net book amount	8,828	2,332	41,510	4,818	57,488
Additions	961	55	—	36,408	37,424
Disposals	(79)	—	—	—	(79)
Depreciation (Note 9)	(2,910)	(451)	(11,421)	—	(14,782)
Transfers	—	—	6,877	(6,877)	—
Net book amount	6,800	1,936	36,966	34,349	80,051
As at 30 September 2021					
Cost	12,658	3,054	69,037	34,349	119,098
Accumulated depreciation	(5,858)	(1,118)	(32,071)	—	(39,047)
Net book amount	6,800	1,936	36,966	34,349	80,051

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

17 Property, plant and equipment (continued)

Depreciation of the Group’s property, plant and equipment has been recognized as follows:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Cost of sales	—	—	6	—	31
General and administrative expenses	80	2,694	4,558	4,006	5,983
Research and development expenses	180	4,090	8,609	5,292	6,336
Selling expenses	64	1,429	2,628	2,115	2,432
	<u>324</u>	<u>8,213</u>	<u>15,801</u>	<u>11,413</u>	<u>14,782</u>

18 Leases

(i) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December			As at 30 September 2021
	2018	2019	2020	
	RMB’000	RMB’000	RMB’000	RMB’000
Right-of-use assets				
Office	7,631	11,088	11,214	7,214
Plant	—	—	2,629	1,840
	<u>7,631</u>	<u>11,088</u>	<u>13,843</u>	<u>9,054</u>
Lease liabilities				
Current	1,597	4,633	5,233	3,712
Non-current	6,557	6,595	9,457	7,116
	<u>8,154</u>	<u>11,228</u>	<u>14,690</u>	<u>10,828</u>

Additions to the right-of-use assets during the period from 6 February 2018 to 31 December 2018 and years ended 31 December 2019 and 2020 and nine months ended 30 September 2020 and 2021 were RMB 8,176,000, RMB 6,064,000, RMB 9,589,000, RMB 9,589,000 and RMB 488,000 respectively.

(ii) Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Depreciation charge of right-of-use assets					
Office	545	2,607	6,308	4,881	4,489
Plant	—	—	526	261	788
	<u>545</u>	<u>2,607</u>	<u>6,834</u>	<u>5,142</u>	<u>5,277</u>
Interest expense (included in finance costs) .	<u>130</u>	<u>441</u>	<u>705</u>	<u>519</u>	<u>447</u>

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ACCOUNTANT'S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

18 Leases (continued)

The total cash outflow for leases of the period from 6 February 2018 to 31 December 2018 and the years ended 31 December 2019 and 2020 and nine months ended 30 September 2020 and 2021 were RMB 152,000, RMB 3,431,000, RMB 6,832,000, RMB 4,878,000 and RMB 4,797,000 respectively.

(iii) The group's leasing activities and how these are accounted for

The Group leases various offices and plants. Rental contracts are typically made for fixed periods of 6 months to 5 years with no extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

19 Intangible assets

	<u>Software</u> RMB'000
As at 6 February 2018 (date of establishment)	
Cost	—
Accumulated amortisation	—
Net book amount	—
	<u>—</u>
	<u>Software</u> RMB'000
Period from 6 February 2018 to 31 December 2018	
Opening net book amount	—
Additions	1,034
Amortisation charge (Note 9)	(17)
Net book amount	1,017
	<u>1,017</u>
As at 31 December 2018	
Cost	1,034
Accumulated amortisation	(17)
Net book amount	1,017
	<u>1,017</u>
Year ended 31 December 2019	
Opening net book amount	1,017
Amortisation charge (Note 9)	(207)
Net book amount	810
	<u>810</u>
As at 31 December 2019	
Cost	1,034
Accumulated amortisation	(224)
Net book amount	810
	<u>810</u>
Year ended 31 December 2020	
Opening net book amount	810
Amortisation charge (Note 9)	(207)
Net book amount	603
	<u>603</u>

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

19 Intangible assets (continued)

	Software RMB’000
As at 31 December 2020	
Cost	1,034
Accumulated amortisation	(431)
Net book amount	<u>603</u>
	<u>Software</u> <u>RMB’000</u>
Nine months ended 30 September 2021	
Opening net book amount	603
Additions	252
Amortisation charge (Note 9)	(204)
Net book amount	<u>651</u>
As at 30 September 2021	
Cost	1,286
Accumulated amortisation	(635)
Net book amount	<u>651</u>

Amortisation of the intangible assets has been recognized as follows:

	Period from 6 February to 31 December	Year ended 31 December	Nine months ended 30 September	
	2018	2019	2020	2020
	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)
General and administrative expenses	17	207	207	155
Research and development expenses	—	—	—	49
	<u>17</u>	<u>207</u>	<u>207</u>	<u>155</u>
				<u>204</u>

20 Other non-current assets

	As at 31 December	As at 30 September
	2018	2021
	RMB’000	RMB’000
Deposits	355	4,082
Prepayments for leasehold improvements	6,650	—
	<u>7,005</u>	<u>4,082</u>
	<u>1,599</u>	
	<u>1,322</u>	

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

21 Financial instruments by category

	Note	As at 31 December			As at 30 September
		2018	2019	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000
FVOCI	25	—	6,564	4,043	27,093
FVPL	26	14,000	—	—	—
Financial assets at amortised cost:					
Other non-current assets	20	355	287	1,322	4,082
Trade and notes receivables	23	16,241	120,737	189,554	296,353
Other receivables	24	344	2,618	4,649	12,427
Amounts due from related parties	42	100	2	2,321	8,606
Restricted cash	27	7,447	2,979	1,491	206
Cash and cash equivalents	27	74,396	605,631	1,042,502	1,654,623
		98,883	732,254	1,241,839	1,976,297
		112,883	738,818	1,245,882	2,003,390
Financial liabilities at amortised cost:					
Trade and notes payables	35	12,881	64,828	63,199	127,209
Other payables and accruals (excluding other tax payables, payroll and welfare payables)	36	10,575	10,690	45,517	41,805
Amounts due to related parties	42	177	14,703	931	773
Lease liabilities	18	8,154	11,228	14,690	10,828
Financial liabilities of redeemable shares	38	50,650	826,808	1,659,214	—
		82,437	928,257	1,783,551	180,615

22 Inventories

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	112	—	1,066	3,640
Work in progress	2,015	32,163	47,658	36,266
Finished goods	916	164	6,586	3,453
	3,043	32,327	55,310	43,359

The cost of inventories recognized as expenses and included in cost of sales amounted to RMB 13,823,000, RMB 157,528,000, RMB 327,703,000, RMB 212,367,000 and RMB 382,091,000 for the period from 6 February 2018 to 31 December 2018 and the years ended 31 December 2019 and 2020 and nine months ended 30 September 2020 and 2021 respectively.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23 Trade and notes receivables—the Group and the Company

The Group

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable	17,096	122,930	213,487	341,219
Less: provision for impairment	(855)	(6,351)	(25,144)	(45,956)
	16,241	116,579	188,343	295,263
Notes receivables	—	4,158	1,211	1,090
	16,241	120,737	189,554	296,353

As at 31 December 2019 and 2020 and 30 September 2021, notes receivables were bank acceptance notes aged less than six months.

The majority of the Group’s receivables are with credit term mostly from 30 days to 180 days. At 31 December 2018, 2019 and 2020 and 30 September 2021, the aging analysis of the trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable				
Less than 3 months	14,746	95,476	123,602	163,566
3 months to 6 months	2,350	18,660	39,531	112,055
6 months to 12 months	—	8,794	33,238	30,019
1 year to 2 years	—	—	17,116	33,920
2 years to 3 years	—	—	—	1,659
	17,096	122,930	213,487	341,219

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the period/year	—	855	6,351	25,144
Provisions for trade receivables	855	5,496	18,812	20,812
Written off as uncollectible	—	—	(19)	—
At the end of the period/year	855	6,351	25,144	45,956

For the trade receivables, the Group has assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information. Based on the assessment, the creation and reversal for impaired receivables have been included in the net impairment losses on financial assets. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

The Group’s trade receivables were denominated in RMB.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

23 Trade and notes receivables—the Group and the Company (continued)

The Company

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Accounts receivable	1,624	2,232	8,405	73,493
Less: provision for impairment	(81)	(135)	(601)	(3,472)
	<u>1,543</u>	<u>2,097</u>	<u>7,804</u>	<u>70,021</u>

As at 31 December 2018, 2019 and 2020 and 30 September 2021, there were no notes receivables.

The majority of the Company’s receivables are with credit term mostly from 30 days to 180 days. At 31 December 2018, 2019 and 2020 and 30 September 2021, the aging analysis of the trade receivables based on the recognition date of the gross trade receivables at the respective reporting dates are as follows :

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Accounts receivable				
Less than 3 months	1,224	1,566	5,420	57,074
3 months to 6 months	400	58	—	14,079
6 months to 12 months	—	608	1,497	2,252
1 year to 2 years	—	—	1,488	88
	<u>1,624</u>	<u>2,232</u>	<u>8,405</u>	<u>73,493</u>

The movements in provision for impairment of trade receivables are as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
At the beginning of the period/year	—	81	135	601
Provisions for trade receivables	81	54	466	2,871
Written off as uncollectible	—	—	—	—
At the end of the period/year	<u>81</u>	<u>135</u>	<u>601</u>	<u>3,472</u>

For the trade receivables, the Company has assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information. Based on the assessment, the creation and reversal for impaired receivables have been included in the net impairment losses on financial assets. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

The Company’s trade receivables were denominated in RMB.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

24 Prepayments and other receivables—the Group and the Company

The Group

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Recoverable value-added tax (“VAT”)	1,021	8,165	16,722	16,715
Prepayments to vendors	2,229	12,407	5,422	15,151
Deposits	115	2,150	1,955	4,606
Recoverable income tax	—	—	536	2,540
Others	229	468	2,694	7,821
	<u>3,594</u>	<u>23,190</u>	<u>27,329</u>	<u>46,833</u>

The Company

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Recoverable value-added tax (“VAT”)	—	751	2,883	4,524
Recoverable income tax	—	—	—	2,004
Prepayments to vendors	95	10,000	53	3,083
Others	161	133	—	6,069
	<u>256</u>	<u>10,884</u>	<u>2,936</u>	<u>15,680</u>

The carrying amounts of other receivables approximate their fair values.

25 Financial assets at fair value through other comprehensive income

The financial assets at fair value through other comprehensive income comprise:

- Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely principal and interest and the objective of the group’s business model is achieved both by collecting contractual cash flows and selling financial assets.

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Non-current				
Equity investments				
—Beijing Sinovation Ventures Kuangshi International Artificial Intelligence Technology Research Institute Co., Ltd . . .	—	118	106	—
	<u>—</u>	<u>118</u>	<u>106</u>	<u>—</u>
Current				
Debt investments				
—bank acceptance notes (i)	—	6,446	3,937	18,722
—commercial acceptance notes (i)	—	—	—	8,371
	<u>—</u>	<u>6,564</u>	<u>4,043</u>	<u>27,093</u>

(i) As at 31 December 2018, 2019 and 2020 and 30 September 2021, notes receivable were bank and commercial acceptance notes aged less than six months, and included a total amount of nil, nil, RMB 1,000,000 and nil that have been endorsed to the suppliers, respectively.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

26 Financial assets at fair value through profit or loss

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Current				
Structured deposits	14,000	—	—	—

All structured deposits as at 31 December 2018 are dominated in RMB and interests unguaranteed.

(i) Risk exposure and fair value measurements

For information about the methods and assumptions used in determining fair value please refer to Note 3.3.

27 Cash and cash equivalents and restricted cash

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Cash at bank	81,843	608,610	1,043,993	1,654,829
Less: Restricted cash (a)	(7,447)	(2,979)	(1,491)	(206)
Cash and cash equivalents (b)	74,396	605,631	1,042,502	1,654,623

(a) Restricted cash

The breakdown of restricted cash by nature as at 31 December 2018, 2019 and 2020 and 30 September 2021 is as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Deposits for issuing bank acceptance notes	—	—	663	—
Deposits for issuing letters of credit	—	—	192	192
Other restricted cash	7,447	2,979	636	14
	7,447	2,979	1,491	206

(b) Cash and cash equivalents

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Current bank deposits	74,396	605,631	1,042,502	1,654,623

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

27 Cash and cash equivalents and restricted cash (continued)

(c) Cash at bank are denominated in

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	81,843	608,610	1,043,993	1,654,828
USD	—	—	—	1
	<u>81,843</u>	<u>608,610</u>	<u>1,043,993</u>	<u>1,654,829</u>

28 Paid-in capital and share capital—the Group and the Company

Paid-in capital and share capital as at 31 December 2018, 2019 and 2020 and 30 September 2021, represented the paid-in capital and share capital of the Group and the Company.

	Paid-in Capital (a)	Share Capital (b)	Numbers of Shares
	RMB'000	RMB'000	
As at 31 December 2018	13,483	—	—
As at 31 December 2019	20,872	—	—
As at 31 December 2020	24,105	—	—
As at 30 September 2021	—	514,560	514,560,438

(a) Paid-in Capital

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At the beginning of the period/year ...	—	13,483	20,872	20,872	24,105
Capital injection (ii)	13,483	7,342	3,233	—	2,446
Other addition (iii)	—	47	—	—	—
Conversion into a joint stock company (iv)	—	—	—	—	(26,551)
At the end of the period/year	<u>13,483</u>	<u>20,872</u>	<u>24,105</u>	<u>20,872</u>	<u>—</u>

The Company was established on 6 February 2018 with an initial authorized registered and paid-in capital of RMB 10,000,000.

- The Company was a limited liability company before the Company changed the type of enterprise from a limited liability company to a joint stock company on 19 May 2021, and 1 RMB paid-in capital is referred to as 1 unit capital (‘Unit Capital’).
- Pursuant to the shareholders’ resolution passed in the Track Record Period, the Company received new capitals in cash of 13,483,000, 7,342,000, 3,233,000, 2,446,000 Unit Capital respectively at total consideration of RMB 115,047,000, RMB 742,226,000, RMB 750,766,000 and RMB 102,135,000 respectively.
- Pursuant to the shareholders’ agreement, one of Series Angel acquired 46,787 Unit Capital of which fair value is RMB 59.57 per Unit Capital with no considerations. Share-based payment expenses of RMB 2,787,000 were recognized (Note 9).

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

28 Paid-in capital and share capital—the Group and the Company (continued)

- (iv) On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The net assets of the Company as of the conversion date, amounting to RMB 1,718,968,000, were converted into 26,551,000 ordinary shares at RMB 1.00 each. The excess of net assets converted over nominal value of the ordinary shares and other reserves resulted from share based payments was credited to the Company’s share premium.

(b) Share capital

	Nine months ended 30 September
	2021
	RMB’000
At the beginning of the period	—
Conversion into a joint stock company	26,551
Capital injection (i)	2,035
Conversion of share premium into share capital (ii)	485,974
At the end of the period	<u>514,560</u>

- (i) Pursuant to a capital increase agreement dated 21 May 2021, SVF II Zeal Subco (Singapore) Pte. Ltd. subscribed for an increased share capital of RMB 2,035,000 with a consideration of USD 115,000,000 which is equivalent to RMB 736,344,000.
- (ii) On 3 June 2021, the share capital of the Company was increased to RMB 514,560,438 by way of conversion of share premium into share capital in the same shareholders’ portion according to the existing shareholding structure.

29 Capital reserve and share premium—the Group and the Company

Capital reserve of the Group and the Company represents the capital contribution premium from shareholders and deduction for obligation as a result of additional redeemable rights. Where the Company received capitals at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over paid-in capital shall be classified as capital contribution premium.

Since the date of incorporation, the Company has completed several rounds of financing by issuing Redeemable Shares with redemption rights, liquidation preference, anti-dilution rights, tag-along rights, and drag-along right, etc. The Company recognized the present value of expected redemption amount of the Redeemable Shares at the date of capital injection as financial liabilities carried at amortised cost (Note 38). On 30 March 2021, pursuant to the agreement of shareholders, shareholders with Redeemable Shares waived redeemable rights against the Company, tag-long rights, darg-along rights, anti-dilution and liquidation preference. As a result, the Company transferred the balance of financial liabilities of redeemable shares to capital reserve.

On 19 May 2021, the Company changed the type of enterprise from a limited liability company to a joint stock company. The net assets of the Company as of the conversion date, amounting to RMB 1,718,968,000, were converted into 26,551,000 ordinary shares at RMB 1.00 each. The excess of net assets converted over nominal value of the ordinary shares and other reserves resulted from share-based payments was credited to the Company’s share premium.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

30 Other reserves

The Group

Other reserves of the Group during the Track Record Period comprises changes in the fair value of certain investments in equity securities in OCI, deduction arising from transactions with non-controlling interests, and share-based payment reserve. The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2.10. These changes are accumulated within the FVOCI reserve within equity.

	Financial assets at FVOCI(i)	Share- based payment reserve (Note 32)	Other reserve	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 6 February 2018	—	—	—	—
Share-based payment expenses (Note 32)	—	23,339	—	23,339
Balance at 31 December 2018	—	23,339	—	23,339
Share-based payment expenses (Note 32)	—	53,230	—	53,230
Changes in the fair value of equity investments at fair value through other comprehensive income (Note 25)	(1,682)	—	—	(1,682)
Balance at 31 December 2019	(1,682)	76,569	—	74,887
Share-based payment expenses (Note 32)	—	133,750	—	133,750
Transactions with non-controlling Interests (Note 16)	—	—	(118,796)	(118,796)
Changes in the fair value of equity investments at fair value through other comprehensive income	(712)	—	—	(712)
Balance at 31 December 2020	(2,394)	210,319	(118,796)	89,129
Share-based payment expenses (Note 32)	—	295,585	—	295,585
Changes in the fair value of equity investments at fair value through other comprehensive income	22	—	—	22
Disposal of financial assets at fair value through other comprehensive income	2,372	—	—	2,372
Balance at 30 September 2021	—	505,904	(118,796)	387,108

(i) It mainly represents changes in the fair value of certain investments in equity securities in OCI. The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI. These changes are accumulated within the FVOCI reserve within equity.

(ii) Pursuant to the agreement dated 30 April 2021, the Group disposed the financial assets at FVOCI of Beijing Sinovation Ventures Kuangshi International Artificial Intelligence Technology Research Institute Co., Ltd. at a total consideration of RMB 128,000.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

30 Other reserves (continued)

The Company

Other reserves of the Company is share-based payment reserve.

	Share-based payment reserve (Note 32)
	RMB’000
Balance at 6 February 2018	—
Share-based payment expenses (Note 32)	23,339
Balance at 31 December 2018	23,339
Share-based payment expenses (Note 32)	53,230
Balance at 31 December 2019	76,569
Share-based payment expenses (Note 32)	133,750
Balance at 31 December 2020	210,319
Share-based payment expenses (Note 32)	295,585
Balance at 30 September 2021	505,904

31 Accumulated losses

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
At the beginning of the period/year	—	(70,661)	(314,888)	(314,888)	(675,887)
Loss for the period/year					
— Attributable to owners of the Company	(70,661)	(244,227)	(360,999)	(234,955)	(435,488)
Conversion into a joint stock company	—	—	—	—	411,985
Disposal of financial assets at fair value through other comprehensive income	—	—	—	—	(2,372)
At the end of the period/year	(70,661)	(314,888)	(675,887)	(549,843)	(701,762)

32 Share-based payments

Share-based compensation benefits are provided to certain directors, senior management, employees and consultants via the Company’s share incentive schemes, which includes the grant of RSUs and share options through several limited partnership entities.

In 2018, 8,844,000 share options and 28,690,000 RSUs were granted to certain directors, senior management, employees and consultants as rewards for their services, full time devotion and professional expertise to the Company and certain of its subsidiaries.

In 2019, 1,967,000 share options and 9,293,000 RSUs were granted to certain directors, senior management, employees and consultants as rewards for their services, full time devotion and professional expertise to the Company and certain of its subsidiaries.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

32 Share-based payments (continued)

In 2020, 5,041,000 share options and 10,515,000 RSUs were granted to certain directors, senior management, employees and consultants as rewards for their services, full time devotion and professional expertise to the Company and certain of its subsidiaries.

In the period nine months ended 30 September 2021, 5,107,000 share options and 14,728,000 RSUs were granted to certain directors, senior management, employees and consultants as rewards for their services, full time devotion and professional expertise to the Company and certain of its subsidiaries.

10 unit share options and RSUs granted before the Company converted into joint stock company are equivalent to 1 Unit Capital as defined in Note 28 of the Company.

In the nine month ended 30 September 2021, pursuant to the Company’s new share incentive schemes, dated 31 March 2021, which revised, restated and consolidated the Company’s previous rounds share incentive schemes (“Old Incentive Schemes”), all share options granted under the Old Incentive Schemes was replaced with RSUs with all other conditions unchanged.

The following table summarizes the Group’s share option activities:

	Period from 6 February to 31 December		Year ended 31 December				Nine months ended 30 September			
	2018		2019		2020		2020		2021	
	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options
	RMB	'000	RMB	'000	RMB	'000	RMB	'000 (Unaudited)	RMB	'000
As at the beginning of the period/year	—	—	0.1	8,844	0.1	9,200	0.1	9,200	0.1	11,725
Granted during the period/year	0.1	8,844	0.1	1,967	0.1	5,041	0.1	4,330	0.1	5,107
Forfeited during the period/year	—	—	0.1	(1,611)	0.1	(2,516)	0.1	(1,826)	0.1	(883)
Transferred to RSUs	—	—	—	—	—	—	—	—	0.1	(15,949)
As at the end of the period/year	<u>0.1</u>	<u>8,844</u>	<u>0.1</u>	<u>9,200</u>	<u>0.1</u>	<u>11,725</u>	<u>0.1</u>	<u>11,704</u>	<u>0.1</u>	<u>—</u>

The following table summarizes the Group’s restricted shares activities:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	Number of restricted shares	Number of restricted shares	Number of restricted shares	Number of restricted shares (Unaudited)	Number of restricted shares
As at the beginning of the period/year	—	28,690	37,983	37,983	44,985
Granted during the period/year . . .	28,690	9,293	10,515	10,515	14,728
Forfeited during the period/year . .	—	—	(3,513)	(3,513)	(785)
Transferred from share options . . .	—	—	—	—	15,949
As at the end of the period/year	28,690	37,983	44,985	44,985	74,877

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

32 Share-based payments (Continued)

The share based payment expenses of the share options and RSUs will be amortized according to different vesting schedules which is mainly range from one year to four years with the proportion of achieving performance conditions.

Capital injection with low price

On 29 December 2018, one of Series Angel investor, Qingdao Innovation Zhicheng Technology Center (Limited Partnership) (“Innovation Zhicheng”), owned by key management acquired 46,787 Unit Capital of which fair value is RMB 54.83 per Unit Capital with cash considerations of RMB 1 per Unit Capital and the expense amounted to RMB 2,519,000 was included in employee benefit expenses for the period from 6 February to 31 December 2018 in Note 12.

On 30 December 2018, one of Series Angel investor, Chengwei Evergreen Equity Investment Partnership (Limited Partnership) (“Chengwei Evergreen”), acquired 46,787 Unit Capital of which fair value is RMB 59.57 per Unit Capital with no considerations and the expense amounted to RMB 2,787,000 was recorded as share-based payment expenses for the period from 6 February to 31 December 2018 to investor in Note 9.

The difference between the fair value of the unit capital and the cash considerations is recognized in profit or loss with a corresponding increase in equity.

The inputs into the model

The fair values of share options were calculated using the binomial option pricing model. The inputs into the model were as follows:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Unit capital value of one share option	2.91~4.97	6.15~12.27	15.89~22.02	15.89~21.87	26.49~26.67
Exercise price	0.10	0.10	0.10	0.10	0.10
Expected volatility	49.40%	49.00%~49.40%	48.60%~49.00%	48.60%~49.00%	48.60%
Risk-free rate	3.34%~3.68%	3.14%~3.37%	2.72%~3.28%	2.72%~3.20%	3.22%~3.32%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%

Expected volatility was estimated based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise. Risk-free rate was based on the market yield of PRC Treasury Curve and country risk differential as of the respective valuation dates.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Group’s best estimate. The value of an option varies with different variables of certain subjective assumptions.

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

32 Share-based payments (continued)

The fair values of the share options and RSUs granted to certain directors, senior management, employees and consultants during the Track Record Period were as follows:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Fair value of one share					
option	2.81~4.87	6.05~12.17	15.79~21.92	15.79~21.77	26.39~26.57
Fair value of one RSU	0.90~2.81	10.51	21.77	21.77	26.57~34.18

Share-based payment expenses of RMB 23,339,000, RMB 53,230,000, RMB 133,750,000, RMB 93,691,000 and RMB 295,585,000 have been recognized in profit or loss for the period from 6 February 2018 to 31 December 2018 and the years ended 31 December 2019 and 2020 and nine months ended 30 September 2020 and 2021.

33 Other non-current liabilities

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Government grants	39,143	55,387	48,459	38,987

Government grants provided to the Group mainly related to financial assistance from the local government in the PRC.

The amount of government grants that credited to the statement of comprehensive income is disclosed in Note 7.

34 Deferred income tax

The expiration of tax losses carried forward for which deferred income tax assets is not recognized is as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Tax losses expiring between 2-3 years	—	—	5,166	5,166
Tax losses expiring between 3-4 years	—	10,593	41,324	38,234
Tax losses expiring between 4-5 years	49,334	83,452	47,887	109,761
Tax losses expiring between 7-8 years	—	—	49,506	47,974
Tax losses expiring between 8-9 years	—	44,079	162,884	162,884
Tax losses expiring between 9-10 years	5,338	120,756	131,154	199,831
	54,672	258,880	437,921	563,850

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

34 Deferred income tax (continued)

Unrecognized temporary differences are as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Temporary difference for which no deferred tax asset was recognized:				
—Provisions for impairment	855	6,351	25,282	46,187
—Accrued expenses and others	6,085	16,875	26,445	37,643
	<u>6,940</u>	<u>23,226</u>	<u>51,727</u>	<u>83,830</u>

35 Trade and notes payables

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Accounts payable	12,881	64,828	62,574	125,128
Notes payable	—	—	625	2,081
	<u>12,881</u>	<u>64,828</u>	<u>63,199</u>	<u>127,209</u>

As at 31 December 2018, 2019 and 2020 and 30 September 2021, the aging analyses of the trade payables based on transaction date were as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	11,081	54,529	47,200	75,315
Between 3 months and 6 months	1,800	9,490	2,199	42,888
Between 6 months and 1 year	—	809	10,940	3,937
Between 1 year and 2 years	—	—	2,860	4,260
Between 2 year and 3 years	—	—	—	809
	<u>12,881</u>	<u>64,828</u>	<u>63,199</u>	<u>127,209</u>

The carrying amounts of trade and notes payables approximate their fair values.

36 Other payables and accruals—the Group and the Company

The Group

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Payroll and welfare payables	10,664	22,224	34,524	35,217
Accruals and other payables	10,575	10,690	23,117	19,405
Payables for acquisition of non-controlling interests to non-controlling shareholders(i)	—	—	22,400	22,400
Other taxes payable	883	1,824	4,859	5,412
	<u>22,122</u>	<u>34,738</u>	<u>84,900</u>	<u>82,434</u>

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

36 Other payables and accruals—the Group and the Company (continued)

The Company

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Payables for acquisition of non-controlling interests to non-controlling shareholders(i)	—	—	22,400	22,400
Accruals and other payables	1,944	5,090	1,028	5,539
Payroll and welfare payables	747	221	2,000	3,527
Other taxes payable	176	22	550	827
	<u>2,867</u>	<u>5,333</u>	<u>25,978</u>	<u>32,293</u>

- (i) The Group completed the acquisition of 45% non-controlling interests in RewinCloud (Chongqing) Technology Co., Ltd., a subsidiary at a total consideration of approximately RMB 124,030,000 in 2020. RMB 101,630,000 was paid in 2020, and the remainder was paid in October 2021.

The carrying amounts of other payables and accruals approximate their fair values.

37 Contract liabilities

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Contract liabilities				
—Sales of products and solutions	<u>2,029</u>	<u>9,685</u>	<u>38,440</u>	<u>29,082</u>

- (i) The contract liabilities as at the 31 December 2020 increased since the Company received down-payment amounted to RMB 32,025,000 from 2 customers according to the payment term.

- (ii) Revenue recognized in relation to contract liabilities

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

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the period/year	<u>—</u>	<u>2,029</u>	<u>9,685</u>	<u>3,216</u>	<u>35,067</u>

- (iii) Unsatisfied performance obligations

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
—Sales of products and solutions	<u>42,879</u>	<u>106,557</u>	<u>235,265</u>	<u>473,659</u>

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

37 Contract liabilities (continued)

The Group expects that unsatisfied performance obligations of approximately RMB 284,939,000 as of 30 September 2021 will be recognized as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB 188,720,000 will be recognized as revenue after 1 year but less than 3 years.

The revenue relating to data solutions are recognised based on the actual usage by the customer and thus the Group applied the expedient under IFRS 15 for not disclosing of unsatisfied performance obligation.

38 Financial liabilities of redeemable shares—the Group and the Company

Since the date of incorporation, the Company has completed several rounds of financing by issuing Redeemable Shares with redemption rights, liquidation preference, anti-dilution rights, tag-along rights, and drag-along right, etc. Before the investors withdraw these terms, the Company recognized the obligation of redeemable rights of the Redeemable Shares as financial liabilities at amortised cost, and financial cost is recognized in statements of comprehensive income on a time-proportion basis.

Series	Date of issuance	Total number of Unit Capital	Consideration per Unit Capital	Total consideration	Present value of expected redemption amount as of issue date
			RMB	RMB'000	RMB'000
Series Angel	29/6/2018	1,529,933	55.59	85,047	48,193
Series A	15/1/2019	2,125,199	92.83	197,280	197,280
Series A+	14/3/2019	2,097,603	101.89	213,720	213,720
Series B	20/12/2019	1,206,916	165.71	200,000	200,000
Series B+	27/12/2019	686,434	189.38	130,000	130,000
Series C	29/10/2020	2,466,798	304.04	750,000	750,000
Series C+	1/3/2021	310,857	321.69	100,000	100,000

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

38 Financial liabilities of redeemable shares—the Group and the Company (continued)

The movement of financial liabilities of redeemable shares are set out as below:

	RMB’000
As at 6 February 2018	—
Issuance—present value:	
Series Angel	48,193
Financial cost (Note 10)	2,457
As at 31 December 2018	<u>50,650</u>
Issuance—present value:	
Series A	197,280
Series A+	213,720
Series B	200,000
Series B+	130,000
Financial cost (Note 10)	35,158
As at 31 December 2019	<u>826,808</u>
Issuance—present value:	
Series C	750,000
Financial cost (Note 10)	82,406
As at 31 December 2020	<u>1,659,214</u>
Issuance – present value:	
Series C+	100,000
Financial cost (Note 10)	34,877
Transfer from financial liabilities at amortised cost due to cancellation of redeemable rights (i)	(1,794,091)
As at 30 September 2021	<u>—</u>

- (i) On 30 March 2021, pursuant to the agreement of shareholders, shareholders with Redeemable Shares waived redeemable rights against the Company, tag-long rights, drag-along rights, anti-dilution and liquidation preference. As a result, the Company transferred the balance of financial liabilities of redeemable shares to capital reserve.

The key terms of the Redeemable Shares, which are relevant for the accounting treatment are summarized as follows:

Redemption rights

The holders of Redeemable Shares have the right to require the Company to redeem all or part of the Company’s equity they hold, as well as the equity derived from bonuses, transfers and spin-offs of such equity when some events happen.

The redemption price shall be equal to the sum of the following three:

- (1) 100% of the subscription price of the company’s equity held by each round of holders of these shares at that time;
- (2) the interest income calculated by different interests rates under different redemption situation; and

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ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

38 Financial liabilities of redeemable shares—the Group and the Company (continued)

- (3) all declared but undistributed dividends on the Company’s equity held by the holders of these shares at that time.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, either voluntarily or involuntarily, the holders of these shares shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares.

The liquidation price shall be equal to 100% of the consideration paid by the holders of these shares and all declared but undistributed dividends on the shares held by the holders of these shares, besides, some holders of these shares as agreed in the contract shall be also entitled to interest income calculated at a rate of 10% per annum.

If the Company still has surplus property after the holders of these shares have obtained their liquidation preference amount in full, all shareholders of the Company (including the investors) shall have the right to participate in the distribution of the remaining property of the Company in accordance with the relative proportion of the registered capital of the Company paid in accordance with their respective payments.

A liquidation event means: (a) bankruptcy, dissolution or liquidation of the Company; (b) the Company sells, leases or otherwise substantially disposes of most of its assets or businesses; (c) the Company is acquired, merged, or the actual controller of the Company changes, which materially affects the qualified [REDACTED] of the Company; (d) the Company, founder shareholders, founding team and Sinovation Ventures (if applicable) failed to fulfil the agreed redemption obligations; (e) the Company licenses all or substantially all intellectual property rights to third parties for use; (f) the qualifications and licenses necessary for the current/planned business of the Company are generally invalidated or transferred to a third party, resulting in the Company being unable to continue the current/planned main business as a whole; or (g) other events specified in the Company’s articles of association.

39 Amounts due to/from subsidiaries—the Company

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Amounts due from subsidiaries	44,607	736,772	1,186,259	1,135,341
Amounts due to subsidiaries	(1,463)	(25,778)	(37,136)	(46,600)

- (i) The amounts due to/from subsidiaries is unsecured payable or receivable on demand.

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

40 Cash used in operations

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Loss before income tax	(71,145)	(248,056)	(360,463)	(244,654)	(435,448)
Adjustment for:					
Depreciation of property, plant, and equipment and right-of-use assets and amortisation of intangible asset	886	11,027	22,842	16,710	20,263
Losses on disposal of property, plant and equipment	—	137	3	1	5
Interests received on FVPL	(142)	(1,119)	—	—	(4,883)
Interest expenses on lease liabilities	130	441	705	519	447
Interest income	(979)	(9,499)	(9,449)	(6,228)	(15,507)
Net impairment losses on financial assets	855	5,496	18,950	5,176	20,905
Share-based payment expenses	23,339	53,230	133,750	93,691	295,585
Finance cost of financial liabilities of redeemable shares	2,457	35,158	82,406	52,729	34,877
Net foreign exchange losses	—	—	—	—	5,750
Operating loss before changes in working capital . .	(44,599)	(153,185)	(111,256)	(62,056)	(78,006)
Changes in working capital:					
(Increase)/decrease in inventories	(3,043)	(29,284)	(22,983)	(28,132)	11,951
Increase in trade and notes receivables	(17,096)	(109,992)	(87,610)	(52,493)	(127,611)
Increase in other operating assets	(10,375)	(16,241)	(4,932)	(23,587)	(40,467)
Increase/(decrease) in trade and notes payables . . .	12,881	51,947	(1,629)	1,023	64,010
Increase/(decrease) in contract liabilities	2,029	7,656	28,755	(2,896)	(9,358)
Increase/(decrease) in other operating liabilities . . .	56,331	50,642	17,012	21,663	(8,408)
Cash used in operations	<u>(3,872)</u>	<u>(198,457)</u>	<u>(182,643)</u>	<u>(146,478)</u>	<u>(187,889)</u>

(a) Major non-cash transaction

For the period from 6 February 2018 to 31 December 2018 and years ended 31 December 2019 and 2020 and nine months ended 30 September 2020 and 2021, the Group endorsed bank acceptance notes to the suppliers for purchase of goods amounting to approximately nil, RMB 1,000,000, RMB 4,700,000, RMB 3,700,000 and RMB 600,000, respectively.

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

40 Cash used in operations (continued)

(b) Net debt reconciliation

	Cash and cash equivalents	Lease liabilities	Financial liabilities of redeemable shares	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 6 February 2018	—	—	—	—
Cash flows	74,396	152	(85,047)	(10,499)
Acquisitions and other non-cash movement	—	(8,306)	34,397	26,091
Net debt as at 31 December 2018	74,396	(8,154)	(50,650)	15,592
Cash flows	531,235	3,431	(741,000)	(206,334)
Acquisitions and other non-cash movement	—	(6,505)	(35,158)	(41,663)
Net debt as at 31 December 2019	605,631	(11,228)	(826,808)	(232,405)
Cash flows	436,871	6,832	(750,000)	(306,297)
Acquisitions and other non-cash movement	—	(10,294)	(82,406)	(92,700)
Net debt as at 31 December 2020	1,042,502	(14,690)	(1,659,214)	(631,402)
Cash flows	612,121	4,797	(100,000)	516,918
Acquisitions and other non-cash movement	—	(935)	1,759,214	1,758,279
Net debt as at 30 September 2021	1,654,623	(10,828)	—	1,643,795

41 Commitments

Capital commitments

As at 31 December 2018, 2019 and 2020 and 30 September 2021, the Group had the following capital commitments:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for				
—Leasehold improvement	8,779	5,106	—	30,606

42 Related party transactions

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42 Related party transactions (continued)

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the Track Record Period:

Name of related parties	Relationship with the Company
Sinovation Ventures	Shareholder of the Company
Xiamen Meituzhijia Technology Co., Ltd.	Under significant influence of Dr. Kai-Fu Lee, chairman of the Board of Directors of the Company
Hangzhou Feibu Technology Co., Ltd.	Under significant influence of Dr. Kai-Fu Lee, chairman of the Board of Directors of the Company
Beijing Innovation Ark Technology Co., Ltd.	Controlled by Wang Hua, member of the Board of Directors of the Company
Sinovation Ventures (Nanjing) Technology Limited	Under common control by Sinovation Ventures
CISDI (Chongqing) Information Technology Co., Ltd.	Minority shareholder of a subsidiary
Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership)	Shareholder of the Company
Qingdao Xinnuo Zhida Technology Co., Ltd.	Other related company
Qingdao Xinnuo Zhicheng Technology Co., Ltd. ...	Other related company

Other than as disclosed elsewhere in this report, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period.

- (b) Transactions with related parties

Significant related party transactions of the Group are listed as follows:

- (i) Services provided by related parties

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sinovation Ventures	1,289	4,253	—	—	—
Beijing Innovation Ark Technology Co., Ltd.	2,264	1,886	—	—	—
	<u>3,553</u>	<u>6,139</u>	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42 Related party transactions (continued)

(b) Transactions with related parties (continued)

(ii) Sales and services to related parties

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CISDI (Chongqing) Information Technology Co., Ltd.	—	—	32,106	1,062	17,254
Sinovation Ventures	47	—	734	734	1,453
Hangzhou Feibu Technology Co., Ltd.	12	—	—	—	—
Xiamen Meituzhijia Technology Co., Ltd.	192	—	—	—	—
	<u>251</u>	<u>—</u>	<u>32,840</u>	<u>1,796</u>	<u>18,707</u>

(iii) Loans to related parties

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Qingdao Xinnuo Zhicheng Technology Co., Ltd.	—	50	—	—	—
Qingdao Xinnuo Zhida Technology Co., Ltd.	50	—	—	—	—
Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership)	50	—	—	—	—
	<u>100</u>	<u>50</u>	<u>—</u>	<u>—</u>	<u>—</u>

(iv) Repayment of loans from related parties

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Qingdao Xinnuo Zhicheng Technology Co., Ltd.	—	50	—	—	—
Qingdao Xinnuo Zhida Technology Co., Ltd.	—	50	—	—	—
Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership)	—	50	—	—	—
	<u>—</u>	<u>150</u>	<u>—</u>	<u>—</u>	<u>—</u>

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42 Related party transactions (continued)

(b) Transactions with related parties (continued)

(v) Pay on behalf of the Group by a related party

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
CISDI (Chongqing) Information Technology Co., Ltd.	—	479	543	445	170

(vi) Sales of equity investments to a related party

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Sinovation Ventures	—	—	—	—	128

(c) Balances with related parties

(i) Receivables from related parties

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Trade				
Accounts receivable				
—CISDI (Chongqing) Information Technology Co., Ltd.	—	—	1,893	7,316
—Sinovation Ventures	—	—	564	1,521
	—	—	2,457	8,837
Provisions	—	—	(138)	(231)
	—	—	2,319	8,606
	—	—	—	—
Non-Trade				
Other receivables				
—Sinovation Ventures (Nanjing) Technology Limited	—	2	2	—
—Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership)	50	—	—	—
—Qingdao Xinnuo Zhida Technology Co., Ltd.	50	—	—	—
	100	2	2	—

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION (Continued)

42 Related party transactions (continued)

(c) Balances with related parties (continued)

(ii) Payables to related parties

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Trade				
Contract liabilities				
—CISDI (Chongqing) Information Technology Co., Ltd.	—	12,536	98	—
	—	—	—	—
	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000
Non-Trade				
Other payables and accruals				
—CISDI (Chongqing) Information Technology Co., Ltd.	—	281	824	773
—Qingdao Xinnuo Zhida Technology Co., Ltd.	—	—	5	—
—Qingdao Xinnuo Zhiqi Business Management Consulting Partnership Enterprise (Limited Partnership)	—	—	4	—
—Beijing Innovation Ark Technology Co., Ltd.	—	1,886	—	—
—Sinovation Ventures (Nanjing) Technology Limited	177	—	—	—
	177	2,167	833	773

All the non-trade balances with related parties are expected to be settled upon [REDACTED].

(d) Key management compensation

Key management includes directors (executive and non-executive), supervisors and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Period from 6 February to 31 December	Year ended 31 December		Nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB’000	RMB’000	RMB’000	RMB’000 (Unaudited)	RMB’000
Salaries, bonus and other welfare	3,854	6,385	4,738	3,615	5,520
Share-based payment expenses	11,896	36,089	91,964	71,671	91,406
	15,750	42,474	96,702	75,286	96,926

43 Contingent liabilities

There are no significant contingent liabilities as at 31 December 2018, 2019 and 2020 and 30 September 2021.

44 Subsequent events

There is no significant subsequent event.

APPENDIX I

ACCOUNTANT’S REPORT

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 September 2021 and up to the date of this report. No dividend or distribution has been declared, made or paid by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 September 2021.