The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong. As described in Appendix VI headed "Documents Delivered to the Registrar of Companies and on Display" to this document, a copy of the accountants' report is available for inspection.

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Quarry Bay, Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF READBOY EDUCATION HOLDING COMPANY LIMITED AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED AND MACQUARIE CAPITAL LIMITED

Introduction

We report on the historical financial information of Readboy Education Holding Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[4] to I-67, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended December 31, 2019, 2020 and 2021 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at December 31, 2019, 2020 and 2021 and the statement of financial position of the Company as at December 31, 2021 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-67 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

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

Reporting accountants' responsibility

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

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

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

Opinion

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

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

Adjustments

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

Dividends

We refer to note [11] to the Historical Financial Information for details of dividends paid by the Group in respect of the Relevant Periods.

No historical financial statements for the Company

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

[●]
Certified Public Accountants
Hong Kong
[●]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31, 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	669,853	733,997	813,181
Cost of sales		(495,470)	(532,285)	(644,009)
Gross profit		174,383	201,712	169,172
Other income and gains	*5*	30,623	42,741	60,098
Selling and distribution expenses		(63,490)	(74,163)	(73,060)
Administrative expenses		(20,203)	(21,865)	(44,008)
Research and development expenses		(36,428)	(30,211)	(43,870)
Other expenses		(7,752)	(15,067)	(22,867)
Finance costs	*7*	(1,227)	(359)	(88)
Changes in fair value of financial liabilities at fair value through profit or loss	*6*	–	–	26,649
PROFIT BEFORE TAX	*6*	75,906	102,788	72,026
Income tax (expense)/credit	*10*	(6,471)	(10,775)	10,120
PROFIT FOR THE YEAR		69,435	92,013	82,146
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		69,435	92,013	82,146
Attributable to Owners of the Company		69,435	92,013	82,146
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY				
Basic	*12*	0.07	0.09	0.08
Diluted	*12*	0.07	0.09	0.05

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31, 2019 RMB'000	2020 RMB'000	2021 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	51,993	50,394	48,453
Investment properties	14	14,378	13,992	13,606
Right-of-use assets	15(a)	1,769	1,141	3,103
Other intangible assets	16	7,224	5,184	6,074
Deferred tax assets	17	18,761	22,131	32,548
Time deposit	22	20,000	20,000	–
Other non-current assets	21	3,867	3,510	1,853
Total non-current assets		117,992	116,352	105,637
CURRENT ASSETS				
Inventories	18	219,409	198,766	258,219
Trade receivables	19	16,965	23,566	47,551
Prepayments, other receivables and other assets	20	21,380	48,210	48,155
Time deposit	22	–	–	20,000
Cash and cash equivalents	22	133,366	253,318	333,340
Total current assets		391,120	523,860	707,265
CURRENT LIABILITIES				
Trade and bills payables	24	85,101	97,206	68,299
Other payables, accruals and contract liabilities	25	145,419	190,525	197,748
Interest-bearing bank borrowings	26	10,000	–	–
Lease liabilities	15(b)	642	773	1,318
Amounts due to shareholders	33(d)	–	128,000	117,561
Tax payable		7,094	7,637	7,018
Total current liabilities		248,256	424,141	391,944
NET CURRENT ASSETS		142,864	99,719	315,321
TOTAL ASSETS LESS CURRENT LIABILITIES		260,856	216,071	420,958
NON-CURRENT LIABILITIES				
Lease liabilities	15(b)	1,234	556	1,935
Financial liabilities at fair value through profit or loss	27	–	–	120,365
Contract liabilities	25	31,158	37,728	39,720
Total non-current liabilities		32,392	38,284	162,020
Net assets		228,464	177,787	258,938
EQUITY				
Equity attributable to owners of the parent				
Share capital	28	–	–	1
Reserves	29	228,464	177,787	258,937
Total equity		228,464	177,787	258,938

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital	Merger reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000**	*RMB'000**	*RMB'000**	*RMB'000*
	(note 28)	*(note 29)*	*(note 29)*		
As at December 31, 2018	–	72,595	5,497	39,439	117,531
Profit and total comprehensive income for the year	–	–	–	69,435	69,435
Capital contribution	–	41,470	–	–	41,470
Transfer from retained profits	–	–	9,502	(9,502)	–
Waiver of an amount due to a shareholder *(note 32(a))*	–	28	–	–	28
As at December 31, 2019	–	114,093	14,999	99,372	228,464
Profit and total comprehensive income for the year	–	–	–	92,013	92,013
Capital contribution	–	17,310	–	–	17,310
Dividend declared by a subsidiary to the then equity holders *(note 11)*	–	–	–	(160,000)	(160,000)
Transfer from retained profits	–	–	10,125	(10,125)	–
As at December 31, 2020 and January 1, 2021	–	131,403	25,124	21,260	177,787
Profit and total comprehensive income for the year	–	–	–	82,146	82,146
Issue of shares *(notes 28)*	1	–	–	–	1
Capital contribution	–	1,678	–	–	1,678
Deemed distribution to the then equity owners	–	(2,674)	–	–	(2,674)
Transfer from retained profits	–	–	11,630	(11,630)	–
As at December 31, 2021	1	130,407	36,754	91,776	258,938

* These reserve accounts comprise the consolidated reserves of RMB228,464,000, RMB177,787,000 and RMB258,937,000 in the consolidated statements of financial position as at December 31, 2019, 2020 and 2021, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:		75,906	102,788	72,026
Adjustments for:				
Foreign exchange losses		–	–	1,814
Finance costs	*7*	1,227	359	88
Bank interest income	*5*	(1,096)	(3,167)	(3,335)
Investment income from structured deposit	*5*	–	(1,189)	(2,266)
Finance income on the net investment in a lease	*5*	–	(43)	(99)
Net losses/(gain) on disposal of items of property, plant and equipment	*6*	477	122	(90)
COVID-19-related rent concessions from lessors	*15(b)*	–	(62)	–
Depreciation of property, plant and equipment	*13*	4,351	4,046	4,125
Depreciation of investment properties	*14*	386	386	386
Depreciation of right-of-use assets	*15(a)*	162	628	981
Amortization of other intangible assets	*16*	4,659	5,114	10,714
Government grants		(817)	–	–
Write-down/(reversal of write-down) of inventories to net realizable value	*6*	3,148	(4,626)	1,189
(Reversal of impairment)/impairment of trade receivables	*6*	(243)	276	429
Changes in fair value of financial liabilities at fair value through profit or loss	*6*	–	–	(26,649)
		88,160	104,632	59,313
(Increase)/decrease in inventories		(71,290)	25,270	(60,641)
Decrease/(increase) in trade receivables		30,930	(6,876)	(24,415)
(Increase)/decrease in prepayments, other receivables and other assets		(15,272)	(26,830)	15,607
(Increase)/decrease in other non-current assets		(3,366)	399	1,756
Decrease in an amount due from a related party		251	–	–
Increase/(decrease) in trade and bills payables		24,907	12,105	(28,907)
Increase in contract liabilities		32,286	27,857	2,705
Increase/(decrease) in other payables and accruals		5,847	(8,182)	(8,291)
Decrease in amounts due to related parties		(141)	–	–
Cash generated from/(used in) operations		92,312	128,375	(42,873)
Interest received		1,096	3,167	3,335
Tax paid		(3,317)	(13,602)	(916)
Net cash flows generated from/(used in) operating activities		90,091	117,940	(40,454)

	Notes	Year ended December 31, 2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment	*13*	(3,559)	(2,569)	(3,002)
Additions of other intangible assets	*16*	(6,591)	(3,074)	(11,604)
Increase in time deposit		(20,000)	–	–
Investment income from structured deposit	*5*	–	1,189	2,266
Increase in structured deposit		–	(90,000)	(1,210)
Redemption on maturity of structured deposit		–	90,000	1,210
Proceeds from disposal of items of property, plant and equipment		1,046	–	908
Net cash flows used in investing activities		(29,104)	(4,454)	(11,432)
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital injection from shareholders		41,470	17,310	1,678
Proceeds from issue of shares	*28*	–	–	1
Proceeds from financial liabilities at fair value through profit or loss		–	–	147,014
New bank loans		10,000	–	–
Repayment of bank loans		(30,000)	(10,000)	–
Interest paid	*7*	(1,199)	(359)	(88)
Principal portion of lease payments		(214)	(485)	(1,019)
Decrease in amounts due to shareholders	*33(b)/ 33(d)*	(16,615)	–	(10,439)
Payment for deferred [**REDACTED**]		–	–	(751)
Deemed distribution to the then equity owners		–	–	(2,674)
Net cash flows generated from financing activities		3,442	6,466	133,722
NET INCREASE IN CASH AND CASH EQUIVALENTS		64,429	119,952	81,836
Cash and cash equivalents at beginning of year		68,937	133,366	253,318
Effect of foreign exchange rate changes, net		–	–	(1,814)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*22*	133,366	253,318	333,340
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	*22*	133,366	253,318	333,340
Cash and cash equivalents as stated in the consolidated statements of financial position and consolidated statements of cash flows		133,366	253,318	333,340

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**As at December 31 2021** *RMB'000*
NON-CURRENT ASSETS		
Investment in a subsidiary	*23*	–
Total non-current assets		–
CURRENT ASSETS		
Prepayments, other receivables and other assets	*20*	3,911
Due from subsidiaries		66,734
Cash and cash equivalents	*22*	63,038
Total current assets		133,683
NET CURRENT ASSETS		133,683
TOTAL ASSETS LESS CURRENT LIABILITIES		133,683
NON-CURRENT LIABILITIES		
Financial liabilities at fair value through profit or loss	*27*	120,365
Total non-current liabilities		120,365
Net assets		13,318
EQUITY		
Share capital	*28*	1
Other reserves		13,317
Total equity		13,318

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Readboy Education Holding Company Limited (the "Company") was incorporated in the Cayman Islands on February 8, 2021 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box, 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the production and sales of personal student tablets, smart classroom solutions, wearable products, other products and advertisement and content licensing in the People's Republic of China (the "PRC"). There has been no significant change in the Group's principal activities during the Relevant Periods.

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

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

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	*Indirect* %	
Readboy Education Group Limited *(Note (a))*	British Virgin Islands ("BVI") February 23, 2021	US$1	100	–	Investment holding
Readboy Education (HK) Limited *(Note (a))*	Hong Kong March 5, 2021	HK$10,000	–	100	Investment holding
Readboy Technology (Zhongshan) Company Limited 讀書郎科技(中山)有限公司* ("WFOE") *(Note (a))*	PRC/Mainland China March 22, 2021	RMB20,000,000	–	100	Provision of management and consultancy services
Readboy Educational Technology Company Limited 讀書郎教育科技有限公司* ("Readboy Technology") *(Note (b))*	PRC/Mainland China May 28, 1999	RMB87,333,333	–	100	Production and sales of AI learning equipment
Zhuhai Readboy Network Education Company Limited 珠海讀書郎網絡教育有限公司*/** ("Zhuhai Readboy") *(Note (b))*	PRC/Mainland China November 24, 2017	RMB10,000,000	–	100	Production and sales of digital educational resources
Dream Exploration Technology (Zhongshan) Company Limited 夢想探索技術(中山)有限公司* ("Zhongshan Dream") *(Note (b))*	PRC/Mainland China June 22, 2020	RMB1,000,000	–	100	Production and sales of personal student tablets
Zhuhai Readboy Software Technology Company Limited 珠海讀書郎軟件科技有限公司* ("Zhuhai Technology") *(Note (a))*	PRC/Mainland China January 8, 2021	RMB10,000,000	–	100	Provision of software and information services
Shuerlang New Media Technology (Hangzhou) Company Limited 讀書郎新媒體技術(杭州)有限公司* ("Zhongshan Dream") *(Note (a))*	PRC/Mainland China December 6, 2021	RMB10,000,000	–	100	Online sales
Zhongshan Reader Technology Company Limited 中山讀書者科技有限公司*/*** ("Zhongshan Reader") *(Note (a))*	PRC/Mainland China December 27, 2021	RMB2,000,000	–	55	Sales of electronic products

Notes:

(a) No audited financial statements have been prepared as these companies are either newly incorporated or they are incorporated in jurisdictions which do not have any statutory audit requirements.

(b) The statutory financial statements for the year ended December 31, 2019 prepared in accordance with accepted accounting principles and financial regulations under the PRC (the "PRC GAAP") were audited by Zhongshan Ruihe Certified Public Accountants (中山市睿和會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.

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

** This entity was an indirectly wholly owned subsidiary of the Company and owned as to 100% by Readboy Technology prior to the Reorganization. After the Reorganization, it became the PRC operating entity which the Company controls through the Contractual Arrangements.

*** This entity was an indirectly non-wholly owned subsidiary of the Company which is owned as to 55% by Readboy Technology and 45% by Zhongshan Chengtian Technology Co., Ltd, an independent third party save for its shareholding in Zhongshan Reader.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group on April 19, 2021.

Due to regulatory restrictions on foreign ownership in digital educational resources production and sales business in the PRC, the digital educational resources and services were carried out by Zhuhai Readboy during the Relevant Periods. Pursuant to the Reorganization, Readboy Technology (Zhongshan) Company Limited (the "Wholly Foreign Owned Enterprise", or the "WFOE"), the Company's indirectly wholly-owned subsidiary, has entered into contractual arrangements (the "Contractual Arrangements") with, among others, Zhuhai Readboy and its respective equity holders, on March 23, 2021. The arrangements of the Contractual Arrangements enable the WFOE to exercise effective control over Zhuhai Readboy and obtain substantially all economic benefits of Zhuhai Readboy. Accordingly, Zhuhai Readboy is controlled by the Company based on the Contractual Arrangements though the Company does not have any direct or indirect equity interest in Zhuhai Readboy. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in the Document.

On March 28, 2016, Mr. Chen Zhiyong (陳智勇) and Mr. Qin Shuguang (秦曙光) entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in excising their rights as shareholders of Readboy Technology before entering into the agreement, and agreed to continue the same going forward. On April 1, 2021, Mr. Chen Zhiyong and Mr. Qin Shuguang further entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of the Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. They have undertaken to continue to act in concert directly or indirectly through the companies controlled by them. They have also agreed to, among others, vote unanimously at all meetings of the shareholders of each member of the Group, discuss and reach consensus with each other before proposing to such meetings, and act in concert in respect of the business operations, governance and other key matters of the Group which shall be decided by the shareholders of each of the members of the Group.

The companies now comprising the Group were under the common control of Mr. Chen Zhiyong and Mr. Qin Shuguang (collectively the "Controlling Shareholders") before and after the Reorganization. As the Reorganization only involved inserting new holding companies and entering into Contractual Arrangements that has not resulted in a change of respective voting, economic substance and beneficial interests. Accordingly, for the purpose of this report, the Historical Financial Information for the Relevant Periods has been presented as a continuation of Readboy Technology and its subsidiaries including Zhuhai Readboy by applying the principles of merger accounting as if the Company had been the holding company of Readboy Technology and its subsidiaries at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date of incorporation of the subsidiaries, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2019, 2020 and 2021 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values or recognize any new assets or liabilities as a result of the Reorganization.

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

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from January 1, 2021, together with the relevant transitional provisions have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial liabilities at fair value through profit or loss which have been measured at fair value at the end of each of the Relevant Periods.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2,4]
Amendments to HKAS 1	*Disclosure of Accounting Policies*[2]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2,5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41[1]

1 Effective for annual periods beginning on or after January 1, 2022

2 Effective for annual periods beginning on or after January 1, 2023

3 No mandatory effective date yet determined but available for adoption

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

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group has expected that these standards will not have significant effect on the Group's financial performance and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses

Subsidiaries arising from the Reorganization

Zhuhai Readboy has entered into Contractual Arrangements with, among others, WFOE and the equity holders of Zhuhai Readboy. The Contractual Arrangements became effective on March 23, 2021. The shareholders of Zhuhai Readboy authorized and appointed WFOE, as his or her agent to act on his or her behalf to exercise or delegate the exercise of all his or her rights as equity holders of Zhuhai Readboy. In particular, WFOE undertakes to provide Zhuhai Readboy with certain technical services as required to support its operation. In return, WFOE is entitled to substantially all of the operating profits and residual benefits generated by Zhuhai Readboy through intercompany charges levied on these services rendered. The equity holders of Zhuhai Readboy are also required to transfer their equity interests in Zhuhai Readboy to WFOE or the designee appointed by WFOE upon a request made by WFOE when permitted by the PRC laws for nominal consideration or the minimum amount of consideration permitted by the applicable PRC laws and regulations. The equity interests in Zhuhai Readboy have also been pledged by the equity holders to WFOE in respect of the continuing obligations of Zhuhai Readboy. Accordingly, the Group has rights to variable returns from its involvement with Zhuhai Readboy and has the ability to affect those returns through its power, and thus control over Zhuhai Readboy.

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

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

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

Buildings	2.38%-2.75%
Plant and machinery	9.50%
Motor vehicles	19.00%
Electronic equipment	9.50%-31.67%

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

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

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary digital educational resources of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis to write off the cost of an investment property to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Property and buildings	2.38%-2.75%

Subsequent expenditure is capitalized in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably; otherwise, the expenditures are recognized in profit or loss in the year in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

If an investment property becomes an owner-occupied property, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

Intangible assets (other than goodwill)

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

Software

Purchased computer software is stated at cost less any impairment losses and is amortized on a straight-line basis over its estimated useful life of 5 years. The useful life of the computer software is assessed by the Group considering the purposes and usage of the software.

Copyrights

Copyrights are stated at cost less any impairment losses and are amortized on a straight-line basis over their estimated useful lives of 2 to 3 years.

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Office premises	2 to 8 years

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

(b) Lease liabilities

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

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

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalized at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognized in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss and other comprehensive income.

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

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

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

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

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

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

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

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables and financial liabilities at fair value through profit or loss, as appropriate.

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

The Group's financial liabilities include trade and bills payables, other payables and accruals, lease liabilities, interest-bearing bank borrowings, amounts due to shareholders, an amount due to a related party and financial liabilities at fair value through profit or loss.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities. The Group designated the ordinary shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value.

Subsequent to initial recognition, the ordinary shares are carried at fair value with changes in fair value recognized in profit or loss.

The ordinary shares are classified as non-current liabilities because the holders of the ordinary shares cannot demand the Company to redeem the ordinary shares until at least 12 months after December 31, 2021.

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, lease liabilities and interest-bearing bank borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

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

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

The Group provides for warranties in relation to the sale of devices for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognized based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments.

Revenue recognition

Revenue from contracts with customers

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

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

Rebates may be provided to certain customers to support their sales activities. Rebates are offset against amounts payable by the customers. To estimate the variable consideration for the expected rebates, the Group applies the most likely amount method which best predicts the amount of variable consideration which usually is a fixed percentage of cash collection amount as agreed in the contract. The Group then applies the requirements on constraining estimates of variable consideration and the expected future rebates are deducted from receivables from customers.

(a) *Sale of personal student tablets*

The Group provides the sale of devices that are bundled together with the provision of digital educational resources and services to the customer. Contracts for bundled sales of devices and digital educational resources and services are comprised of two performance obligations because the promises to transfer the devices and provide digital educational resources and services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the devices and digital educational resources and services.

Revenue from the sale of devices is recognized at the point in time when control of the personal student tablets is transferred to the customers. Significant part of the Group's products is sold to distributors who have primary responsibilities for products to be sold in their designated geographical areas. The control of the products is transferred when goods are accepted by the distributors. The Group also sells its product to end users over third-party online retail platforms. The control of products is transferred when online payment transaction is completed and goods are accepted by the end users.

Revenue from the provision of digital educational resources and services is recognized over the estimated user life on a straight-line basis, starting from the point when the digital educational resources is activated by the end users, i.e. the users are able to use and benefit from the digital educational resources and services, and other revenue recognition criteria are met. The Group estimates the user life and re-assesses such period at the end of each reporting period. For some models of personal student tablets targeting preschool children, the digital educational resources only include pre-installed offline digital educational resources and APPs. For those personal student tablets, revenue from the provision of digital educational resources is recognized at a point in time when the right to use of the digital educational resources is transferred, i.e., when the digital educational resources are activated by the user.

(b) Sale of smart classroom solutions

The Group provides the sale of smart classroom solutions that include devices together with the provision of customized digital educational resources based on local curriculum standards as well as tutoring content and services to enable an interactive learning environment for teachers and students. Contracts for bundled sales of devices and digital educational resources and services are comprised of two performance obligations because the promises to transfer the devices and provide digital educational resources and services are capable of being distinct and separately identifiable. Accordingly, the transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the devices and digital educational resources and services.

Revenue from the sale of devices is recognized at the point in time when control of the devices is transferred to the customers. Significant part of the Group's products is sold to distributors who have primary responsibilities for products to be sold in their designated geographical areas. The control of the products is transferred when goods are accepted by the distributors. The Group also sells its product to end users over third-party online retail platforms. The control of products is transferred when online payment transaction is completed and goods are accepted by the end users.

Revenue from the provision of digital educational resources and services is recognized over the estimated user life on a straight-line basis, starting from the point when the digital educational resources is activated by the end users, i.e. the users are able to use and benefit from the digital educational resources, and other revenue recognition criteria are met. The Group estimates the user life and re-assesses such period at the end of each reporting period.

(c) Sale of wearable products and other products

Revenue from the sale of wearable products and other products is recognized at the point in time when control of the products is transferred to the customer, that is when the products are accepted by the customers.

(d) Sale of advertisement and content licensing

The Group places links to the APPs of the customers on the devices sold by the Group. The Group collects a fee based on the fixed price per click or download as agreed in the contract with the customers and number of clicks performed by the end users. Monthly statements are issued and agreed by both parties to confirm the volume of actual clicks or downloads and revenue amount. The Group estimates revenue based on available information which has no material differences with the confirmed amount on the monthly statement.

The Group licenses pre-recorded digital educational resources to third-party channels which place the digital educational resources on their platforms to sell to the end users. When the users purchase the digital educational resources from the platforms, the Group is entitled to a prescribed fixed percentage of gross proceeds collected by the channels. The Group views the channels as its customers as the channels control the digital educational resources and have the primary responsibility to sell the digital educational resources to the users. The Group recognize the net amount remitted from the channels as revenue based on the monthly statement issued and confirmed by the platforms.

Other income

Rental income is recognized on a time proportion basis over the lease terms.

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

Contract liabilities

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

Employee benefits

Social pension plans

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

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the equity holders of relevant entities comprising the Group in a general meeting.

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Contractual Arrangements

Zhuhai Readboy is mainly engaged in the provision of digital educational resources and services, which falls in the scope of "Catalog of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest in the PRC.

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over Zhuhai Readboy and enjoys all the economic benefits of Zhuhai Readboy through the Contractual Arrangements.

The Group considers that it controls Zhuhai Readboy, notwithstanding the fact that it does not hold any direct equity interest in Zhuhai Readboy, as it has power over the financial and operating policies of Zhuhai Readboy and receives substantially all of the economic benefits from the business activities of Zhuhai Readboy through the Contractual Arrangements. Accordingly, Zhuhai Readboy has been accounted for as a subsidiary during the Relevant Periods.

Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(a) Identifying performance obligations in a bundled sale of devices and digital educational resources and services

A good or service that is promised to a customer is distinct if both of the following criteria are met: (a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and (b) the entity's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. The Group determined that both devices and digital educational resources and services are each capable of being distinct.

In assessing whether each item has stand-alone value to the customer, the Group considers factors such as the availability of readily available resources in the market and whether the entity sells goods or services separately, which indicates that the customer can benefit from both devices and digital educational resources and services on their own.

The Group determined that the promises to provide digital educational resources are not distinct from the maintenance and renewal services as the customer cannot exploit the value of the digital educational resources without receipt of such maintenance and renewal services. Therefore, the provision of digital educational resources and the maintenance and renewal services are consolidated as one performance obligation. The Group concluded that the promises to transfer devices and to provide digital educational resources and services are distinct. The device is separately identifiable in the contract and will be transferred upon the acceptance by customers. The digital educational resources represent academic content offerings which are not an integrated part of the device. The Group is not providing a significant integration service because the presence of the devices and digital educational resources and services together in the contract does not result in any additional or combined functionality and neither the device nor the digital educational resources modifies or customizes the other. In addition, the devices and the digital educational resources and services are not highly interdependent or highly interrelated, because the delivery of device is not dependent on the digital educational resources and services to be provided in the future. Therefore, the devices and provision of digital educational resources and services are two separate performance obligations.

Consequently, the Group has allocated the transaction price to devices and digital educational resources and services based on relative stand-alone selling prices. The stand-alone selling prices are not directly observable; therefore the Group estimates it using expected cost plus margin approach. The Group has considered all information that is reasonably available, including but not limited to, third-party or industry pricing, costs incurred to provide the good or service, related profit margins.

(b) *Determining the timing of satisfaction of digital educational resources and services*

The Group concluded that revenue from provision of digital educational resources and services is recognized over time because the user is granted a right to access digital educational resources embedded in the devices and is provided with continuing maintenance and renewal services over the user life. The Group uses the average user life when estimating the period over which revenue is being recognized.

For sale of personal student tablets, the Group tracks each user's log in history to estimate the average user life. For sale of smart classroom solutions, the Group considers the types of schools and grade of end users to whom the smart classroom solutions are sold to estimate the average user life.

The determination of the average user life for each type of products is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Future user classifications, patterns and behaviors may differ from the historical usage patterns and therefore the estimated average user life may change in the future. The Group will continue to monitor the estimated average user life, which may differ from the historical period, and any change in the estimate may result in the revenue being recognized on a different basis to that in prior periods. Any adjustments arising from changes in user life as a result of new information will be accounted for as a change in accounting estimate.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Current and deferred tax

Significant judgment is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to corporate income tax (the "CIT"). This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact tax expenses in the period that such determination is made. Further details of the current and deferred tax are set out in note 10 to the Historical Financial Information.

Deferred tax liabilities have been established for withholding taxes that would be payable on certain profits of the subsidiaries in the PRC to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The plan of the distribution of dividends is influenced by projected future market and economic conditions and future financing requirements of the Group. If these undistributed earnings of subsidiaries in the PRC are considered to be repatriated and distributed by way of dividends, the deferred tax charge and deferred tax liabilities would have been recognized.

Estimation uncertainty

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets as at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of each of the Relevant Periods. Further details of property, plant and equipment are set out in note 13 to the Historical Financial Information.

Provision for expected credit losses on accounts and other receivables

The provision rate of receivables is made based on assessment of their recoverability and aging analysis of receivables as well as other quantitative and qualitative information and on management's judgment and assessment of the forward-looking information. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a debtor's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in notes 19 and 20 to the Historical Financial Information, respectively.

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 17 to the Historical Financial Information.

Warranty provisions

The Group makes provisions for the warranties it gives on the sale of its products, taking into account the Group's current sales levels and past experience of the level of repairs. As the Group is continually upgrading its product designs and launching new products, it is possible that the past experience of the level of repairs and returns is not indicative of future claims that it will receive in respect of past sales. Any increase or decrease in the actual claims would affect profit or loss in future years.

Write-down of inventories to net realizable value

The Group, pursuant to the accounting policy for inventories, writes down inventories from cost to net realizable value and makes provision against obsolete and slow-moving items by using the lower of cost and net realizable value rule. The assessment of the write-down required involves management's judgment and estimates. Where the actual outcome or expectation in future is different from the original estimate, the differences will have an impact on the carrying amounts of inventories and the write-down of inventories in the period in which the estimate has been changed. As at December 31, 2019, 2020 and 2021, the carrying amount of inventory was RMB219,409,000, RMB198,766,000 and RMB258,739,000, respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and has five reportable operating segments as follows:

(a) Production and sale of personal student tablets;

(b) Production and sale of smart classroom solutions;

(c) Production and sale of wearable products;

(d) Production and sale of other products; and

(e) Advertisement and content licensing.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment result is evaluated based on gross profit. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Year ended December 31, 2019					
	Personal student tablets	**Smart classroom solutions**	**Wearable products**	**Other products**	**Advertisement and content licensing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue *(note 5)*						
Sales to external customers	541,494	8,163	111,778	5,987	2,431	669,853
Segment results	152,626	2,415	15,877	1,393	2,072	174,383
Reconciliation:						
Other income and gains						30,623
Selling and distribution expenses						(63,490)
Administrative expenses						(20,203)
Research and development expenses						(36,428)
Other expenses						(7,752)
Finance costs						(1,227)
Profit before tax						75,906

	Year ended December 31, 2020					
	Personal student tablets	**Smart classroom solutions**	**Wearable products**	**Other products**	**Advertisement and content licensing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue *(note 5)*						
Sales to external customers	664,928	22,293	31,664	2,144	12,968	733,997
Segment results	182,968	4,102	3,446	3	11,193	201,712
Reconciliation:						
Other income and gains						42,741
Selling and distribution expenses						(74,163)
Administrative expenses						(21,865)
Research and development expenses						(30,211)
Other expenses						(15,067)
Finance costs						(359)
Profit before tax						102,788

	Year ended December 31, 2021					
	Personal student tablets	Smart classroom solutions	Wearable products	Other products	Advertisement and content licensing	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue *(note 5)*						
Sales to external customers	705,023	23,579	53,695	17,918	12,966	813,181
Segment results	140,673	4,662	7,884	5,432	10,521	169,172
Reconciliation:						
Other income and gains						60,098
Selling and distribution expenses						(73,060)
Administrative expenses						(44,008)
Research and development expenses						(43,870)
Other expenses						(22,867)
Finance costs						(88)
Changes in fair value of financial liabilities at fair value through profit or loss						26,649
Profit before tax						72,026

Geographical information

During the Relevant Periods, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No revenue from goods or services provided to a single customer amounted to 10% or more of the total revenue of the years ended December 31, 2019 and 2020.

Revenue from continuing operations of approximately RMB81,567,000 for the year ended December 31, 2021 were derived from sales to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended December 31, 2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Devices	448,321	550,702	571,626
Digital educational resources and services	93,173	114,226	133,397
Personal student tablets	541,494	664,928	705,023
Devices	7,249	20,419	19,300
Digital educational resources and services	914	1,874	4,279
Smart classroom solutions	8,163	22,293	23,579
Wearable products	111,778	31,664	53,695
Other products	5,987	2,144	17,918
Advertisement and content licensing	2,431	12,968	12,966
	669,853	733,997	813,181

(a) Disaggregated revenue information

	Year ended December 31, 2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Sale of goods			
Devices	455,570	571,121	590,926
Wearable products	111,778	31,664	53,695
Other products	5,987	2,144	17,918
	573,335	604,929	662,539
Provision of services			
Digital educational resources and services	94,087	116,100	137,676
Advertisement and content licensing	2,431	12,968	12,966
	96,518	129,068	150,642
Total revenue from contracts with customers	669,853	733,997	813,181
Timing of revenue recognition			
Goods transferred at a point in time	573,335	604,929	662,539
Services transferred at a point in time	5,365	14,451	14,361
Services transferred over time	91,153	114,617	136,281
Total revenue from contracts with customers	669,853	733,997	813,181

(b) Performance obligations

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

Sale of devices, wearable products and other products

The performance obligation is satisfied upon acceptance of the goods by the customers and payment is generally due within 30 days from delivery, except for direct sales to end users where payment in advance is normally required. Some contracts with the distributors contain terms for sales rebates which give rise to variable consideration subject to constraint.

Digital educational resources and services

The performance obligation is satisfied over time as services are rendered and payment is generally made upfront together with the sale of the devices.

Advertisement

The performance obligation is satisfied when the services are rendered and the consideration is based on an agreed unit price and the volume of clicks or downloads. The payment is made on monthly basis when the monthly statement is received and confirmed.

Content licensing

The performance obligation is satisfied at a point in time when the control of digital educational resources is transferred to the customer but revenue is only determinable when the monthly statement is issued and confirmed.

(c) Disaggregated revenue information

The Group recognized the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at December 31, 2019, 2020 and 2021 and were expected to be recognized:

	December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognized as revenue:			
Within one year	97,243	118,530	119,243
After one year	31,158	37,728	39,720
Total contract liabilities	128,401	156,258	158,963

Digital educational resources and services are sold bundled with devices for which considerations from customers are normally paid when devices are delivered. Revenue from digital educational resources and services is recognized on straight-line basis over the estimated user life.

The transaction price associated with unsatisfied or partially unsatisfied performance obligations does not include variable consideration that is constrained.

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in contract liabilities at the beginning of the year:			
Devices	2,248	15,623	16,647
Digital educational resources and services	67,824	81,620	101,883
	70,072	97,243	118,530

An analysis of other income and gains is as follows:

		Year ended December 31,		
	Note	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Other income and gains				
Sales of raw materials and accessory parts		5,851	10,249	20,739
Rental income on investment properties and equipment		2,534	2,530	2,308
Bank interest income		1,096	3,167	3,335
Investment income from structured deposit		–	1,189	2,266
Repair and maintenance service income		845	8,086	9,189
Government grants	*(a)*	11,734	4,747	7,278
Value added tax refund		8,373	9,901	11,452
Trademark licensing income		–	2,590	2,904
Finance income on the net investment in a lease		–	43	99
Others		190	239	528
		30,623	42,741	60,098

(a) Government grants represent the subsidies compensated for the incurred expenses arising from research and development activities, which are recognized as other income when the incurred operating expenses fulfilled the conditions attached. There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognized. The amount for the year ended December 31, 2019 included income released from deferred income amounted to RMB817,000 which has fulfilled the conditions in the year.

6. PROFIT BEFORE TAX

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

	Notes	Year ended December 31, 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Cost of devices, wearable products and other products*		459,786	489,955	595,540
Cost of digital educational resources and services*		35,324	40,555	45,503
Cost of advertisement and content licensing*		360	1,775	2,445
Research and development expenses		36,428	30,211	43,870
Employee benefit expense (excluding directors' and chief executive officer's remuneration) *(note 8)*:				
Wages and salaries		24,423	30,316	34,476
Pension scheme contributions, social welfare and other welfare		6,518	3,209	8,829
		30,941	33,525	43,305
Depreciation of property, plant and equipment	*13*	4,351	4,046	4,125
Depreciation of investment properties	*14*	386	386	386
Depreciation of right-of-use assets	*15(a)*	162	628	981
Amortization of other intangible asset**	*16*	4,659	5,114	10,714
Lease payment not included in the measurement of lease liabilities	*15(c)*	44	88	67
COVID-19-related rent concessions from lessors	*15(b)*	–	(62)	–
Impairment/(reversal of impairment) of financial assets***	*19*	(243)	276	429
Write-down/(reversal of write-down) of inventories to net realizable value****		3,148	(4,626)	1,189
Net foreign exchange differences		–	–	1,814
[**REDACTED**]		–	–	[**REDACTED**]
Auditor's remuneration		38	62	–
Product warranty provision*****	*25(i)*	18,171	20,780	16,264
Net losses on disposal of items of property, plant and equipment		477	122	(90)
Changes in fair value of financial liabilities at fair value through profit or loss	*27*	–	–	(26,649)

* These types of costs include expenses relating to depreciation of property, plant and equipment, amortisation of copyrights, write-down or reversal of write-down of inventories and staff costs which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** Included in cost of sales and administrative expenses in profit or loss during the Relevant Periods.

*** Included in administrative expenses in profit or loss.

**** Included in cost of sales in profit or loss.

***** Included in selling and distribution expenses in profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank borrowings	1,157	288	–
Interest on lease liabilities	42	71	88
Interest on an amount due to a shareholder	28	–	–
	1,227	359	88

8. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S REMUNERATION

Mr. Qin Shuguang were appointed as chief executive officer and executive director of the Company on February 8, 2021. On April 13, 2021, Mr. Chen Zhiyong was appointed as non-executive director of the Company. On April 13, 2021, Ms. Liu Zhilan, Mr. Chen Jiafeng and Mr. Deng Denghui were appointed as the executive directors of the Company.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors or senior management of these subsidiaries. The remuneration of each of these directors which has been recorded in the financial statements of the Group's subsidiaries is set out below:

	Year ended December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Fees	–	–	–
Other emoluments:			
Salaries, allowances and benefits in kind	1,942	1,723	1,755
Pension scheme contributions	44	22	74
	1,986	1,745	1,829

(a) Independent non-executive directors

Mr. Li Xinshou, Ms. Kong Fanhua and Prof. Li Renfa were appointed as independent non-executive directors of the Company on [●]. There were no fees or other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors and a non-executive director

Year ended December 31, 2019

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Qin Shuguang	–	517	15	532
Ms. Liu Zhilan	–	477	12	489
Mr. Chen Jiafeng	–	477	7	484
Mr. Deng Denghui	–	471	10	481
	–	1,942	44	1,986
Non-executive director:				
Mr. Chen Zhiyong	–	–	–	–
	–	1,942	44	1,986

Year ended December 31, 2020

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:				
Mr. Qin Shuguang	–	463	2	465
Ms. Liu Zhilan	–	412	11	423
Mr. Chen Jiafeng	–	427	2	429
Mr. Deng Denghui	–	421	7	428
	–	1,723	22	1,745
Non-executive director:				
Mr. Chen Zhiyong	–	–	–	–
	–	1,723	22	1,745

Year ended December 31, 2021

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:				
Mr. Qin Shuguang	–	479	17	496
Ms. Liu Zhilan	–	421	27	448
Mr. Chen Jiafeng	–	412	9	421
Mr. Deng Denghui	–	443	13	456
Non-executive director:				
Mr. Chen Zhiyong	–	–	8	8
	–	1,755	74	1,829

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended December 31, 2019, 2020 and 2021 included 2, 3 and 3 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 3, 2 and 2 highest paid employees, who are not a director nor chief executive officer of the Group during the years ended December 31, 2019, 2020 and 2021 respectively, are as follows:

	Year ended December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,487	936	1,000
Pension scheme contributions	26	11	27
	1,513	947	1,027

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

	Year ended December 31,		
	2019	2020	2021
Nil to RMB1,000,000	3	2	2

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group. None of the five highest paid employees waived any remuneration during the Relevant Periods.

10. INCOME TAX (EXPENSE)/CREDIT

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and, accordingly, it is not subject to income tax from businesses carried out in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

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

All of the Group's subsidiaries registered in the PRC and have operations in Mainland China are subject to PRC enterprise income tax on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws based on a statutory rate of 25% for the Relevant Periods.

Pursuant to relevant laws and regulations in the PRC and with approval from the tax authorities in charge, one of the Group's subsidiaries Readboy Technology, is qualified as a high and new technology enterprise and thus was entitled to a preferential tax rate of 15% for the Relevant Periods.

Pursuant to the relevant laws and regulations in the PRC and with approval from the tax authorities in charge, two of the Group's subsidiaries Zhuhai Readboy and Zhuhai Technology, are entitled to an exemption from CIT for the first two years, commencing from the first year that it generates taxable profit, and a deduction of 50% on the CIT rate for the following three years. Therefore, for Zhuhai Readboy, it was entitled to income tax exemption in 2018 and a preferential tax rate of 12.5% in 2019, 2020 and 2021. For Zhuhai Technology, it was entitled to income tax exemption in 2021.

CIT of the Group has been provided at the applicable tax rate on the estimated taxable profits arising in Mainland China during the Relevant Periods. The major components of income tax expense of the Group are as follows:

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Current income tax – Mainland China	9,744	14,145	297
Deferred *(note 17)*	(3,273)	(3,370)	(10,417)
Total tax charge /(credit) for the year	6,471	10,775	(10,120)

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	75,906	102,788	72,026
Tax at the statutory tax rate of 25%	18,977	25,697	18,007
Lower tax rates for specific provinces or enacted by local authority	(8,742)	(11,999)	(23,629)
Expenses not deductible for tax	262	283	153
Research and development super deduction	(4,026)	(3,370)	(4,902)
Tax losses not recognized	–	164	251
Tax charge/(credit) at the Group's effective rate	6,471	10,775	(10,120)

11. DIVIDEND

No dividend has been declared and paid by the Company during the Relevant Periods. Readboy Technology, a subsidiary of the Group, declared a dividend of RMB160,000,000 to the then equity holders on November 10, 2020.

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

The calculation of the basic earnings per share amounts is based on the profits for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,000,000 in issue during the year ended 31 December 2021. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation.

The calculations of basic and diluted earnings per share are based on:

	Year ended December 31,		
	2019	**2020**	**2021**
Earnings:			
Profits attributable to ordinary equity holders of the Company (RMB'000)	69,435	92,013	82,146
Changes in fair value of financial liabilities at fair value through profit or loss (RMB'000)	N/A	N/A	26,649
Shares:			
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(Note 1)*	990,375	1,066,916	1,000,000
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	990,375	1,066,916	1,051,987

Note:

(1) The basic earnings per share calculation does not include the 67,288 ordinary shares with redemption right issued on March 24, 2021.

13. PROPERTY, PLANT AND EQUIPMENT

December 31, 2019

	Buildings	Plant and machinery	Motor vehicles	Electronic equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019:						
Cost	39,397	12,658	770	12,752	1,233	66,810
Accumulated depreciation	(3,090)	(4,328)	(169)	(4,915)	–	(12,502)
Net carrying amount	36,307	8,330	601	7,837	1,233	54,308
At January 1, 2019, net of accumulated depreciation	36,307	8,330	601	7,837	1,233	54,308
Additions	–	1,355	–	1,275	929	3,559
Disposals	–	(1,183)	–	(340)	–	(1,523)
Depreciation provided during the year	(969)	(1,285)	(146)	(1,951)	–	(4,351)
Transfers	–	1,233	–	–	(1,233)	–
At December 31, 2019, net of accumulated depreciation	35,338	8,450	455	6,821	929	51,993
At December 31, 2019:						
Cost	39,397	13,535	770	11,577	929	66,208
Accumulated depreciation	(4,059)	(5,085)	(315)	(4,756)	–	(14,215)
Net carrying amount	35,338	8,450	455	6,821	929	51,993

December 31, 2020

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At January 1, 2020:						
Cost	39,397	13,535	770	11,577	929	66,208
Accumulated depreciation	(4,059)	(5,085)	(315)	(4,756)	–	(14,215)
Net carrying amount	35,338	8,450	455	6,821	929	51,993
At January 1, 2020, net of accumulated depreciation	35,338	8,450	455	6,821	929	51,993
Additions	–	1,916	–	653	–	2,569
Disposals	–	–	–	(122)	–	(122)
Depreciation provided during the year	(969)	(1,332)	(146)	(1,599)	–	(4,046)
Transfers	–	541	–	388	(929)	–
At December 31, 2020, net of accumulated depreciation	34,369	9,575	309	6,141	–	50,394
At December 31, 2020:						
Cost	39,397	15,992	770	12,420	–	68,579
Accumulated depreciation	(5,028)	(6,417)	(461)	(6,279)	–	(18,185)
Net carrying amount	34,369	9,575	309	6,141	–	50,394

December 31, 2021

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Total *RMB'000*
At January 1, 2021:					
Cost	39,397	15,992	770	12,420	68,579
Accumulated depreciation	(5,028)	(6,417)	(461)	(6,279)	(18,185)
Net carrying amount	34,369	9,575	309	6,141	50,394
At January 1, 2021, net of accumulated depreciation	34,369	9,575	309	6,141	50,394
Additions	–	1,414	–	1,588	3,002
Disposals	–	(799)	–	(19)	(818)
Depreciation provided during the year	(969)	(1,443)	(122)	(1,591)	(4,125)
At December 31, 2021, net of accumulated depreciation	33,400	8,747	187	6,119	48,453
At December 31, 2021:					
Cost	39,397	13,957	770	13,863	67,987
Accumulated depreciation	(5,997)	(5,210)	(583)	(7,744)	(19,534)
Net carrying amount	33,400	8,747	187	6,119	48,453

The buildings of the Group located in Huanggang city, Hubei Province, the PRC and Zhongshan city, Guangdong Province, the PRC. As at December 31, 2019, 2020 and 2021, certificate of ownership in respect of a building of the Group located in Huanggang city with total net carrying amounts of approximately RMB7,751,000, RMB7,506,000 and RMB7,261,000, respectively, have not yet been issued by the relevant PRC authorities. Up to the date of this report, the Group was still in the process of obtaining the certificate.

14. INVESTMENT PROPERTIES

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at January 1,	14,764	14,378	13,992
Depreciation provided during the year	(386)	(386)	(386)
Carrying amount at December 31,	14,378	13,992	13,606
Cost	16,261	16,261	16,261
Accumulated depreciation	(1,883)	(2,269)	(2,655)
Net carrying amount at December 31,	14,378	13,992	13,606

As at December 31, 2019, 2020 and 2021, the fair values of the investment properties were estimated to be approximately RMB24,280,000, RMB24,670,000 and RMB24,450,000, respectively.

The valuation was performed by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed. The valuation was determined using the income approach and the discounted cash flow method. The most significant input into this valuation approach is estimated rental value, rental growth, vacancy rate and discount rate. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

The Group's investment properties located in Wuhan city, Hubei Province, the PRC and Zhongshan city, Guangdong Province, the PRC were leased to third parties during the Relevant Periods. Details of the lease arrangements are set out in note 15 to the Historical Financial Information.

15. LEASES

The Group as a lessee

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Office premises			
As at January 1,	824	1,769	1,141
Additions	1,107	–	2,943
Depreciation charged during the year	(162)	(628)	(981)
As at December 31,	1,769	1,141	3,103

The Group has lease contracts for various items of office premises. Leases of office premises generally have lease terms between 2 and 8 years. Other rental agreements generally have lease terms of 12 months or less and are individually of low value.

(b) Lease liabilities

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

	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Office premises			
Carrying amount at January 1,	983	1,876	1,329
New leases	1,107	–	2,943
Accretion of interest recognized during the year	42	71	88
COVID-19-related rent concessions from lessors	–	(62)	–
Payments	(256)	(556)	(1,107)
Carrying amount at December 31,	1,876	1,329	3,253
Analyzed into:			
Current	642	773	1,318
Non-current	1,234	556	1,935

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

	As at December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Expense relating to short-term leases and leases of low-value assets (included in administrative expenses)	44	88	67
Depreciation charge of right-of-use assets	162	628	981
Interest expense on lease liabilities	42	71	88
COVID-19-related rent concessions from lessors	–	(62)	–
	248	725	1,136

The Group as a lessor

The Group leases certain of its building units and equipment under operating lease arrangements. Leases for buildings and equipment were negotiated for terms of one to eight years. On December 31, 2021, the lease contract in Wuhan city was terminated in advance due to the lessee's own business reasons. Rental income recognized by the Group during the years ended December 31, 2019, 2020 and 2021 was RMB2,534,000 and RMB2,530,000 and RMB2,308,000 respectively, details of which are included in note 5 to the Historical Financial Information.

As at the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	2,690	1,951	2,253
After one year but within two years	1,397	1,494	1,409
After two years but within three years	1,494	1,599	1,443
After three years but within four years	1,599	1,711	1,454
After four years but within five years	1,711	1,831	1,465
After five years	1,831	–	733
	10,722	8,586	8,757

16. OTHER INTANGIBLE ASSETS

	Software	**Copyrights**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2019			
At January 1, 2019:			
Cost	126	12,704	12,830
Accumulated amortization	(21)	(7,517)	(7,538)
Net carrying amount	105	5,187	5,292
At January 1, 2019, net of accumulated amortization	105	5,187	5,292
Additions	–	6,591	6,591
Amortization provided during the year	(25)	(4,634)	(4,659)
At December 31, 2019, net of accumulated amortization	80	7,144	7,224
At December 31, 2019:			
Cost	126	19,295	19,421
Accumulated amortization	(46)	(12,151)	(12,197)
Net carrying amount	80	7,144	7,224

	Software	Copyrights	Total
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2020			
At January 1, 2020:			
Cost	126	19,295	19,421
Accumulated amortization	(46)	(12,151)	(12,197)
Net carrying amount	80	7,144	7,224
At January 1, 2020, net of accumulated amortization	80	7,144	7,224
Additions	508	2,566	3,074
Amortization provided during the year	(89)	(5,025)	(5,114)
At December 31, 2020, net of accumulated amortization	499	4,685	5,184
At December 31, 2020:			
Cost	634	21,861	22,495
Accumulated amortization	(135)	(17,176)	(17,311)
Net carrying amount	499	4,685	5,184
December 31, 2021			
At January 1, 2021:			
Cost	634	21,861	22,495
Accumulated amortization	(135)	(17,176)	(17,311)
Net carrying amount	499	4,685	5,184
At January 1, 2021, net of accumulated amortization	499	4,685	5,184
Additions	2,628	8,976	11,604
Amortization provided during the year	(1,209)	(9,505)	(10,714)
At December 31, 2021, net of accumulated amortization	1,918	4,156	6,074
At December 31, 2021:			
Cost	3,262	30,837	34,099
Accumulated amortization	(1,344)	(26,681)	(28,025)
Net carrying amount	1,918	4,156	6,074

17. DEFERRED TAX ASSETS

The movements in deferred tax assets during the years ended December 31, 2019, 2020 and 2021 are as follows:

	Contract liabilities	Impairment of assets	Tax losses	Accrued expense	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	14,080	1,408	–	–	15,488
Deferred tax credited to the statement of profit or loss during the year	2,837	436	–	–	3,273
At December 31, 2019 and at January 1, 2020	16,917	1,844	–	–	18,761
Deferred tax credited/(charged) to the statement of profit or loss during the year	4,025	(655)	–	–	3,370
At December 31, 2020 and at January 1, 2021	20,942	1,189	–	–	22,131
Deferred tax credited to the statement of profit or loss during the year	2,903	168	7,027	319	10,417
Deferred tax assets at December 31, 2021	23,845	1,357	7,027	319	32,548

As at December 31, 2020 and 2021, the Group has tax losses arising in Mainland China of RMB655,000 and RMB1,005,000, respectively that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognized in respect of the above items as it is not considered probable that taxable profits will be available in the foreseeable future against which the tax losses can be utilized.

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

As at December 31, 2019, 2020 and 2021, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at December 31, 2019, 2020 and 2021, the aggregate amounts of temporary differences associated with the unremitted earnings of subsidiaries in the PRC for which deferred tax liabilities have not been recognized were approximately RMB99,480,000, RMB22,013,000 and RMB81,786,000, respectively.

18. INVENTORIES

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	112,781	133,737	175,970
Finished goods	57,589	36,274	54,623
Work in progress	23,792	24,385	14,966
Goods in transit	25,247	4,370	12,660
	219,409	198,766	258,219

19. TRADE RECEIVABLES

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	17,049	23,926	48,340
Impairment	(84)	(360)	(789)
	16,965	23,566	47,551

The Group granted credit period to its customers (other than direct sales to end users). The credit period is generally one month. The Group granted extended credit terms for several distributors during 2021 to explore new business initiatives and potential monetization opportunities. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by customer service department. In view of the fore-mentioned and the fact that the Group's trade receivables related to various diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at December 31, 2019, 2020 and 2021, based on the invoice date and net of loss allowance, is as follows:

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	8,182	11,558	19,552
31 to 180 days	8,313	11,290	27,125
181 to 365 days	470	718	874
	16,965	23,566	47,551

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

	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	327	84	360
Impairment losses, net *(note 6)*	(243)	276	429
At end of year	84	360	789

An impairment analysis is performed at December 31, 2019, 2020 and 2021 using a provision matrix to measure ECLs of trade receivables.

The Group writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner, also taking into account legal advice where appropriate.

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

	As at December 31, 2019		
	Expected credit loss rate	**Gross carrying amount**	**ECLs**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	0.01%	8,183	1
31-180 days	0.06%	8,318	5
181 to 365 days	7.66%	509	39
Over 1 year	100.00%	39	39
		17,049	84

	As at December 31, 2020		
	Expected credit loss rate	**Gross carrying amount**	**ECLs**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	0.01%	11,559	1
31-180 days	0.06%	11,297	7
181 to 365 days	4.52%	752	34
Over 1 year	100.00%	318	318
		23,926	360

	As at December 31, 2021		
	Expected credit loss rate	**Gross carrying amount**	**ECLs**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	0.83%	19,715	163
31-180 days	1.09%	27,424	299
181 to 365 days	6.22%	932	58
Over 1 year	100.00%	269	269
		48,340	789

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

		As at December 31,		
		2019	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	*(a)*	13,018	34,194	9,631
Prepaid [**REDACTED**]		–	–	[**REDACTED**]
Deposits and other receivables		8,362	12,359	30,409
Long-term receivables within one year	*21*	–	941	921
Net investment in a lease – current	*21*	–	716	610
		21,380	48,210	[**REDACTED**]

Note:

(a) Prepayments mainly represent the payments made to certain of the raw material suppliers pursuant to the procurement agreements, advanced payment for the advertising agreements and other technology services agreements.

The Company

	As at December 31 2021
	RMB'000
Prepaid [**REDACTED**]	[**REDACTED**]

As at December 31, 2019, 2020 and 2021, financial assets included in prepayments, other receivables and other assets above were categorized in stage 1 for measurement of ECLs. As no comparable companies with credit ratings can be identified, ECLs are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. These financial assets included in the above balances relate to receivables for which there was no recent history of default and which were neither past due nor impaired. As at the end of each of the Relevant Periods, the loss allowance was assessed to be insignificant.

Except for net investment in a lease, the financial assets included in prepayments, other receivables and other assets above are interest-free and are not secured with collateral.

21. OTHER NON-CURRENT ASSETS

		As at December 31,		
		2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid advertisement fee		3,867	227	–
Long-term receivables	*(1)*	–	1,420	535
Net investment in a lease	*(2)*	–	1,863	1,318
		3,867	3,510	1,853

Notes:

(1) Long term receivables represented the present value of receivables from trademark licensing income and the finance income is recognized in other income and gains based on a constant periodic rate of return at 4.75%.

(2) The Group entered into a finance lease arrangement for smart classroom solutions, pursuant to which, the Group has transferred substantially all the significant risks and rewards of the products. The net investment in a lease represented the present value of the lease payments and the finance income on the net investment is recognized in other income and gains based on a constant periodic rate of return at 4.75%.

22. CASH AND CASH EQUIVALENTS AND TIME DEPOSIT

The Group

	As at December 31,		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	133,366	253,318	333,340
Time deposit	20,000	20,000	20,000
	153,366	273,318	353,340
Less: Time deposit	20,000	20,000	20,000
Cash and cash equivalents	133,366	253,318	333,340
Denominated in:			
RMB	133,366	253,318	270,765
USD	–	–	62,472
HKD	–	–	103
Cash and cash equivalents	133,366	253,318	333,340

The Company

	As at December 31 2021 *RMB'000*
Cash and bank balances	63,038
Denominated in:	
RMB	463
USD	62,472
HKD	103
Cash and cash equivalents	63,038

As at December 31, 2019, 2020 and 2021, the provisions for impairment of cash and cash equivalents were assessed to be immaterial based on 12-month ECLs.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business. Cash at banks earns interest at floating rates based on daily bank deposit rates.

Time deposit is made for three years with maturity date of June 21, 2022 and bearing interest of 4.18% per annum. The bank balances and time deposit are deposited with creditworthy banks with no recent history of default.

23. INVESTMENT IN A SUBSIDIARY

The Company

	As at December 31 2021 *RMB'000*
Unlisted shares, at cost	–*

* Less than RMB1,000

Particulars of the subsidiary of the Company are set out in note 1 to the Historical Financial Information.

24. TRADE PAYABLES

Trade payables are non-interest-bearing and normally settled on terms of within 90 days.

An aging analysis of the trade payables as at December 31, 2019, 2020 and 2021, based on the invoice date, is as follows:

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	84,723	91,214	56,849
91-180 days	378	5,753	11,344
181-365 days	–	239	106
	85,101	97,206	68,299

25. OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

		As at December 31,		
		2019	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Contract liabilities – current		97,243	118,530	119,243
Payables for salary and welfare		25,633	22,201	20,385
Payables for services		5,071	1,661	4,242
Accruals for sales rebates		3,221	1,453	1,536
Other tax payables		4,377	35,792	36,202
Product warranty provision	*(i)*	7,389	7,241	8,019
Payable for [**REDACTED**]		–	–	[**REDACTED**]
Others		2,485	3,647	3,996
		145,419	190,525	[**REDACTED**]
Contract liabilities – non-current		31,158	37,728	39,720

Contract liabilities represent advances received from customers for sale of devices and provision of digital educational resources and services.

Other payables and accruals are unsecured, non-interest-bearing and expected to be settled within 12 months.

(i) Product warranty provision

	RMB'000
At January 1, 2019	7,090
Additional provision	18,171
Amounts utilized during the year	(17,872)
At December 31, 2019 and at January 1, 2020	7,389
Additional provision	20,780
Amounts utilized during the year	(20,928)
At December 31, 2020 and at January 1, 2021	7,241
Additional provision	16,264
Amounts utilized during the year	(15,486)
At December 31, 2021	8,019

The Group provides one-year warranties to the end users on devices for general repairs of defects occurring during the warranty period. The amount of the warranty provision is estimated based on sales volumes and past experience of the level of repairs and returns. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

26. INTEREST-BEARING BANK BORROWINGS

	As at December 31, 2019		
	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current			
Bank loans – secured	4.84%	2020	10,000

All of the Group's bank loans were denominated in RMB.

The Group's bank loans were secured by certificates of deposits by Mr. Qin Shuguang, in amounts of RMB12,000,000 as at December 31, 2019. The guarantees provided by Mr. Qin Shuguang were fully released in August 2020.

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

On March 24, 2021, the Company issued and allotted 67,288 shares of a par value of HKD$0.001 each to three [**REDACTED**] investors, Glorious Achievement Investments Limited ("Glorious Achievement"), Golden Genius International Limited ("Golden Genius"), and Mr. Cheng Yangshi at a consideration of US$22,731,000 (equivalent to RMB147,014,000).

The investors were granted a redemption right which was set out as follows:

Redemption

The [**REDACTED**] investors have the right to mandate the Company to repurchase all its shareholding interests in the Company at an annual interest rate of 8% (simple interest) if no qualified [**REDACTED**] (i.e. our Company's [**REDACTED**] of the Shares and [**REDACTED**] on a renowned securities exchange within or outside PRC) within three years after March 23, 2021, being the completion date of the share purchase agreement.

The investment was classified as financial liabilities and designated upon initial recognition as fair value through profit or loss. The movement during the Relevant Periods were as follows.

	RMB'000
As at February 8, 2021 (date of incorporation)	–
Issue of ordinary shares with redemption right	147,014
Changes in fair value	(26,649)
As at December 31, 2021	120,365

The Company has used the Backsolve Method to determine the underlying share value of the Company and adopted the equity allocation model to determine the fair value of the shares as at December 31, 2021.

Significant unobservable inputs	**As at December 31, 2021**
Risk-free interest rate	0.78%
Volatility	46.85%

Key assumptions are set out as follow:

The Group estimated the risk-free interest rate based on the yield of the United States Treasury Active Curve denominated in USD with a maturity life equal to the expected terms as of the valuation date. Volatility was estimated based on daily stock prices of the comparable company for a period with length commensurate to the expected terms.

Set out below is a summary of significant unobservable inputs to the valuation of financial liabilities recognized within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at the year ended 31 December 2021:

Significant unobservable inputs	**Increase/(decrease) in the inputs**	**(Decrease)/increase in the fair value As at December 31, 2021** *RMB'000*
Volatility	1%/(1%)	(7)/6

28. SHARE CAPITAL

	As at December 31, 2021 *HK$'000*
Authorized:	
380,000,000 ordinary shares of HK$0.001 each	380
Issued but credit fully paid:	
1,067,288 ordinary shares of HK$0.001 each	1

The movement in the Company's share capital during the Relevant Periods is as follows:

	Notes	**Number of shares in issue** *RMB'000*	**As at December 31, 2021**
At 8 February 2021 (date of incorporation)		1,000,000	1
New shares issued on 24 March 2021	*(1)*	67,288	–
At December 31, 2021		1,067,288	1

Note:

(1) 67,288 new shares issued on 24 March 2021, as aforementioned in note 27 to the FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS.

The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on February 8, 2021 with authorized share capital of HK$380,000 divided into 380,000,000 shares with par value of HK$0.001 per share. At the time of incorporation, the issued share capital of the Company was HK$0.001, with one share of HK$0.001 and held by Charlotte Cloete, an independent third party for a consideration at par value. On the same date, the said one share was transferred to Eminent Future Holdings Limited, and an aggregate of 999,999 shares with par value of HK$0.001 per share were allotted and issued to (i) Chance High Developments Limited, (ii) Driving Force Global Limited, (iii) Eminent Future Holdings Limited, (iv) Excellent Zone Holdings Limited, (v) Rapid Gains Developments Limited, (vi) Robbinsville Limited, (vii) Sky Focus Holdings Limited, (viii) Trade Honour Holdings Limited, (ix) Glorious Achievement Investments Limited, (x) Golden Genius International Limited, and (xi) Mr. Cheng Yangshi. On March 24, 2021, 44,403, 18,308 and 4,577 shares with par value of HK$0.001 per share were allotted and issued to Glorious Achievement, Golden Genius and Mr. Cheng Yangshi, respectively.

Save for the aforesaid and the Reorganization, the Company has not conducted any business during the Relevant Periods.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information. The relevant notes to certain movements of the Group's equity during the Relevant Periods are included below:

Merger reserve

The merger reserve of the Group represents (i) the capital contributions from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries and (ii) the waiver of an amount due to a shareholder.

Statutory reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital.

30. CONTINGENT LIABILITIES

As at December 31, 2019, 2020 and 2021, the Group did not have any significant contingent liabilities.

31. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Copyrights	–	3,000	–
Plant and machinery	541	–	–
	541	3,000	–

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended December 31, 2019, interest on an amount due to a shareholder amounting to RMB28,000 was waived and credited to the capital reserve account as a capital contribution from the shareholder as instructed by the shareholder for the year ended, respectively.

During the years ended December 31, 2019 and 2021, the Group had non-cash additions to both right-of-use and lease liabilities of approximately RMB1,107,000 and RMB2,943,000, respectively, in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from financing activities

Year ended December 31, 2019

	Interest payable *RMB'000*	Interest-bearing bank borrowings *RMB'000*	Amounts due to shareholders *RMB'000*	Lease Liabilities *RMB'000*
As at January 1, 2019	–	30,000	16,615	983
Changes from financing cash flows	(1,157)	(20,000)	(16,615)	(256)
New leases	–	–	–	1,107
Interest expenses charge to profit and loss	1,157	–	28	42
Waiver of interest on amounts due to a shareholder	–	–	(28)	–
As at December 31, 2019	–	10,000	–	1,876

Year ended December 31, 2020

	Interest payable *RMB'000*	Interest-bearing bank borrowings *RMB'000*	Amounts due to shareholders *RMB'000*	Lease liabilities *RMB'000*
As at January 1, 2020	–	10,000	–	1,876
Changes from financing cash flows	(288)	(10,000)	–	(556)
COVID-19-related rent concessions from lessors	–	–	–	(62)
Dividend declared but not paid (net of tax)	–	–	128,000	–
Interest expenses charge to profit or loss	288	–	–	71
As at December 31, 2020	–	–	128,000	1,329

Year ended December 31, 2021

	Financial liabilities at fair value through profit or loss *RMB'000*	Amounts due to shareholders *RMB'000*	Lease liabilities *RMB'000*
As at January 1, 2021	–	128,000	1,329
Changes from financing cash flows	147,014	(10,439)	(1,107)
New leases	–	–	2,943
Changes in fair value of financial liabilities at fair value through profit or loss	(26,649)	–	–
Interest expenses charge to profit or loss	–	–	88
As at December 31, 2021	120,365	117,561	3,253

(c) Total cash outflow for leases

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

	Year ended December 31, 2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*
Within operating activities	44	88	67
Within financing activities	256	556	1,107
	300	644	1,174

33. RELATED PARTY TRANSACTIONS AND BALANCES

The directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Names and relationships of related parties

Name	Relationship
Zhuhai Dreamcatcher Network Technology Company Limited ("Zhuhai Dreamcatcher")	A company owned as to 51.02% by Mr. Chen Zhiyong and the remaining 48.98% by Mr. Qin Shuguang
Mr. Chen Zhiyong	One of the controlling shareholders and non-executive director
Mr. Qin Shuguang	One of the controlling shareholders and executive director
Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership)	One of the shareholders
Mr. Chen Jiafeng (陳家峰)	One of the shareholders and executive director
Mr. Shen Jianfei (沈劍飛)	One of the shareholders
Mr. Wu Jianhua (吳建華)	One of the shareholders
Ms. Liu Zhilan (劉志蘭)	One of the shareholders and executive director
Ms. Zhong Xiangling (鐘響鈴)	One of the shareholders

(b) In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Rental income from a related party			
Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership) *(note (i))*	–	–	3
Lease expense paid to a related party			
Zhuhai Dreamcatcher *(note (ii))*	123	128	339

Notes:

(i) The Group leased property to Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership) for office use.

(ii) The Group leased properties from the Zhuhai Dreamcatcher for office use. The monthly lease payable was determined on a basis mutually agreed by both parties with reference to the prevailing market rent of similar properties located at the surrounding area available to independent third parties. Right-of-use assets of RMB707,000, RMB590,000 and RMB453,000 and lease liabilities of RMB765,000, RMB666,000 and RMB535,000 in respect to the leases were recognized in the consolidated statement of financial position as at December 31, 2019, 2020 and 2021, respectively. During the years ended December 31, 2019, 2020 and 2021, depreciation of right-of-use assets of RMB117,000, RMB117,000 and RMB113,000 and interest expense on the lease liabilities of RMB38,000, RMB33,000 and RMB28,000 was charged to profit or loss.

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Repayment to a shareholder			
Mr. Qin Shuguang *(note (iii))*	16,615	–	–
Waiver of interest on amounts due to a shareholder			
Mr. Qin Shuguang *(note (iii))*	28	–	–
Dividends to shareholders			
Mr. Chen Zhiyong	–	68,527	–
Mr. Qin Shuguang	–	56,313	–
Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership)	–	7,607	–
Mr. Chen Jiafeng	–	7,550	–
Mr. Shen Jianfei	–	6,403	–
Mr. Wu Jianhua	–	6,012	–
Ms. Liu Zhilan	–	3,794	–
Ms. Zhong Xiangling	–	3,794	–
	–	160,000	–

(iii) The amounts relate to the repayments for a loan from Mr. Qin Shuguang, which bears interests at 4.35% per annum and was repaid in full in 2019. The interest charges were waived by Mr. Qin Shuguang for the years ended December 31, 2019.

(c) Guarantees provided by related parties

During the Relevant Periods, Mr. Qin Shuguang provided guarantees for the Group's interest-bearing bank borrowings free of charge (note 26). The guarantees provided by Mr. Qin Shuguang were fully released in August 2020.

(d) Outstanding balances with related parties

Amounts due to shareholders

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Chen Zhiyong	–	54,821	49,138
Mr. Qin Shuguang	–	45,050	40,714
Zhongshan Huitong Enterprise Investment Management Center (Limited Partnership)	–	6,087	6,087
Mr. Chen Jiafeng	–	6,040	6,040
Mr. Shen Jianfei	–	5,122	5,122
Mr. Wu Jianhua	–	4,810	4,390
Ms. Liu Zhilan	–	3,035	3,035
Ms. Zhong Xiangling	–	3,035	3,035
	–	128,000	117,561

The outstanding non-trade balance due to shareholders are expected to be settled prior to [**REDACTED**].

(e) Compensation of key management personnel of the Group

	Year ended December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	2,736	2,544	2,676
Pension scheme contributions	77	48	123
	2,813	2,592	2,799

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

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

The Group

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortized cost			
Other non-current assets	–	3,283	1,853
Trade receivables	16,965	23,566	47,551
Financial assets included in prepayments, other receivables and other assets	1,286	4,450	7,203
Cash and cash equivalents	133,366	253,318	333,340
Time deposit	20,000	20,000	20,000
	171,617	304,617	409,947

The Company

	As at December 31, 2021
	RMB'000
Financial assets at amortized cost	
Due from a subsidiary	66,734
Cash and cash equivalents	63,038
	129,772

The Group

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortized cost			
Trade payables	85,101	97,206	68,299
Financial liabilities included in other payables and accruals	18,166	14,002	21,918
Amounts due to shareholders	–	128,000	117,561
Lease liabilities	1,876	1,329	3,253
Interest-bearing bank borrowings	10,000	–	–
	115,143	240,537	211,031

The Group and the Company

	As at December 31, 2021
	RMB'000
Financial liabilities at fair value through profit or loss	
Financial liabilities at fair value through profit or loss	120,365

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at December 31, 2019, 2020 and 2021 the fair values of the Group's financial assets and liabilities approximated to their respective carrying amounts.

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

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of other non-current assets and the non-current portion of lease liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

Assets or which fair values are disclosed:

The Group

As at December 31, 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Time deposit	–	20,000	–	20,000

As at December 31, 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Time deposit	–	20,000	–	20,000
Other non-current assets	–	3,283	–	3,283
	–	23,283	–	23,283

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Time deposit	–	20,000	–	20,000
Other non-current assets	–	1,853	–	1,853
	–	21,853	–	21,853

Liabilities measured at fair value:

The Group and the Company

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss	–	–	120,365	120,365

The changes in Level 3 instruments of financial liabilities at fair value through profit or loss and a summary of significant unobservable inputs to the valuation of these financial instruments for the year ended December 31, 2021 are presented in note 27 the Historical Financial Information.

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables, an amount due from a related party, other non-current assets, other payables and accruals, amounts due to shareholders, and amounts due to related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The interest rates and terms of repayments of the bank loans are disclosed in note 26. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable rate bank loans and bank balances at the end of each of the Relevant Periods and the Group assumed that the amount outstanding at the end of each of the Relevant Periods was outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB with all the variable held constant of the Group's profit before tax. This is mainly attributable to the Group's exposure to interest rates on its bank loans with variable rates.

	Increase/ (decrease) in basic points	**Increase/ (decrease) in profit before tax**
		RMB'000
2019		
RMB	50	(6)

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. The Group has no concentration of credit risk from third party debtors.

The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, restricted bank deposits, trade receivables, financial assets included in prepayments, other receivables and other assets and other non-current assets.

Cash and cash equivalents

As of December 31, 2019, 2020 and 2021, substantially all of the bank deposits were deposited with major financial institutions incorporated in the PRC, which management believes are of high credit quality without significant credit risk. The expected credit loss is close to zero.

Financial assets included in prepayments, other receivables and other assets and other non-current assets

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout the Relevant Periods. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Maximum exposure and year-end staging as at December 31, 2019, 2020 and 2021

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at December 31, 2019, 2020 and 2021. The amounts presented are gross carrying amounts for financial assets.

The Group

	As at December 31, 2019				
	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	17,049	17,049
Financial assets included in prepayments, other receivables and other assets	1,286	–	–	–	1,286
Cash and cash equivalents – Not yet past due	133,366	–	–	–	133,366
Time deposit – Not yet past due	20,000	–	–	–	20,000
	154,652	–	–	17,049	171,701

	As at December 31, 2020				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	23,926	23,926
Financial assets included in prepayments, other receivables and other assets	4,450	–	–	–	4,450
Cash and cash equivalents – Not yet past due	253,318	–	–	–	253,318
Time deposit – Not yet past due	20,000	–	–	–	20,000
Other non-current assets – Not yet past due	3,283	–	–	–	3,283
	281,051	–	–	23,926	304,977

	As at December 31, 2021				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	48,340	48,340
Financial assets included in prepayments, other receivables and other assets	7,203	–	–	–	7,203
Cash and cash equivalents – Not yet past due	333,340	–	–	–	333,340
Time deposit – Not yet past due	20,000	–	–	–	20,000
Other non-current assets – Not yet past due	1,853	–	–	–	1,853
	362,396	–	–	48,340	410,736

The Company

	As at December 31, 2021				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Due from a subsidiary – Not yet past due	66,734	–	–	–	66,734
Cash and cash equivalents – Not yet past due	63,038	–	–	–	63,038
	129,772	–	–	–	129,772

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and interest-bearing bank borrowings.

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

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

The Group

	As at December 31, 2019				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	85,101	–	–	85,101
Financial liabilities included in other payables and accruals	–	18,166	–	–	18,166
Interest-bearing bank borrowings and interest accruals	–	11,157	–	–	11,157
Lease liabilities	–	713	1,331	–	2,044
	–	115,137	1,331	–	116,468

	As at December 31, 2020				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	97,206	–	–	97,206
Financial liabilities included in other payables and accruals	–	14,002	–	–	14,002
Lease liabilities	–	814	612	–	1,426
Amounts due to a shareholders	–	128,000	–	–	128,000
	–	240,022	612	–	240,634

	As at December 31, 2021				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	68,299	–	–	68,299
Financial liabilities included in other payables and accruals	–	21,918	–	–	21,918
Financial liabilities at fair value through profit or loss	–	–	179,715	–	179,715
Lease liabilities	–	1,452	2,025	–	3,477
Amounts due to shareholders	–	117,561	–	–	117,561
	–	209,230	181,740	–	390,970

The Company

	As at December 31, 2021				
	On demand	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss	–	–	179,715	–	179,715

Capital management

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

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

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	280,648	462,425	553,964
Total assets	509,112	640,212	812,902
Debt-to-asset ratios	55%	72%	68%

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its companies now comprising the Group in respect of any period subsequent to December 31, 2021.