

APPENDIX I

ACCOUNTANTS' REPORT

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION



Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE DIRECTORS OF MANY IDEA CLOUD HOLDINGS LIMITED (FORMERLY KNOWN AS MANY IDEA CLOUD TECHNOLOGY HOLDINGS LIMITED) AND ZHONGTAI INTERNATIONAL CAPITAL LIMITED

Introduction

We report on historical financial information of Many Idea Cloud Holdings Limited (formerly known as Many Idea Cloud Technology Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages I-4 to I-78, which comprises the consolidated statements of financial position as at 31 December 2019, 2020, 2021 and 30 April 2022, and the statements of the financial position of the Company as at 31 December 2021 and 30 April 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020, 2021 and for the four months ended 30 April 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-78 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 initial [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 Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information, respectively and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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

APPENDIX I

ACCOUNTANTS' REPORT

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 Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 purpose of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2021 and 30 April 2022, the Group's financial position as at 31 December 2019, 2020, 2021 and 30 April 2022, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information, respectively.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statements of change in equity and the combined statements of cash flow for the four months ended 30 April 2021 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1(c) and 2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

APPENDIX I

ACCOUNTANTS' REPORT

Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1(c) and 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 16 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

BDO Limited

Certified Public Accountants

Chow Tak Sing, Peter

Practising Certificate Number P04659

Hong Kong

[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by HKICPA ("**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.

APPENDIX I

ACCOUNTANTS' REPORT

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December			Four months ended 30 April	
		2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 <i>(Unaudited)</i>	2022 RMB'000
Revenue	7	391,038	308,377	353,300	70,219	143,807
Cost of revenue		(261,691)	(233,735)	(238,764)	(50,002)	(97,714)
Gross profit		129,347	74,642	114,536	20,217	46,093
Other revenue	8	6,374	6,574	8,505	3,075	1,754
Other gains and losses	9	-	-	1,409	-	(2,717)
Selling and marketing expenses		(16,022)	(15,389)	(9,969)	(3,215)	(2,260)
Administrative expenses		(16,869)	(16,313)	(16,913)	(4,676)	(6,152)
Provision for impairment loss on trade receivables, net		(3,667)	(11,480)	(5,758)	(7,839)	(8,774)
Fair value changes of convertible bond — conversion option derivative		-	-	-	-	759
Finance costs	10	(568)	(1,090)	(3,787)	(1,522)	(4,210)
[REDACTED] expenses		-	-	(8,655)	-	(5,404)
Profit before income tax expense	11	98,595	36,944	79,368	6,040	19,089
Income tax expense	15	(18,571)	(5,160)	(14,627)	(1,299)	(3,829)
Profit for the year/period		<u>80,024</u>	<u>31,784</u>	<u>64,741</u>	<u>4,741</u>	<u>15,260</u>
Profit for the year/period attributable to:						
Owners of the Company		66,516	26,419	56,146	4,228	15,271
Non-controlling interests		13,508	5,365	8,595	513	(11)
		<u>80,024</u>	<u>31,784</u>	<u>64,741</u>	<u>4,741</u>	<u>15,260</u>

APPENDIX I

ACCOUNTANTS' REPORT

	<i>Notes</i>	Year ended 31 December		Four months ended		
		2019	2020	2021	30 April	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period		80,024	31,784	64,741	4,741	15,260
Other comprehensive income, net of tax						
Items that will not be reclassified to profit or loss:						
Fair value changes on financial assets at fair value through other comprehensive income		(2,687)	513	27,336	15,837	-
Other comprehensive (expense)/income for the year/period		(2,687)	513	27,336	15,837	-
Total comprehensive income for the year/period		77,337	32,297	92,077	20,578	15,260
Total comprehensive income for the year/period attributable to:						
Owners of the Company		64,283	26,845	78,868	17,392	15,271
Non-controlling interests	38	13,054	5,452	13,209	3,186	(11)
		77,337	32,297	92,077	20,578	15,260

APPENDIX I

ACCOUNTANTS' REPORT

2. Consolidated Statements of Financial Position

	Notes	As at 31 December			As at
		2019	2020	2021	30 April
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
Non-current assets					
Property, plant and equipment	18	4,170	2,681	1,959	1,822
Right-of-use assets	19	9,807	6,138	7,277	6,332
Intangible assets	20	410	317	87,610	92,096
Financial assets at fair value through other comprehensive income	21	4,709	5,222	–	–
Deferred tax assets	30	1,506	4,690	4,881	7,104
Prepayments, deposits and other receivables	23	699	265	250	250
Total non-current assets		21,301	19,313	101,977	107,604
Current assets					
Trade receivables	22	139,552	156,097	147,470	206,917
Prepayments, deposits and other receivables	23	8,583	20,822	50,021	39,459
Contract costs	24	–	–	84	59
Amounts due from related parties	27	–	–	–	26,637
Short-term bank deposits	28	25,000	130,000	–	–
Cash and cash equivalents	29	116,932	45,243	50,187	86,637
Total current assets		290,067	352,162	247,762	359,709
Total assets		311,368	371,475	349,739	467,313
Current liabilities					
Trade payables	31	22,286	19,015	20,470	60,145
Other payables and accruals	32	8,789	5,623	11,157	7,708
Contract liabilities	34	1,163	3,276	15,493	9,645
Borrowings	33	–	44,841	–	78,499
Lease liabilities	19	3,755	2,553	2,907	2,990
Amount due to a director	26	–	–	2	–
Amounts due to related parties	27	–	–	130,293	–
Amounts due to investees	25	300	2,800	–	–
Convertible bonds — liability component	35	–	–	–	44,116
Convertible bonds — conversion option derivative	35	–	–	–	3,082
Income tax payable		20,502	11,850	11,890	17,920
Total current liabilities		56,795	89,958	192,212	224,105

APPENDIX I

ACCOUNTANTS' REPORT

		As at 31 December			As at 30 April
	Notes	2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Net current assets		<u>233,272</u>	<u>262,204</u>	<u>55,550</u>	<u>135,604</u>
Total assets less current liabilities		<u>254,573</u>	<u>281,517</u>	<u>157,527</u>	<u>243,208</u>
Non-current liabilities					
Amounts due to investees	25	5,000	2,200	–	–
Lease liabilities	19	<u>6,018</u>	<u>3,465</u>	<u>4,018</u>	<u>3,689</u>
Total non-current liabilities		<u>11,018</u>	<u>5,665</u>	<u>4,018</u>	<u>3,689</u>
NET ASSETS		<u><u>243,555</u></u>	<u><u>275,852</u></u>	<u><u>153,509</u></u>	<u><u>239,519</u></u>
Equity attributable to owners of the Company					
Share capital	36	–	–	3	4
Reserves	37	<u>202,443</u>	<u>229,288</u>	<u>151,969</u>	<u>237,989</u>
		<u>202,443</u>	<u>229,288</u>	<u>151,972</u>	<u>237,993</u>
Non-controlling interests	38	<u>41,112</u>	<u>46,564</u>	<u>1,537</u>	<u>1,526</u>
TOTAL EQUITY		<u><u>243,555</u></u>	<u><u>275,852</u></u>	<u><u>153,509</u></u>	<u><u>239,519</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

3. Statement of Financial Position of the Company

	<i>Notes</i>	As at 31 December 2021 RMB'000	As at 30 April 2022 RMB'000
Non-current assets			
Investment in a subsidiary	39	—*	—*
Amounts due from subsidiaries		—	129,153
Total non-current assets		—*	129,153
Current asset			
Cash and cash equivalents		3	2,625
Total current asset		3	2,625
Total assets		3	131,778
Current liabilities			
Borrowings		—	19,624
Convertible bonds — liability component	35	—	44,116
Convertible bonds — conversion option derivative	35	—	3,082
Amount due to a subsidiary		—*	—*
Total current liabilities		—*	66,822
Net current assets/(liabilities)		3	(64,197)
Total assets less current liability		3	64,956
NET ASSET		3	64,956
Equity attributable to owners of the Company			
Share capital	36	3	4
Reserves	37	—	64,952
Total equity		3	64,956

* Represents amount less than RMB1,000.

APPENDIX I

ACCOUNTANTS' REPORT

4. Consolidated Statements of Changes in Equity

	Attributable to owners of the Company							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 36)	Share premium RMB'000 (Note 37)	Statutory reserve RMB'000 (Note 37)	Merger reserve RMB'000 (Note 37)	FVTOCI reserve RMB'000 (Note 37)	Retained earnings RMB'000 (Note 37)	Attributable to owner of the Company RMB'000		
As at 1 January 2019	-	-	8,208	43,745	(2,164)	88,371	138,160	28,058	166,218
Profit for the year	-	-	-	-	-	66,516	66,516	13,508	80,024
Other comprehensive income	-	-	-	-	(2,233)	-	(2,233)	(454)	(2,687)
- Fair value changes in financial assets at fair value through other comprehensive income	-	-	-	-	(2,233)	-	(2,233)	-	(2,233)
Total comprehensive income	-	-	-	-	(2,233)	66,516	64,283	13,054	77,337
Transfer from retained earnings to statutory reserve	-	-	4,789	-	-	(4,789)	-	-	-
As at 31 December 2019 and 1 January 2020	-	-	12,997	43,745	(4,397)	150,098	202,443	41,112	243,555
Profit for the year	-	-	-	-	-	26,419	26,419	5,365	31,784
Other comprehensive income	-	-	-	-	-	-	-	-	-
- Fair value changes in financial assets at fair value through other comprehensive income	-	-	-	-	426	-	426	87	513
Total comprehensive income	-	-	-	-	426	26,419	26,845	5,452	32,297
Transfer from retained earnings to statutory reserve	-	-	1,138	-	-	(1,138)	-	-	-
As at 31 December 2020	-	-	14,135	43,745	(3,971)	175,379	229,288	46,564	275,852

APPENDIX I

ACCOUNTANTS' REPORT

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 36)	Share premium RMB'000 (Note 37)	Statutory reserve RMB'000 (Note 37)	Merger reserve RMB'000 (Note 37)	FVTOCI reserve RMB'000 (Note 37)	Retained earnings RMB'000 (Note 37)	Attributable to owner of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000	
As at 1 January 2021	-	-	14,135	43,745	(3,971)	175,379	229,288	46,564	275,852	
Profit for the year	-	-	-	-	-	56,146	56,146	8,595	64,741	
Other comprehensive income	-	-	-	-	22,722	-	22,722	4,614	27,336	
- Fair value changes in financial assets at fair value through other comprehensive income	-	-	-	-	22,722	-	22,722	4,614	27,336	
Total comprehensive income	-	-	-	-	22,722	56,146	78,868	13,209	92,077	
Transfer from retained earnings to statutory reserve	-	-	1,683	-	-	(1,683)	-	-	-	
Transfer from statutory reserve to retained earnings	-	-	(4,448)	-	-	4,448	-	-	-	
Deemed distributions of assets to and assumptions of liabilities by controlling shareholders (Note 40)	-	-	-	1,577	-	-	1,577	-	1,577	
Deemed distributions of profits (Note i)	-	-	(9,887)	(57,961)	(18,751)	(223,625)	(310,224)	(59,776)	(370,000)	
Issue of shares	3	-	-	-	-	-	3	-	3	
Capital contributions from beneficial shareholders to subsidiaries (Note ii)	-	-	-	152,460	-	-	152,460	1,540	154,000	
As at 31 December 2021 and 1 January 2022	3	-	1,483	139,821	-	10,665	151,972	1,537	153,509	
Profit for the period	-	-	-	-	-	15,271	15,271	(11)	15,260	
Total comprehensive income	-	-	-	-	-	15,271	15,271	(11)	15,260	
Transfer from retained earnings to statutory reserve	-	-	1,860	-	-	(1,860)	-	-	-	
Issue of shares	1	69,720	-	-	-	-	69,721	-	69,721	
Deemed capital contribution from a shareholder (Note iii)	-	1,029	-	-	-	-	1,029	-	1,029	
As at 30 April 2022	4	70,749	3,343	139,821	-	24,076	237,993	1,526	239,519	

APPENDIX I

ACCOUNTANTS’ REPORT

	Attributable to owners of the Company									
	Share capital RMB'000 (Note 36)	Share premium RMB'000 (Note 37)	Statutory reserve RMB'000 (Note 37)	Merger reserve RMB'000 (Note 37)	FVTOCI reserve RMB'000 (Note 37)	Retained earnings RMB'000 (Note 37)	Attributable to owner of the Company RMB'000	Non-controlling interests RMB'000	Total equity RMB'000	
As at 1 January 2021	-	-	14,135	43,745	(3,971)	175,379	229,288	46,564	275,852	
Profit for the period	-	-	-	-	-	4,228	4,228	513	4,741	
Other comprehensive income	-	-	-	-	-	-	-	-	-	
- Fair value changes in financial assets at fair value through other comprehensive income	-	-	-	-	13,164	-	13,164	2,673	15,837	
Total comprehensive income	-	-	-	-	13,164	4,228	17,392	3,186	20,578	
Transfer from retained earnings to statutory reserve	-	-	788	-	-	(788)	-	-	-	
As at 30 April 2021 (Unaudited)	-	-	14,923	43,745	9,193	178,819	246,680	49,750	296,430	

Notes:

- (i) It represented the deemed distributions to the controlling shareholders and the non-controlling interests of the Transfer or in relations to the Business Transfer at the date of Business Transfer (i.e. 1 December 2021).
- (ii) Among the capital contributions from beneficial shareholders to subsidiaries, RMB153,000,000 represents the amount which was contributed by Mr. Liu Jianhui (“Mr. Liu”), a director of the Company, for his 1% equity interest in a subsidiary of the Company, namely Beijing Many Idea Cloud Technology Co., Limited.
- (iii) The deemed capital contribution was arising from loan from a shareholder at below-market rate of interest. The amount represented the difference between the original principal amounts of RMB20,157,000 and the fair value on initial recognition of approximately RMB19,128,000.

APPENDIX I

ACCOUNTANTS' REPORT

5. Consolidated Statements of Cash Flows

	Year ended 31 December			Four months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Cash flows from operating activities					
Profit before income tax expense	98,595	36,944	79,368	6,040	19,089
Adjustments for:					
Depreciation of property, plant and equipment	1,969	1,566	1,033	502	211
Amortisation of intangible assets	137	125	6,490	44	4,005
Depreciation of right-of-use assets	3,364	3,669	2,893	1,095	958
Gain on early termination of lease	-	-	(29)	(29)	-
Finance costs	568	1,090	3,787	1,522	4,210
Interest income	(940)	(2,190)	(1,550)	(647)	(568)
Provision for impairment loss recognised on trade receivables, net	3,667	11,480	5,758	7,839	8,774
Gain on written-back of trade payables	-	-	(1,415)	-	-
Fair value changes of conversion option derivative	-	-	-	-	(759)
Effect of foreign exchange rate changes	-	-	-	-	2,715
	<u>107,360</u>	<u>52,684</u>	<u>96,335</u>	<u>16,366</u>	<u>38,635</u>
Operating profits before working capital changes					
Increase in trade receivables	(31,125)	(28,025)	(35,414)	(53,914)	(95,677)
(Increase)/decrease in prepayments, deposits and other receivables	(6,525)	(10,311)	(31,356)	(76,097)	11,754
(Increase)/decrease in contract costs	-	-	(84)	(1,952)	25
(Decrease)/increase in trade payables	(3,535)	(3,271)	2,870	(2,756)	39,675
Increase/(decrease) in other payables and accruals	3,689	(3,166)	5,753	482	(2,737)
(Decrease)/increase in contract liabilities	(738)	2,113	12,217	(874)	(5,848)
	<u>69,126</u>	<u>10,024</u>	<u>50,321</u>	<u>(118,745)</u>	<u>(14,173)</u>
Cash generated from operations					
Income tax paid	(9,983)	(16,996)	(2,315)	(23)	(22)
	<u>59,143</u>	<u>(6,972)</u>	<u>48,006</u>	<u>(118,768)</u>	<u>(14,195)</u>
Net cash generated from/(used in) operating activities					

APPENDIX I

ACCOUNTANTS' REPORT

	Year ended 31 December			Four months ended	
	2019	2020	2021	30 April	
	RMB'000	RMB'000	RMB'000	2021	2022
				RMB'000	RMB'000
				<i>(Unaudited)</i>	
Cash flows from investing activities					
Purchases of property, plant and equipment	(77)	(77)	(311)	(4)	(74)
Investment in financial assets at fair value through other comprehensive income	(4,100)	(300)	(32,800)	(400)	–
Purchases of intangible assets	–	(32)	(93,783)	–	(8,491)
Increase in short-term deposits	(101,400)	(130,000)	–	–	–
Decrease in short-term deposits	151,700	25,000	130,000	130,000	–
Interest received	1,436	696	2,778	1,769	7
Net cash generated from / (used in) investing activities	47,559	(104,713)	5,884	131,365	(8,558)
Cash flows from financing activities					
Proceeds from borrowings	4,000	44,841	52,210	42,710	130,370
Repayment of borrowings	(4,000)	–	(44,841)	–	(53,900)
Proceeds from issuance of convertible bonds	–	–	–	–	44,352
Repayment of principal portion of the lease liabilities	(3,083)	(3,755)	(3,096)	(606)	(259)
Payment of deferred [REDACTED] expenses	–	–	(1,847)	–	(542)
Advances from directors	–	–	2	–	–
Repayment to directors	–	–	–	–	(2)
Issue of shares	–	–	3	–	69,721
Capital contributions from a beneficial shareholder to a subsidiary	–	–	154,000	–	–
Settlement of consideration arise from business transfer	–	–	(201,590)	–	(130,293)
Interest paid	(568)	(1,090)	(3,787)	(1,522)	(111)
Net cash (used in)/generated from financing activities	(3,651)	39,996	(48,946)	40,582	59,336

APPENDIX I

ACCOUNTANTS' REPORT

	Year ended 31 December			Four months ended	
	2019	2020	2021	30 April	
	RMB'000	RMB'000	RMB'000	RMB'000	2022 RMB'000
				<i>(Unaudited)</i>	
Net increase/(decrease) in cash and cash equivalents	103,051	(71,689)	4,944	53,179	36,583
Cash and cash equivalents at the beginning of year/period	13,881	116,932	45,243	45,243	50,187
Effect of foreign exchange rate changes on cash and cash equivalents	-	-	-	-	(133)
Cash and cash equivalents at the end of year/period	116,932	45,243	50,187	98,422	86,637
Analysis of the balances of cash and cash equivalents:					
Cash and bank balances	116,932	45,243	50,187	98,422	86,637

APPENDIX I

ACCOUNTANTS' REPORT

Reconciliation of liabilities arising from financing activities

	Borrowings RMB'000	Lease liabilities RMB'000	Amount due to a director RMB'000	Amounts due to related parties RMB'000	Convertible bonds RMB'000
As at 1 January 2019	-	11,284	-	-	-
<i>Changes from cash flow:</i>					
Proceeds from new borrowings	4,000	-	-	-	-
Repayment of borrowings	(4,000)	-	-	-	-
Repayment of principal elements	-	(3,083)	-	-	-
Interest paid	(27)	(541)	-	-	-
	<u>(27)</u>	<u>(3,624)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other changes:</i>					
Interest expenses	27	-	-	-	-
Commencement of leases	-	1,572	-	-	-
Imputed interest incurred on lease payments	-	541	-	-	-
	<u>27</u>	<u>2,113</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 December 2019	-	9,773	-	-	-
<i>Changes from cash flow:</i>					
Proceeds from new borrowings	44,841	-	-	-	-
Repayment of principal elements	-	(3,755)	-	-	-
Interest paid	(684)	(406)	-	-	-
	<u>44,157</u>	<u>(4,161)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other changes:</i>					
Interest expenses	684	-	-	-	-
Imputed interest incurred on lease payments	-	406	-	-	-
	<u>684</u>	<u>406</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 31 December 2020	<u>44,841</u>	<u>6,018</u>	<u>-</u>	<u>-</u>	<u>-</u>

APPENDIX I

ACCOUNTANTS' REPORT

	Borrowings RMB'000	Lease liabilities RMB'000	Amount due to a director RMB'000	Amounts due to related parties RMB'000	Convertible bonds RMB'000
As at 1 January 2021	44,841	6,018	-	-	-
<i>Changes from cash flow:</i>					
Advances from directors	-	-	2	-	-
Proceeds from new borrowings	52,210	-	-	-	-
Repayment of borrowings	(44,841)	-	-	-	-
Repayment of principal elements	-	(3,096)	-	-	-
Settlement of consideration arise from business transfer	-	-	-	(201,590)	-
Interest paid	(3,459)	(328)	-	-	-
	<u>3,910</u>	<u>(3,424)</u>	<u>2</u>	<u>(201,590)</u>	<u>-</u>
<i>Other changes:</i>					
Interest expenses	3,459	-	-	-	-
Assumptions of liabilities by controlling shareholders (Note 40)	(52,210)	-	-	-	-
Recognition of consideration of business transfer	-	-	-	370,000	-
Expenses paid on behalf by related parties	-	-	-	166	-
Collection of trade receivables on behalf by related parties (note)	-	-	-	(38,283)	-
Effect of lease modification	-	4,247	-	-	-
Early termination of lease	-	(815)	-	-	-
Commencement of leases	-	571	-	-	-
Imputed interest incurred on lease payments	-	328	-	-	-
	<u>(48,751)</u>	<u>4,331</u>	<u>-</u>	<u>331,883</u>	<u>-</u>
As at 31 December 2021	<u>-</u>	<u>6,925</u>	<u>2</u>	<u>130,293</u>	<u>-</u>

APPENDIX I

ACCOUNTANTS' REPORT

	Borrowings RMB'000	Lease liabilities RMB'000	Amount due to a director RMB'000	Amounts due to related parties RMB'000	Convertible bonds RMB'000
As at 1 January 2022	-	6,925	2	130,293	-
<i>Changes from cash flow:</i>					
Proceeds from new borrowings	130,370	-	-	-	-
Repayment of principal elements	(53,900)	(259)	-	-	-
Settlement of consideration arise from business transfer	-	-	-	(130,293)	-
Proceeds from convertible bonds	-	-	-	-	44,352
Repayment to a director	-	-	(2)	-	-
Interest paid	-	(111)	-	-	-
	<u>76,470</u>	<u>(370)</u>	<u>(2)</u>	<u>(130,293)</u>	<u>44,352</u>
<i>Other changes:</i>					
Interest expenses	2,265	-	-	-	1,834
Deemed capital contribution from a shareholder	(1,029)	-	-	-	-
Fair value change of convertible bond — conversion option derivative	-	-	-	-	(759)
Exchange difference	793	-	-	-	1,771
Commencement of leases	-	13	-	-	-
Imputed interest incurred on lease payments	-	111	-	-	-
	<u>2,029</u>	<u>124</u>	<u>-</u>	<u>-</u>	<u>2,846</u>
As at 30 April 2022	<u><u>78,499</u></u>	<u><u>6,679</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>47,198</u></u>

APPENDIX I

ACCOUNTANTS' REPORT

	Borrowings	Lease liabilities	Amount due to a director	Amounts due to related parties	Convertible bonds
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021	44,841	6,018	-	-	-
<i>Changes from cash flow:</i>					
Proceeds from new borrowings	42,710	-	-	-	-
Repayment of principal elements	-	(606)	-	-	-
Interest paid	(1,433)	(89)	-	-	-
	<u>41,277</u>	<u>(695)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other changes:</i>					
Interest expenses	1,433	-	-	-	-
Effect of lease modification	-	(815)	-	-	-
Commencement of leases	-	571	-	-	-
Imputed interest incurred on lease payments	-	89	-	-	-
	<u>1,433</u>	<u>(155)</u>	<u>-</u>	<u>-</u>	<u>-</u>
As at 30 April 2021 (Unaudited)	<u>87,551</u>	<u>5,168</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note:

The amount arises as a number of customers of the Group continue to repay their outstanding amounts to Xiamen Many Idea, despite these customers have agreed with Xiamen Many Idea to transfer the right of debt collection to the Group by signing the tripartite agreement under the Business Transfer which was completed on 1 December 2021.

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

(a) General information

The Company was incorporated in Cayman Islands on 10 June 2021, as an exempted company with limited liability under the Companies Act, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. Its principal place of business is 12/F., ERKE Group Mansion, 11 Guanyin Shan Hualien Road, Siming District, Xiamen, Fujian province, the People’s Republic of China (the “PRC”).

The Company is an investment holding company and the Group is principally engaged in provision of content marketing, digital marketing, public relations event planning services, media advertising services and Software as a Service (the “SaaS”) interactive marketing services (the “[REDACTED] Business”) in the PRC. There has been no significant change in the Group’s principal activities during the Track Record Period.

In the opinion of the directors of the Company, the [REDACTED] Business was controlled by Mr. Liu and his spouse, Ms. Qu, throughout the Track Record Period.

(b) Reorganisation

Prior to the incorporation of the Company and completion of the Reorganisation as described in the section headed “History, Reorganisation and Corporate Structure” in the Document, the provision of content marketing services, digital marketing services, public relations event planning services, media advertising services and SaaS interactive marketing services were carried out by Xiamen Many Idea, Jiangxi Meita, Xiamen Second Future, Xinjiang Kashi, Beijing Many Idea, Quanzhou Many Idea and Hainan Many Idea. Before the completion of the Reorganisation, the abovementioned companies and Shanghai Senyu (collectively the “Xiamen Many Idea Group”) were controlled by Mr. Liu and his spouse, Ms. Qu, throughout the Track Record Period.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed “History, Reorganisation and Corporate Structure” in the Document. Apart from the Reorganisation, 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, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	Note
		Directly	Indirectly			
Many Idea Interactive Limited (“Many Idea BVI”)	British Virgin Islands (“BVI”), 9 July 2021, limited liability company	100%	-	Issued and fully paid capital USD1	Investment holding, BVI	(a)

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	Note
		Directly	Indirectly			
Many Idea Interactive Technology (Hong Kong) Ltd. ("Many Idea HK") (多想互動科技(香港)有限公司)	Hong Kong ("HK"), 26 July 2021, limited liability company	-	100%	Issued and fully paid capital HKD1	Investment holding, HK	(b)
Xiamen Many Idea Interactive Cloud Technology Co., Ltd.* ("WFOE") (廈門多想互動雲科技有限公司)	PRC, 26 November 2021, limited liability company	-	100%	Registered capital RMB200,000,000	Investment holding, PRC	(a)
Xiamen Instant Interactive Co., Ltd.* ("Xiamen Instant Interactive") (廈門即刻互動文化傳播有限公司)	PRC, 11 May 2021, limited liability company	-	100%	Registered capital RMB3,000,000	Provision of content marketing services, digital marketing services, public relations event planning services and media advertising services, PRC	(a)
Beijing Many Idea Cloud Technology Co., Ltd.* ("Beijing Many Idea Cloud") (北京多想雲科技有限公司)	PRC, 24 November 2021, limited liability company	-	99%	Registered capital RMB1,000,000	Investment holding, PRC	(a)
Xiamen Many Idea Interactive Co., Ltd.* ("Xiamen Many Idea") (廈門多想互動文化傳播股份有限公司)	PRC, 21 May 2012, limited liability company	-	- (Prior to 1 December 2021: 83.12%)	Registered capital RMB50,800,001	Provision of content marketing services, digital marketing services, public relations event planning services and media advertising services, PRC	(c), (d)
Shanghai Senyu Advertising Co., Ltd.* ("Shanghai Senyu") (上海森昱廣告有限公司)	PRC, 12 December 2012, limited liability company	-	100% (Prior to 1 December 2021: 83.12%)	Registered capital RMB30,000,000	Inactive	(a)
Jiangxi Meita Culture Communication Co., Ltd.* ("Jiangxi Meita") (江西美塔文化傳播有限公司)	PRC, 6 June 2016, limited liability company	-	100% (Prior to 1 December 2021: 83.12%)	Registered and fully paid capital RMB15,000,000	Provision of content marketing services, digital marketing services, public relations event planning services, media advertising services, PRC	(a)
Xiamen Second Future Technology Co., Ltd.* ("Xiamen Second Future") (廈門第二未來科技有限公司)	PRC, 14 July 2016, limited liability company	-	100% (Prior to 1 December 2021: 83.12%)	Registered capital RMB50,000,000	Provision of content marketing services, digital marketing services, public relations event planning services, media advertising services and SaaS interactive marketing services, PRC	(a)

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company		Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business	Note
		Directly	Indirectly			
Xinjiang Kashi Lianjie Culture Communication Co., Ltd.* ("Xinjiang Kashi") (新疆喀什聯界文化傳播有限公司)	PRC, 5 April 2016, limited liability company	-	100% (Prior to 1 December 2021: 83.12%)	Registered and fully paid up capital RMB5,000,000	Provision of content marketing services, digital marketing services, public relations event planning services, media advertising services, PRC	(a)
Beijing Many Idea Interactive Culture Communication Co., Ltd.* ("Beijing Many Idea") (北京多想互動文化傳播有限公司)	PRC, 26 October 2017, limited liability company	-	- (Prior to 1 December 2021: 83.12%)	Registered and fully paid up capital RMB5,000,000	Provision of content marketing services, digital marketing services, public relations event planning services, media advertising services, PRC	(a), (d)
Quanzhou Many Idea Interactive Culture Communication Co., Ltd.* ("Quanzhou Many Idea") (泉州多想互動文化傳播有限公司)	PRC, 2 July 2018, limited liability company	-	100% (Prior to 1 December 2021: 83.12%)	Registered and fully paid up capital RMB5,000,000	Provision of content marketing services, digital marketing services, public relations event planning services, media advertising services, PRC	(a)
Hainan Many Idea Future Culture Communication Co., Ltd.* ("Hainan Many Idea") (海南多想未來文化傳播有限公司)	PRC, 19 March 2021, limited liability company	-	100% (Prior to 1 December 2021: 83.12%)	Registered capital RMB5,000,000	Provision of content marketing services, digital marketing services, public relations event planning services, media advertising services, PRC	(a)
Xinjiang Many Idea Cloud Culture Communication Co., Ltd.* ("Xinjiang Many Idea Cloud") (新疆多想雲文化傳播有限公司)	PRC, 9 May 2022, limited liability company	-	100%	Registered capital RMB5,000,000	Provision of content marketing services, digital marketing services, public relations event planning services, media advertising services, PRC	(a)

* English names of the subsidiaries are translated directly from their corresponding official Chinese names.

Notes:

- (a) There are no statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation for these subsidiaries. No audited financial statements have been prepared for these entities during the Track Record Period.
- (b) The financial statements of this subsidiary for the period from 26 July 2021 (date of incorporation) to 31 December 2021 were audited by BDO Limited.
- (c) There are no statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation but the financial statements of this subsidiary for the years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 were audited by Zhitong Certified Public Accountants LLP# (致同會計師事務所(特殊普通合伙)).

APPENDIX I

ACCOUNTANTS' REPORT

(d) Prior to the completion of Business Transfer (Note 40), these subsidiaries were 83.12% owned subsidiaries of the Company. Upon the completion of Business Transfer, these subsidiaries were transferred back to the controlling shareholders and no longer owned by the Group.

English name of this professional party is translated directly from its corresponding official Chinese name.

(c) Basis of presentation

Pursuant to the Reorganisation described in the section headed "History, Reorganisation and Corporate Structure" in the Document, the Company became the holding company of the companies now comprising the Group on 1 December 2021. The companies now comprising the Group were under the common control of Mr. Liu and his spouse, Ms. Qu, immediately before and after the completion of the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger method of accounting as if the Reorganisation and Business Transfer had been completed at the beginning of the Track Record Period.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2019, 2020, 2021 and the four months ended 30 April 2022 have included the results, changes in equity and cash flows of the companies now comprising the Group from the earliest date presented or since their respective dates of incorporation, whichever was shorter, as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of the Group as at 31 December 2019, 2020, 2021 and 30 April 2022 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates. No adjustment is made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the HKFRSs, which are effective for the Group's accounting period beginning on 1 January 2022 throughout the Track Record Period.

At the date of this report, certain new or revised HKFRSs have been issued by the HKICPA but are not effective and have not been adopted early by the Group are set out in Note 3.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Historical Financial Information set out in this report has been prepared in accordance with the accounting policies set out below, which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules").

(b) Basis of measurement

The Historical Financial Information has been prepared under the historical cost basis except for the financial assets at fair value through other comprehensive income, which are measured at fair value as explained in the accounting policies set out below.

(c) Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("RMB"). The functional currency of the Company is RMB. The Company's primary subsidiaries are incorporated in the PRC and for these subsidiaries, RMB is the functional currency. All values in the Historical Financial Information are rounded to the nearest thousand except when otherwise indicated.

APPENDIX I

ACCOUNTANTS' REPORT

3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new/revised HKFRSs, potentially relevant to the Group's Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current ² Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ²
HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 1	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²

¹ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

Further details about those HKFRSs that are not yet effective and are expected to be applicable to the Group are as follows:

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

HKFRS 17 – Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a 'General Model', which is modified for insurance contracts with direct participation features, described as the 'Variable Fee Approach'. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the consolidated financial statements.

APPENDIX I

ACCOUNTANTS' REPORT

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

Amendments to HKAS 1, Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosed. The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations (AROs)/decommissioning liabilities.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Merger accounting for the Reorganisation

The consolidated financial statements incorporate the financial statements of the consolidating entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party.

The net assets of the consolidating entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

APPENDIX I

ACCOUNTANTS' REPORT

The consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidating entities from the earliest date presented or since the date when the consolidating entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on combination.

(b) Basis of consolidation

Except for the merger accounting for the Reorganisation described above, the acquisition method of accounting is used for all other acquisitions of subsidiaries or businesses.

The Historical Financial Information comprise the financial statements of the Company and its subsidiaries (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive processes and whether the acquired set has the ability to produce outputs.

The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

APPENDIX I

ACCOUNTANTS' REPORT

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the Company considers all relevant facts and circumstances, including:

- the size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- substantive potential voting rights held by the Company and other parties who hold voting rights;
- other contractual arrangements; and
- historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

APPENDIX I

ACCOUNTANTS' REPORT

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates are as follows:

Owned assets

Leasehold improvement	The shorter of 3 years or period of the related lease
Furniture and equipment	20% - 33.33%
Motor vehicles	12.5%

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

(e) Intangible assets (other than goodwill)

(i) *Intangible assets acquired separately and in a business combination*

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The management determines the estimated useful lives and related amortisation for the intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets.

The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Amortisation is provided on a straight-line basis over their useful lives. The principal annual rates are as follows:

Computer software	10% - 33.33%
Licences	Over the term of licence agreement

SaaS related software acquired in the course of business operation is recognised as computer software. The SaaS related software have a finite useful life that is dependent to the SaaS interactive marketing business of the Group and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful life of the SaaS related software, which is estimated to be 10 years. The expected useful life is determined based on management's best estimate of the total period from which the benefits will be derived from the SaaS related software and will reflect the consumption of future economic benefits from the SaaS related software in the Group's SaaS interactive marketing business, taking into account (1) the typical term of the service contracts; (2) the business expansion plan of SaaS interactive marketing business formulated by the management; (3) the capability and functionality of the SaaS related software; and (4) technological obsolescence.

(ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

APPENDIX I

ACCOUNTANTS' REPORT

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(iv) Impairment of intangible assets

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see Note 4(n)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

(f) Financial instruments

(i) Financial asset

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised 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.

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

Debt instruments

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

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

APPENDIX I

ACCOUNTANTS' REPORT

Fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Debt investments at FVTOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

FVTPL: Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVTOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade receivables, other financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within 12 months after the reporting date; and (2) Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on lifetime ECLs except when there has not been a significant increase in credit risk since initial recognition, in which case the allowance will be based on the 12-months ECLs.

APPENDIX I

ACCOUNTANTS' REPORT

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to action such as realising security (if any is held); or the financial asset is more than 90 days past due.

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

The Group considers a financial asset to be credit-impaired when:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in "FVTOCI reserve (recycling)".

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

APPENDIX I

ACCOUNTANTS' REPORT

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Convertible bonds

Convertible notes issued by the Company that contain the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. For conversion option classified as an equity instrument, the difference between the proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible notes equity reserve). For conversion option classified as derivative, it is recognised at fair value. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as liability.

In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible loan equity reserve will be transferred to share capital). Where the option remains unexercised at the expiry dates, the balance stated in convertible loan notes equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and conversion option components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity and relating to conversion option derivative is recognised to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible loan notes using the effective interest method.

APPENDIX I

ACCOUNTANTS' REPORT

(v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(vi) Equity instrument

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the loss allowance, being the ECL provision measured in accordance with principles of the accounting policy set out in Note 4(f)(ii); and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the principles of HKFRS 15.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

(g) Leases

The Group as lessee

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

APPENDIX I

ACCOUNTANTS' REPORT

Right-of-use asset

The right-of-use asset is initially recognised at cost and would comprise:

- (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability);
- (ii) any lease payments made at or before the commencement date, less any lease incentives received;
- (iii) any initial direct costs incurred by the lessee; and
- (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. 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 underlying assets.

Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments:

- (i) fixed lease payments less any lease incentives receivable;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date;
- (iii) amounts expected to be payable by the lessee under residual value guarantees;
- (iv) exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by:

- (i) increasing the carrying amount to reflect interest on the lease liability;
- (ii) reducing the carrying amount to reflect the lease payments made; and
- (iii) remeasuring the carrying amount to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payments.

APPENDIX I

ACCOUNTANTS' REPORT

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for Covid-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

(h) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of each reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

APPENDIX I

ACCOUNTANTS' REPORT

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

(i) Employee benefits

(i) *Short-term employee benefits*

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of each reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(ii) *Defined contribution retirement plan*

Pursuant to the relevant regulations of the PRC government, the Group participants in a central pension scheme operated by the local municipal government (the "Scheme"), whereby the subsidiaries of the Company in PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiaries of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred.

(iii) *Termination benefits*

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(j) Revenue recognition

Revenue from contracts with customers is recognised 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, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

APPENDIX I

ACCOUNTANTS' REPORT

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Revenue from content marketing services

Content marketing is a form of customers' demand-oriented strategic marketing approach, focused on brand display through self-developed or proxy intellectual properties.

The Group recognises revenue from content marketing services over the period that the related services are rendered using the output method, as the customer simultaneously received and consumes the benefits provided by the Group.

(ii) Revenue from digital marketing services

Digital marketing is a form of marketing strategy that utilise internet and online based digital technologies to promote customers' product and service.

The Group recognises revenue from digital marketing services over the period that the related services are rendered using the output method, as the customer simultaneously received and consumes the benefits provided by the Group.

(iii) Revenue from public relations event planning services

Public relations event planning services is a comprehensive services delivered by the Group from concept creation, venue decoration, stage design, audio visual and lighting set up and all kinds of entertainment and performance production.

The Group recognises revenue from public relations event planning services over the period that the related services are rendered using the output method, as the customer simultaneously received and consumes the benefits provided by the Group.

(iv) Revenue from advertisement placement services

The Group recognises revenue from advertisement placement services over the period that the related services are rendered using the output method, as the customer simultaneously received and consumes the benefits provided by the Group.

(v) Revenue from SaaS interactive marketing services

The Group offers SaaS interactive marketing services which is a cloud-based software and related services to the customers. Revenue from SaaS interactive marketing services includes fixed subscription fees and revenue from customisation for SaaS-related services.

Fixed subscription fees are generally recognised over time on a systematic basis over the contract term beginning on the date that the service is made available to customer.

The Group recognises revenue from customisation for SaaS-related services at the time when the control of customisation product are transferred.

APPENDIX I

ACCOUNTANTS' REPORT

(vi) Interest income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

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

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

(k) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

APPENDIX I

ACCOUNTANTS' REPORT

(l) Income taxes

Income taxes for the year/period comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each reporting period. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries, associates and joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of each reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

APPENDIX I

ACCOUNTANTS' REPORT

(n) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- right-of-use assets; and
- intangible assets.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years/periods. A reversal of an impairment loss is recognised as income immediately.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits and highly liquid investments with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(p) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).

APPENDIX I

ACCOUNTANTS' REPORT

- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management services to the group or to the group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

(q) Research and development costs

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

Expenditure incurred to develop new products is capitalised 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 and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expenses when incurred.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying accounting policies

(i) *Determination of functional currency*

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

APPENDIX I

ACCOUNTANTS' REPORT

(b) Key sources of estimation uncertainty

(i) Useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic view could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(ii) Impairment of trade receivables, deposits and other receivables and amount due from related parties

The measurement of impairment losses under HKFRS 9 requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, including the economic downturn and uncertainties that have arisen as a result of COVID-19 pandemic, have made these estimates more judgemental, in which can result in different levels of allowances.

At the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

(iii) Impairment of property, plant and equipment, intangible assets and right-of-use assets

Property, plant and equipment, intangible assets and right-of-use assets are tested for impairment when indicators exist. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount being fair value less costs of disposal or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(iv) Estimated incremental borrowing rate for leases

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

APPENDIX I

ACCOUNTANTS' REPORT

(v) Income tax and deferred tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(vi) Fair value of unlisted financial assets measured at FVTOCI

The fair value measurement of financial asset at FVTOCI were categorised within Level 3 of the fair value hierarchy, which required significant judgements and estimates by considering factors including, but not limited to the future operating performance and cash flow of the investee company and economic and market conditions in which the investee company operated etc. The fair value of the financial asset at FVTOCI will be revised upward or downward where future performance are different from previous forecast. The fair value of the financial asset at FVTOCI and corresponding significant unobservable input of the valuation are disclosed in Note 42(f).

(vii) Useful lives of intangible assets

The Group's management determines the estimated useful lives and related amortisation charges for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortisation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore amortisation expense in future periods.

6. SEGMENT INFORMATION

Operating segments

The Group is principally engaged in provision of content marketing services, digital marketing services, public relations event planning services, media advertising services and SaaS interactive marketing services in the PRC.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance.

The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and performance assessment, does not contain discrete operating segment financial information, and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

Substantially all of the Group's revenues from external customers during the Track Record Period were attributed to the PRC, and is based on the location in which the relevant Group's activities which generated such revenues were carried out.

The geographical location of non-current assets is based on the physical location of the assets. As at 31 December 2019, 2020, 2021 and 30 April 2022, all of the Group's non-current assets are located in the PRC.

APPENDIX I

ACCOUNTANTS' REPORT

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the Track Record Period are as follows:

	Year ended 31 December			Four months ended 30 April	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
Customer A	N/A	N/A	N/A	N/A	16,411
Customer B	N/A	N/A	N/A	N/A	16,239
	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>32,650</u>

7. REVENUE

Revenue represents the net invoiced value of services rendered and earned by the Group.

	Year ended 31 December			Four months ended 30 April	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
Content marketing services	249,175	178,051	188,164	20,372	82,546
Digital marketing services	62,972	73,123	87,950	30,757	24,959
Public relations event planning services	42,870	39,428	25,434	5,866	3,858
Media advertising services	36,021	17,775	41,171	13,224	23,493
SaaS interactive marketing services	–	–	10,581	–	8,951
	<u>391,038</u>	<u>308,377</u>	<u>353,300</u>	<u>70,219</u>	<u>143,807</u>

Timing of revenue recognition

At a point in time	–	–	10,401	–	8,312
Transferred over time	<u>391,038</u>	<u>308,377</u>	<u>342,899</u>	<u>70,219</u>	<u>135,495</u>
	<u>391,038</u>	<u>308,377</u>	<u>353,300</u>	<u>70,219</u>	<u>143,807</u>

The Group has applied the practical expedient to its sales contracts for content marketing services, digital marketing services, public relations event planning services, media advertising services and SaaS interactive marketing services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for content marketing services, digital marketing services, public relations event planning services, media advertising services and SaaS interactive marketing services that had an original expected duration of one year or less.

APPENDIX I

ACCOUNTANTS’ REPORT

8. OTHER REVENUE

	Year ended 31 December			Four months ended	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Government grants (<i>Note i</i>)	4,922	3,349	3,092	651	2
Bank interest income	940	2,190	1,550	647	568
Additional value added tax (“VAT”) input deduction (<i>Note ii</i>)	489	959	3,815	1,731	1,179
Gain on early termination of lease	–	–	29	29	–
Others	23	76	19	17	5
	6,374	6,574	8,505	3,075	1,754

Note:

- (i) Government grants mainly represent grants received from the PRC local government authority as subsidies to the Group for:
 - (a) various phases achieved in preparation for listing in Shenzhen Stock Exchange during 2019;
 - (b) enhancement of high quality development in culture and creative industries; and
 - (c) sustainable business development with high-technology and advanced technology.
- (ii) Additional VAT input deduction were recognised in profit or loss due to the VAT reform. In accordance with VAT Reformation Article No.39, the Group is eligible for VAT credits of 10% additional VAT input deduction from 1 April 2019 to 31 December 2022 upon meeting all applicable criteria.

9. OTHER GAINS AND LOSSES

	Year ended 31 December			Four months ended	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(Unaudited)	
Gain on written-back of trade payables	–	–	1,415	–	–
Exchange losses, net	–	–	–	–	(2,717)
Others	–	–	(6)	–	–
	–	–	1,409	–	(2,717)

APPENDIX I

ACCOUNTANTS' REPORT

10. FINANCE COSTS

	Year ended 31 December			Four months ended 30 April	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
Interest expenses on bank borrowings	27	684	3,459	1,433	5
Interest expenses on loan from third parties	-	-	-	-	1,450
Interest expenses on loan from a shareholder	-	-	-	-	810
Imputed interest expenses on convertible bonds	-	-	-	-	1,834
Interest expenses on lease liabilities	541	406	328	89	111
	<u>568</u>	<u>1,090</u>	<u>3,787</u>	<u>1,522</u>	<u>4,210</u>

11. PROFIT BEFORE INCOME TAX EXPENSE

The Group's operating profit is arrived at after charging:

	Year ended 31 December			Four months ended 30 April	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000	2022 RMB'000
Auditors' remuneration	-	-	-	-	-
Amortisation of intangible assets included in (Note 20):					
- Administrative expenses	38	37	32	12	9
- Cost of revenue	-	-	6,241	-	3,881
- Selling and marketing expenses	99	88	81	32	21
- Research and development costs	-	-	136	-	94
	<u>137</u>	<u>125</u>	<u>6,490</u>	<u>44</u>	<u>4,005</u>
Cost of revenue (Note)	261,691	233,735	238,764	50,002	97,714
Cost of inventories recognised as expenses	28,355	21,793	10,292	2,275	1,773
Depreciation charged:					
- Property, plant and equipment (Note 18)	1,969	1,566	1,033	502	211
- Right-of-use assets (Note 19)	3,364	3,669	2,893	1,095	958
Employee costs (Note 12)	20,341	21,604	20,459	5,786	7,949
[REDACTED] expenses – Hong Kong Exchanges and Clearing Limited ("HKEX")	-	-	8,655	-	5,404
Provision of impairment loss recognised on trade receivables, net	3,667	11,480	5,758	7,839	8,774
Research costs	-	-	4,737	949	2,857
Short-term leases expenses	6,458	7,910	4,140	201	418
	<u>6,458</u>	<u>7,910</u>	<u>4,140</u>	<u>201</u>	<u>418</u>

APPENDIX I

ACCOUNTANTS' REPORT

Note:

Cost of revenue for the years ended 31 December 2019, 2020, 2021 and the four months ended 30 April 2021 and 2022 includes RMB5,855,000, RMB6,310,000, RMB5,117,000, RMB1,254,000 (unaudited) and RMB2,436,000 of employee costs, RMB6,012,000, RMB7,517,000, RMB3,898,000, RMB160,000 (unaudited) and RMB391,000 of short-term leases expenses, RMB28,355,000, RMB21,793,000, RMB10,292,000, RMB2,275,000 (unaudited) and RMB1,773,000 of costs of inventories recognised as expenses, which are also included in the respective total amounts disclosed above for each of these types of expenses respectively.

12. EMPLOYEE COSTS

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Employee costs (including directors' emoluments (<i>Note 14</i>)) comprise:					
Wages and salaries	16,860	19,942	17,489	5,015	7,216
Contributions to retirement benefits scheme	1,517	1,048	1,717	533	627
Other employee benefits	1,964	614	1,253	238	106
	<u>20,341</u>	<u>21,604</u>	<u>20,459</u>	<u>5,786</u>	<u>7,949</u>

13. RETIREMENT BENEFITS SCHEMES

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

APPENDIX I

ACCOUNTANTS' REPORT

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' remuneration

Directors' emoluments disclosed pursuant to the Listing Rules and section 78(1) of Schedule 11 to the Hong Kong Companies Ordinance, Cap. 622 for the Track Record Period are as follows:

	Note	Year ended 31 December 2019			Total emoluments RMB'000
		Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Contributions to retirement benefits scheme RMB'000	
Executive directors					
Mr. Liu	(i)	-	797	23	820
Ms. Qu Shuo	(ii)	-	-	-	-
Ms. Huang Tingting	(iii)	-	747	10	757
Mr. Chen Shancheng	(iv)	-	505	6	511
Mr. Chen Zeming	(v)	-	346	11	357
		-	2,395	50	2,445
Independent non-executive directors					
Ms. Wang Yingbin	(vi)	-	-	-	-
Ms. Wong Yan Ki, Angel	(vii)	-	-	-	-
Mr. Tian Tao	(viii)	-	-	-	-
		-	-	-	-
		-	2,395	50	2,445

APPENDIX I

ACCOUNTANTS' REPORT

		Year ended 31 December 2020				
		Fees	Salaries, allowances and benefits in kind	Contributions to retirement benefits scheme	Total emoluments	
Note		RMB'000	RMB'000	RMB'000	RMB'000	
Executive directors						
	Mr. Liu	(i)	-	880	39	919
	Ms. Qu Shuo	(ii)	-	-	-	-
	Ms. Huang Tingting	(iii)	-	734	5	739
	Mr. Chen Shancheng	(iv)	-	729	5	734
	Mr. Chen Zeming	(v)	-	278	6	284
			-	2,621	55	2,676
Independent non-executive directors						
	Ms. Wang Yingbin	(vi)	-	-	-	-
	Ms. Wong Yan Ki, Angel	(vii)	-	-	-	-
	Mr. Tian Tao	(viii)	-	-	-	-
			-	-	-	-
			-	2,621	55	2,676
Year ended 31 December 2021						
		Fees	Salaries, allowances and benefits in kind	Contributions to retirement benefits scheme	Total emoluments	
Note		RMB'000	RMB'000	RMB'000	RMB'000	
Executive directors						
	Mr. Liu	(i)	-	845	116	961
	Ms. Qu Shuo	(ii)	-	362	11	373
	Ms. Huang Tingting	(iii)	-	812	10	822
	Mr. Chen Shancheng	(iv)	-	790	10	800
	Mr. Chen Zeming	(v)	-	304	11	315
			-	3,113	158	3,271
Independent non-executive directors						
	Ms. Wang Yingbin	(vi)	-	-	-	-
	Ms. Wong Yan Ki, Angel	(vii)	-	-	-	-
	Mr. Tian Tao	(viii)	-	-	-	-
			-	-	-	-
			-	3,113	158	3,271

APPENDIX I

ACCOUNTANTS' REPORT

Four months ended 30 April 2021 (Unaudited)					
		Fees	Salaries, allowances and benefits in kind	Contributions to retirement benefits scheme	Total emoluments
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Liu	(i)	-	320	39	359
Ms. Qu Shuo	(ii)	-	103	3	106
Ms. Huang Tingting	(iii)	-	274	3	277
Mr. Chen Shancheng	(iv)	-	267	3	270
Mr. Chen Zeming	(v)	-	95	4	99
		-	1,059	52	1,111
Independent non-executive directors					
Ms. Wang Yingbin	(vi)	-	-	-	-
Ms. Wong Yan Ki, Angel	(vii)	-	-	-	-
Mr. Tian Tao	(viii)	-	-	-	-
		-	-	-	-
		-	1,059	52	1,111

Four months ended 30 April 2022					
		Fees	Salaries, allowances and benefits in kind	Contributions to retirement benefits scheme	Total emoluments
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors					
Mr. Liu	(i)	-	320	38	358
Ms. Qu Shuo	(ii)	-	165	4	169
Ms. Huang Tingting	(iii)	-	243	4	247
Mr. Chen Shancheng	(iv)	-	267	4	271
Mr. Chen Zeming	(v)	-	115	4	119
		-	1,110	54	1,164
Independent non-executive directors					
Ms. Wang Yingbin	(vi)	-	-	-	-
Ms. Wong Yan Ki, Angel	(vii)	-	-	-	-
Mr. Tian Tao	(viii)	-	-	-	-
		-	-	-	-
		-	1,110	54	1,164

APPENDIX I

ACCOUNTANTS' REPORT

Notes:

- (i) Mr. Liu was appointed as an executive director on 10 June 2021.
- (ii) Ms. Qu Shuo was appointed as an executive director on 22 December 2021.
- (iii) Ms. Huang Tingting was appointed as an executive director on 22 December 2021.
- (iv) Mr. Chen Shancheng was appointed as an executive director on 22 December 2021.
- (v) Mr. Chen Zeming was appointed as an executive director on 22 December 2021.
- (vi) Ms. Wang Yingbin was appointed as an independent non-executive director on 12 October 2022.
- (vii) Ms. Wong Yan Ki, Angel was appointed as an independent non-executive director on 12 October 2022.
- (viii) Mr. Tian Tao was appointed as an independent non-executive director on 12 October 2022.

During the Track Record Period, none of the directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

(ii) Five highest paid individuals

The five highest paid individuals of the Group included 3, 3, 3, 3, 4 directors for the years ended 31 December 2019, 2020, 2021 and four months ended 30 April 2021 (unaudited) and 2022, whose emoluments are reflected in Note 14(i).

The analysis of the emolument of the remaining 2, 2, 2, 2, 1 highest paid individuals for the years ended 31 December 2019, 2020, 2021 and four months ended 30 April 2021 (unaudited) and 2022, respectively, are set out below:

	Year ended 31 December			Four months ended 30 April	
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2021 RMB'000 (Unaudited)	2022 RMB'000
Salaries and other benefits	1,247	846	820	283	180
Contributions to retirement benefits scheme	15	8	21	6	4
	<u>1,262</u>	<u>854</u>	<u>841</u>	<u>289</u>	<u>184</u>

The number of non-director highest paid individuals whose remuneration fell within the following band is as follows:

	Year ended 31 December			Four months ended 30 April	
	2019	2020	2021	2021 (Unaudited)	2022
Nil to HKD1,000,000	1	2	2	2	1
HKD1,000,001 to HKD1,500,000	1	-	-	-	-
	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

APPENDIX I

ACCOUNTANTS' REPORT

During the Track Record Period, none of the five highest paid individuals waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(iii) Senior management emolument band

The number of senior management whose remuneration fell within the following band is as follows:

	Year ended 31 December			Four months ended	
	2019	2020	2021	2021	2022
				(Unaudited)	
Nil to HKD1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>

15. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December			Four months ended	
	2019	2020	2021	2021	2022
				(Unaudited)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – PRC Enterprise Income Tax (the "PRC EIT")					
– for the years/periods	17,990	8,344	14,802	3,450	6,052
– under-provision in prior years/periods	–	–	16	16	–
Deferred tax (<i>Note 30</i>)					
– for the year/period	<u>581</u>	<u>(3,184)</u>	<u>(191)</u>	<u>(2,167)</u>	<u>(2,223)</u>
Income tax expense	<u>18,571</u>	<u>5,160</u>	<u>14,627</u>	<u>1,299</u>	<u>3,829</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, the Company incorporated in the Cayman Islands and the Company's subsidiary incorporated in BVI are not subject to any income tax.

Hong Kong Profits Tax for the Company's subsidiary incorporated in Hong Kong has been provided at the rate of 16.5% on the estimated assessable profits.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC income tax of the subsidiaries of the Group is calculated based on the statutory tax rate of 25%, except for the below subsidiaries, which are entitled to a preferential tax rate according to the Enterprise Income Tax Preference Policies issued by the State Administration of Taxation.

According to "Notice of the Ministry of Finance and the State Administration of Taxation on Preferential Enterprise Income Tax Policies for Xinjiang Kashi and Huoerguosi", a subsidiary of the Group located in Xinjiang, the PRC was entitled to the exemption from the EIT for 5 years since it started its operation in 2016. According to the approval from the PRC government, such exemption was ended at 31 December 2020.

APPENDIX I

ACCOUNTANTS’ REPORT

According to “Announcement of Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China”, the subsidiary of the Group located in Xinjiang was entitled to a preferential tax rate of 15% since 1 January 2021.

According to “Notice on the implementation of inclusive tax reduction and exemption policies for small and micro enterprises” and before 1 January 2021, for certain subsidiaries of the Group located in the PRC, if their annual taxable profits do not exceed RMB1 million, only 25% of such amount is taxable with a tax rate of 20% ; while if their annual taxable profits do exceed RMB1 million but less than RMB3 million, only 50% of such amount is taxable with a tax rate of 20%. However, if their annual taxable profits do exceed RMB3 million, the whole amount will be taxable at a tax rate of 25%. And since 1 January 2021, if their annual taxable profits do not exceed RMB1 million, only 12.5% of such amount is taxable at 20%; while if their annual taxable profits do exceed RMB1 million but less than RMB3 million, only 50% of such amount is taxable with a tax rate of 20%. However, if their annual taxable profits do exceed RMB3 million, the whole amount will be taxable at the tax rate of 25%.

According to “Notice of Preferential Income Tax Policies for Enterprises in Hainan Free Trade Port”, a subsidiary of the Group located in Hainan, the PRC was entitled to a preferential tax rate of 15%.

The income tax expense for the Track Record Period can be reconciled to the profit before income tax expense per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Profit before income tax expense	98,595	36,944	79,368	6,040	19,089
Tax calculated at PRC statutory tax rate of 25%	24,649	9,235	19,842	1,510	4,773
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	-	-	-	1,110
Expenses not deductible for tax purposes	598	510	925	19	144
Tax incentives for research and development expenses available for subsidiaries incorporated in the PRC	-	-	(852)	(178)	(536)
Effect of tax concession granted to PRC subsidiaries	(6,677)	(4,207)	(5,381)	(68)	(1,948)
Effect of tax losses not recognised	1	1	177	-	286
Under-provision in prior years/periods	-	-	16	16	-
Change in applicable tax rate	-	(379)	-	-	-
Income tax expense	18,571	5,160	14,627	1,299	3,829

The weighted average applicable tax rate was 18.84%, 13.97%, 18.43%, 21.51% and 20.06% for the years ended 31 December 2019, 2020, 2021 and four months ended 30 April 2021 (unaudited) and 2022 respectively.

16. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation.

APPENDIX I

ACCOUNTANTS' REPORT

17. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation as disclosed in Note 1.

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost				
At 1 January 2019	5,664	1,794	1,913	9,371
Additions	-	77	-	77
At 31 December 2019	5,664	1,871	1,913	9,448
Additions	-	77	-	77
At 31 December 2020	5,664	1,948	1,913	9,525
Additions	98	213	-	311
At 31 December 2021	5,762	2,161	1,913	9,836
Additions	-	74	-	74
At 30 April 2022	<u>5,762</u>	<u>2,235</u>	<u>1,913</u>	<u>9,910</u>
Accumulated depreciation and impairment				
At 1 January 2019	1,966	999	344	3,309
Charged during the year	1,428	314	227	1,969
At 31 December 2019	3,394	1,313	571	5,278
Charged during the year	1,104	235	227	1,566
At 31 December 2020	4,498	1,548	798	6,844
Charged during the year	617	189	227	1,033
At 31 December 2021	5,115	1,737	1,025	7,877
Charged during the period	80	54	77	211
At 30 April 2022	<u>5,195</u>	<u>1,791</u>	<u>1,102</u>	<u>8,088</u>
Net book value				
At 30 April 2022	<u>567</u>	<u>444</u>	<u>811</u>	<u>1,822</u>
At 31 December 2021	<u>647</u>	<u>424</u>	<u>888</u>	<u>1,959</u>
At 31 December 2020	<u>1,166</u>	<u>400</u>	<u>1,115</u>	<u>2,681</u>
At 31 December 2019	<u>2,270</u>	<u>558</u>	<u>1,342</u>	<u>4,170</u>

APPENDIX I

ACCOUNTANTS' REPORT

19. LEASES

The Group as a lessee

The Group has lease contracts for property and buildings used in its operations. Leases of the property and buildings generally have lease terms of 3 to 8 years.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Track Record Period are as follows:

	Total RMB'000
At 1 January 2019	11,599
Commencement of lease	1,572
Depreciation for the year	<u>(3,364)</u>
At 31 December 2019	9,807
Depreciation for the year	<u>(3,669)</u>
At 31 December 2020	6,138
Commencement of lease	571
Effect of lease modification	4,247
Depreciation	(2,893)
Early termination of lease	<u>(786)</u>
At 31 December 2021	7,277
Commencement of lease	13
Depreciation for the period	<u>(958)</u>
At 30 April 2022	<u><u>6,332</u></u>

(b) Lease liabilities

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period	11,284	9,773	6,018	6,925
Commencement of lease	1,572	–	571	13
Effect of lease modification	–	–	4,247	–
Early termination of lease	–	–	(815)	–
Lease payments	(3,624)	(4,161)	(3,424)	(370)
Interest expense	541	406	328	111
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount at end of year/period	<u>9,773</u>	<u>6,018</u>	<u>6,925</u>	<u>6,679</u>

APPENDIX I

ACCOUNTANTS' REPORT

Future lease payments are due as follows:

	Future lease payments RMB'000	Interest RMB'000	Present value RMB'000
At 31 December 2019			
Not later than one year	4,161	406	3,755
Later than one year and not later than two years	4,768	362	4,406
Later than two years and not later than five years	1,654	42	1,612
	<u>10,583</u>	<u>810</u>	<u>9,773</u>
At 31 December 2020			
Not later than one year	2,786	233	2,553
Later than one year and not later than two years	3,636	171	3,465
	<u>6,422</u>	<u>404</u>	<u>6,108</u>
At 31 December 2021			
Not later than one year	3,180	273	2,907
Later than one year and not later than two years	3,283	124	3,159
Later than two years and not later than five years	697	61	636
Later than five years	237	14	223
	<u>7,397</u>	<u>472</u>	<u>6,925</u>
At 30 April 2022			
Not later than one year	3,215	225	2,990
Later than one year and not later than two years	3,304	72	3,232
Later than two years and not later than five years	313	54	259
Later than five years	208	10	198
	<u>7,040</u>	<u>361</u>	<u>6,679</u>

The present value of future lease payments are analysed as:

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Current liabilities	3,755	2,553	2,907	2,990
Non-current liabilities	6,018	3,465	4,018	3,689
	<u>9,773</u>	<u>6,018</u>	<u>6,925</u>	<u>6,679</u>

APPENDIX I

ACCOUNTANTS' REPORT

20. INTANGIBLE ASSETS

	Computer software RMB'000	Licences RMB'000	Total RMB'000
Cost			
At 1 January 2019 and 31 December 2019	727	–	727
Additions			
– Externally acquired	<u>32</u>	<u>–</u>	<u>32</u>
At 31 December 2020	759	–	759
Additions			
– Externally acquired	<u>70,462</u>	<u>23,321</u>	<u>93,783</u>
At 31 December 2021	71,221	23,321	94,542
Additions			
– Externally acquired	<u>8,491</u>	<u>–</u>	<u>8,491</u>
At 30 April 2022	<u>79,712</u>	<u>23,321</u>	<u>103,033</u>
Accumulated amortisation and impairment			
At 1 January 2019	180	–	180
Charged during the year	<u>137</u>	<u>–</u>	<u>137</u>
At 31 December 2019	317	–	317
Charged during the year	<u>125</u>	<u>–</u>	<u>125</u>
At 31 December 2020	442	–	442
Charged during the year	<u>3,769</u>	<u>2,721</u>	<u>6,490</u>
At 31 December 2021	4,211	2,721	6,932
Charged during the period	<u>2,450</u>	<u>1,555</u>	<u>4,005</u>
At 30 April 2022	<u>6,661</u>	<u>4,276</u>	<u>10,937</u>
Net book value			
At 30 April 2022	<u>73,051</u>	<u>19,045</u>	<u>92,096</u>
At 31 December 2021	<u>67,010</u>	<u>20,600</u>	<u>87,610</u>
At 31 December 2020	<u>317</u>	<u>–</u>	<u>317</u>
At 31 December 2019	<u>410</u>	<u>–</u>	<u>410</u>

The Group's computer software with carrying amount of RMB410,000, RMB317,000, RMB67,010,000 and RMB73,051,000 as at 31 December 2019, 2020, 2021 and 30 April 2022 will be fully amortised in 4.92 years, 3.92 years, 9.75 years and 9.67 years, respectively.

The Group's licences with carrying amount of RMB20,600,000 and RMB19,045,000 as at 31 December 2021 and 30 April 2022 will be fully amortised in 4.42 years and 4.08 years, respectively.

APPENDIX I

ACCOUNTANTS' REPORT

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
Equity instruments in unlisted companies measured at FVTOCI				RMB'000
– Xiamen Many Idea Vision Culture Media Co., Ltd.* ("Many Idea Vision Culture") (廈門多想視界文化傳媒有限公司)	2,360	2,691	–	–
– Xiamen Many Idea Vision Advertising Co., Ltd.* ("Many Idea Vision Advertising") (廈門多想視界廣告有限公司)	2,349	2,531	–	–
	<u>4,709</u>	<u>5,222</u>	<u>–</u>	<u>–</u>

As at December 2019 and 2020, the balances represented the unlisted equity investments held by Xiamen Many Idea in Many Idea Vision Culture of 9.0909% and 8.7802% and Xiamen Many Idea Vision Advertising of 9.0909% and 9.0909% respectively, both of which were companies established in the PRC. During the year ended 31 December 2021 and prior to the completion of the Business Transfer on 1 December 2021 (as disclosed in Note 40), the shareholdings in Many Idea Vision Culture was increased to 17.0729%. As a result of the Business Transfer, the unlisted equity investments were treated as deemed distribution of asset. As a result, the balances were nil as at 31 December 2021. These investments were not accounted for under the equity method as Xiamen Many Idea does not have the power to participate in their operating and financial policy decisions, and there is lack of any direct or indirect involvement at their board level.

The unlisted equity investments were irrevocably designated at FVTOCI as Xiamen Many Idea considers these investments to be strategic in nature.

Further details on the Group's fair value measurement are set out in Note 42(f).

* *English names of the unlisted equity investments are translated directly from their corresponding official Chinese names.*

22. TRADE RECEIVABLES

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
Trade receivables	148,103	176,128	168,857	237,078
Less: Provision for impairment loss recognised	<u>(8,551)</u>	<u>(20,031)</u>	<u>(21,387)</u>	<u>(30,161)</u>
	<u>139,552</u>	<u>156,097</u>	<u>147,470</u>	<u>206,917</u>

The Group's trading term with customers are mainly on credit. The credit terms are generally 180 days.

APPENDIX I

ACCOUNTANTS' REPORT

An ageing analysis, based on the date of rendering services, which approximates the respective revenue recognition dates (before impairment), as of the end of each reporting period is as follows:

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
1 to 6 months	124,078	115,074	109,019	160,606
More than 6 months but less than 12 months	16,750	37,592	38,991	49,491
More than 1 year but less than 2 years	4,671	16,990	15,582	21,716
More than 2 years	2,604	6,472	5,265	5,265
	<u>148,103</u>	<u>176,128</u>	<u>168,857</u>	<u>237,078</u>

Movement on the Group's provision for impairment on trade receivables are as follows:

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
At the beginning of the year/period	4,884	8,551	20,031	21,387
Provision for impairment loss on trade receivables, net	3,667	11,480	5,758	8,774
Amounts written off as uncollectible	–	–	(4,402)	–
At the end of year/period	<u>8,551</u>	<u>20,031</u>	<u>21,387</u>	<u>30,161</u>

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 42(a).

APPENDIX I

ACCOUNTANTS' REPORT

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	As at 31 December			As at
		2019	2020	2021	30 April
		RMB'000	RMB'000	RMB'000	2022
					RMB'000
Current					
Prepayments		6,885	15,261	43,969	32,917
Deposits		789	766	486	488
Value added tax recoverable		539	2,943	3,012	1,738
Interest receivables		267	1,762	533	1,094
Other receivables	a	103	90	174	201
Deferred [REDACTED] expenses		–	–	1,847	3,021
		<u>8,583</u>	<u>20,822</u>	<u>50,021</u>	<u>39,459</u>
Non-current					
Deposits		<u>699</u>	<u>265</u>	<u>250</u>	<u>250</u>
		<u>699</u>	<u>265</u>	<u>250</u>	<u>250</u>
		<u>9,282</u>	<u>21,087</u>	<u>50,271</u>	<u>39,709</u>

Note:

Prepayments, deposits and other receivables were primarily denominated in RMB and their carrying amounts approximated to their fair values due to their short maturity at the reporting date. For the years ended 31 December 2019, 2020 and 2021 and four months ended 30 April 2022, there was no provision for impairment on deposits and other receivables.

- (a) Other receivables as at 31 December 2019, 2020 and 2021 and 30 April 2022 relates to counterparties for whom there were no recent history of default and do not have any past due amounts, and the loss allowance was assessed by management to be minimal. These balances are non-interest bearing and are expected to be realised upon their respective maturity dates.

24. CONTRACT COSTS

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Contract costs	<u>–</u>	<u>–</u>	<u>84</u>	<u>59</u>

Contract costs capitalised as at 31 December 2021 and 30 April 2022 related to costs to fulfil contracts, resulted from customers entering into service agreements with the Group. Contract costs are recognised as part of "cost of revenue" in the profit or loss in the period in which revenue from the services is recognised. The balance of capitalised contract costs is expected to be realised with one year.

APPENDIX I

ACCOUNTANTS' REPORT

25. AMOUNTS DUE TO INVESTEES

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Current				
Many Idea Vision Culture	-	2,300	-	-
Many Idea Vision Advertising	300	500	-	-
	<u>300</u>	<u>2,800</u>	<u>-</u>	<u>-</u>
Non-current				
Many Idea Vision Culture	2,300	-	-	-
Many Idea Vision Advertising	2,700	2,200	-	-
	<u>5,000</u>	<u>2,200</u>	<u>-</u>	<u>-</u>
	<u>5,300</u>	<u>5,000</u>	<u>-</u>	<u>-</u>

The amounts due to investees were non-trade in nature, unsecured, interest-free and repayable on or before 31 December 2022.

26. AMOUNT DUE TO A DIRECTOR

The amount due to a director is non-trade in nature, unsecured, interest-free and repayable on demand.

27. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Xiamen Many Idea	-	-	(123,123)	26,637
Beijing Many Idea	-	-	(7,170)	-
	<u>-</u>	<u>-</u>	<u>(130,293)</u>	<u>26,637</u>

The amounts due from/(to) related parties are non-trade in nature, unsecured, interest-free and repayable on demand. The Company confirmed that the balances have been fully settled as at the Latest Practicable Date.

The balance as at 30 April 2022 arises from a number of customers of the Group continue to repay their outstanding amounts to Xiamen Many Idea, despite these customers have agreed with Xiamen Many Idea to transfer the right of debt collection to the Group by signing the tripartite agreement under the Business Transfer as disclosed in Note 40.

APPENDIX I

ACCOUNTANTS' REPORT

28. SHORT-TERM BANK DEPOSITS

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
Short-term bank deposits	25,000	130,000	-	-

The effective interest rates of short term bank deposits is 2.25% per annum ("p.a."), ranged from 1.75% to 2.33% p.a., nil and nil respectively as at 31 December 2019, 2020, 2021 and 30 April 2022. These deposits have maturity period which range from 3 months to 1 year. The Group considered that the fair value of short term bank deposits is not materially different from their carrying amount because of short maturity period on their inception.

29. CASH AND CASH EQUIVALENTS

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
Cash and bank balances	116,932	45,243	50,187	86,637

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

30. DEFERRED TAX ASSETS

	Tax losses	Allowance	Total
	RMB'000	for expected	RMB'000
		credit loss	
		RMB'000	
At 1 January 2019	956	1,131	2,087
Credited/(charged) to profit or loss for the year	(956)	375	(581)
At 31 December 2019 and 1 January 2020	-	1,506	1,506
Credited to profit or loss for the year	-	3,184	3,184
At 31 December 2020 and 1 January 2021	-	4,690	4,690
Credited to profit or loss for the year	-	191	191
At 31 December 2021 and 1 January 2022	-	4,881	4,881
Credited to profit or loss for the period	99	2,124	2,223
At 30 April 2022	99	7,005	7,104

APPENDIX I

ACCOUNTANTS' REPORT

31. TRADE PAYABLES

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
Trade payables (<i>Note (a)</i>)	22,286	19,015	20,470	60,145

Note:

- (a) An ageing analysis of trade payables as at the respective reporting dates, based on the invoice dates, is as follows:

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
Within six months	20,811	15,209	19,582	46,438
More than 6 months but less than 12 months	765	143	14	12,833
More than 1 year but less than 2 years	4	2,930	198	198
More than 2 years	706	733	676	676
	<u>22,286</u>	<u>19,015</u>	<u>20,470</u>	<u>60,145</u>

The Group's trade payables are non-interest bearing and generally have payment terms of 30 to 90 days.

32. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
Accrued salaries	3,025	3,401	2,957	2,139
Accrued expenses	790	1,012	145	21
Accrued [REDACTED] expenses	–	–	5,612	3,181
Other tax payables	4,974	1,210	2,443	2,367
	<u>8,789</u>	<u>5,623</u>	<u>11,157</u>	<u>7,708</u>

Other payables and accruals are non-interest bearing and are expected to be realised within twelve months from the end of each reporting period.

APPENDIX I

ACCOUNTANTS' REPORT

33. BORROWINGS

	<i>Note</i>	As at 31 December			As at
		2019 RMB'000	2020 RMB'000	2021 RMB'000	30 April 2022 RMB'000
Current					
Bank loans, secured	<i>a</i>	–	44,841	–	–
Bank loan, unsecured	<i>b</i>	–	–	–	10,005
Loans from third parties, unsecured	<i>c</i>	–	–	–	48,870
Loan from a shareholder, unsecured	<i>d</i>	–	–	–	19,624
		<u>–</u>	<u>44,841</u>	<u>–</u>	<u>78,499</u>
Effective interest rate per annum		N/A	3.85% to 6.05%	N/A	4.50% to 17.06%

Note:

- (a) As at 31 December 2021, the bank loans are secured by personal guarantee given by the Company's directors, Mr. Liu and Ms. Qu (Note 41) and are denominated in RMB;
- (b) As at 30 April 2022, the bank loan is unsecured and denominated in RMB;
- (c) As at 30 April 2022, the loans from third parties are unsecured and denominated in RMB; and
- (d) As at 30 April 2022, the loan from a shareholder is unsecured and denominated in USD.

At the end of each reporting period, total current and non-current borrowings were scheduled to repay as follows:

	As at 31 December			As at
	2019 RMB'000	2020 RMB'000	2021 RMB'000	30 April 2022 RMB'000
On demand or within one year	<u>–</u>	<u>44,841</u>	<u>–</u>	<u>78,499</u>

APPENDIX I

ACCOUNTANTS' REPORT

34. CONTRACT LIABILITIES

The contract liabilities mainly relate to the advance consideration received from customers. The following table shows the amounts of revenue recognised in the Track Record Period that were included in the contract liabilities at the beginning of each reporting period:

	Year ended 31 December			Four months ended
	2019	2020	2021	30 April 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the year/period	1,901	1,163	3,276	15,410

Significant changes in the contract liability balances during the Track Record Period are as follows:

	As at 31 December			As at
	2019	2020	2021	30 April 2022
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	(1,901)	(1,163)	(3,276)	(15,493)
Revenue recognised that was included in contract liabilities at the beginning of the year/period	1,901	1,163	3,276	15,410
Increase due to cash received, including amounts recognised as revenue during the year/period	(42,351)	(33,075)	(42,815)	(10,239)
Revenue recognised that was not included in contract liabilities at the beginning of the year/period	41,188	29,799	27,322	677
At the end of the year/period	(1,163)	(3,276)	(15,493)	(9,645)

35. CONVERTIBLE BONDS

During the four months ended 30 April 2022, the Company issued convertible bond 1 ("CB 1"), convertible bond 2 ("CB 2"), convertible bond 3 ("CB 3") and convertible bond 4 ("CB 4").

CB 1

On 26 January 2022, the Company issued 8% convertible bonds with the aggregate principal amount of US\$5,000,000 (equivalent to approximately RMB31,750,000). Each bond entitles the holder to convert them into Company's ordinary share at a conversion price of USD4.4569 per share, which is subject to adjustment on capitalisation issue of the Company and will mature on 25 January 2023.

CB 1 contains two components: liability component and conversion option derivative. The effective interest rate of the liability component on initial recognition is 18.29% per annum. A valuation on the conversion option derivative of the convertible bonds has been performed by an independent qualified valuer on the CB 1 issuance date and on 30 April 2022, and Black-Scholes option pricing model is used in the valuation.

APPENDIX I

ACCOUNTANTS' REPORT

CB 2

On 26 January 2022, the Company issued 8% convertible bonds with the aggregate principal amount of US\$1,000,000 (equivalent to approximately RMB6,350,000). Each bond entitles the holder to convert them into Company's ordinary share at a conversion price of USD4.4569 per share, which is subject to adjustment on capitalisation issue of the Company and will mature on 25 January 2023.

CB 2 contains two components: liability component and conversion option derivative. The effective interest rate of the liability component on initial recognition is 18.29% per annum. A valuation on the conversion option derivative of the convertible bonds has been performed by an independent qualified valuer on the CB 2 issuance date and on 30 April 2022, and Black-Scholes option pricing model is used in the valuation.

CB 3

On 24 January 2022, the Company issued 8% convertible bonds with the aggregate principal amount of US\$600,000 (equivalent to approximately RMB3,810,000). Each bond entitles the holder to convert them into Company's ordinary share at a conversion price of USD4.4682 per share, which is subject to adjustment on capitalisation issue of the Company and will mature on 23 January 2023.

CB 3 contains two components: liability component and conversion option derivative. The effective interest rate of the liability component on initial recognition is 17.81% per annum. A valuation on the conversion option derivative of the convertible bonds has been performed by an independent qualified valuer on the CB 3 issuance date and on 30 April 2022, and Black-Scholes option pricing model is used in the valuation.

CB 4

On 27 January 2022, the Company issued 8% convertible bonds with the aggregate principal amount of HK\$3,000,000 (equivalent to approximately RMB2,442,000). Each bond entitles the holder to convert them into Company's ordinary share at a conversion price of HK\$34.9293 per share, which is subject to adjustment on capitalisation issue of the Company and will mature on 26 January 2023.

CB 4 contains two components: liability component and conversion option derivative. The effective interest rate of the liability component on initial recognition is 18.12% per annum. A valuation on the conversion option derivative of the convertible bonds has been performed by an independent qualified valuer on the CB 4 issuance date and on 30 April 2022, and Black-Scholes option pricing model is used in the valuation.

CB 1, CB 2, CB 3 and CB 4 ("All CBs")

Following the release of results of the HK [REDACTED] committee hearing regarding the Company's [REDACTED] application ("[REDACTED] Conversion Event"), the holders of All CBs have the right to convert the whole of the outstanding principal amount of the CBs into shares of the Company at the corresponding conversion prices within three business days upon occurrence of such [REDACTED] Conversion Event.

In the event that the [REDACTED] Conversion Event does not take place and [REDACTED] becoming unconditional ("[REDACTED] Conversion Event"), together with the [REDACTED] Conversion Event, the "Conversion Event", the holders of All CBs can convert the whole of the principal amount of the CBs into shares of the Company at the corresponding conversion prices.

The Conversion Event shall only trigger the conversion if and only if it occurs on or before the maturity date of the CBs and conversion shall take place in full at one time and no partial conversion shall be taken place.

Unless previously redeemed, converted, purchased or cancelled, each CB will be redeemed on maturity date at its principal amount with accrued and unpaid interest thereon on the maturity date.

APPENDIX I

ACCOUNTANTS' REPORT

The liability component and conversion option derivative recognised in the statement of financial position were as follows:

	Liability component	Conversion option derivative	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019, 2020, 2021 and 2022	–	–	–
Convertible bonds issued	40,511	3,841	44,352
Imputed interests	1,834	–	1,834
Fair value change	–	(759)	(759)
Exchange difference	1,771	–	1,771
	<u>44,116</u>	<u>3,082</u>	<u>47,198</u>
As at 30 April 2022	<u>44,116</u>	<u>3,082</u>	<u>47,198</u>

Further details on the Group's fair value measurement are set out in Note 42(f).

36. SHARE CAPITAL

	Number	Amount	Amount
		<i>HKD</i>	<i>RMB</i>
Ordinary shares of par value of HKD0.0001 each			
Authorised			
On 10 June 2021 (date of incorporation), 31 December 2021, 1 January 2022 and 30 April 2022	<u>3,900,000,000</u>	<u>390,000</u>	<u>336,655</u>
Issued and fully paid			
On 10 June 2021 (date of incorporation)	1	–*	–*
Issue of shares	<u>42,293,668</u>	<u>4,229</u>	<u>3,464</u>
As at 31 December 2021 and 1 January 2022	42,293,669	4,229	3,464
Issue of shares	<u>2,461,841</u>	<u>246</u>	<u>200</u>
As at 30 April 2022	<u>44,755,510</u>	<u>4,475</u>	<u>3,664</u>

* Represents amount less than RMB 1,000.

There was no share capital as at 1 January 2019 and 31 December 2019 and 2020 since the Company was not yet set up by then.

The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 10 June 2021 with authorised share capital of HKD390,000 divided into 3,900,000,000 shares of HKD0.0001 each. On the date of incorporation, 1 ordinary share of HKD0.0001 was allotted and issued at par by the Company. During the year ended 31 December 2021 and four months ended 30 April 2022, 42,293,668 and 2,461,841 ordinary shares of HKD0.0001 each were allotted and issued by the Company at par and at USD4.47 (equivalent to approximately RMB28.37), respectively.

APPENDIX I

ACCOUNTANTS' REPORT

37. RESERVES

(a) The Group

Details of the movements in the reserves of the Group during the Track Record Period are set out in the consolidated statements of changes in equity.

(b) The Company

The movement in the reserves of the Company from 10 June 2021 (date of incorporation) to 30 April 2022 is presented below:

	Share premium <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
As at 10 June 2021 (date of incorporation), 31 December 2021 and 1 January 2022	–	–	–
Issue of shares	69,720	–	69,720
Deemed capital contribution	1,029	–	1,029
Loss for the period	–	(5,797)	(5,797)
	<u>70,749</u>	<u>(5,797)</u>	<u>64,952</u>
As at 30 April 2022	<u>70,749</u>	<u>(5,797)</u>	<u>64,952</u>

(c) The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Share premium	Share premium represents consideration received in excess of nominal value of the Company's share and deemed capital contribution from shareholders.
Statutory reserve	In accordance with the relevant PRC laws and regulations and articles of association, the PRC subsidiaries are required to transfer 10% of their net profit as determined in accordance with accounting rules and regulations to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer to this reserve must be made before distributions to equity shareholders. This reserve can be utilised in setting off accumulated losses or increase capital and is non-distributable other than in event of liquidation.
Merger reserve	It represents the difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital of PRC subsidiaries acquired pursuant to the Group Reorganisation and additional capital contribution from controlling shareholders.
FVTOCI reserve (non-recycling)	Balance represents fair value reserve comprising the cumulative net change in the fair value of equity investment designated at FVTOCI under HKFRS 9 that are held at the end of each reporting period.
Retained earnings/ (accumulated losses)	Balance represents cumulative net profit and loss recognised in profit and loss.

APPENDIX I

ACCOUNTANTS' REPORT

38. NON-CONTROLLING INTERESTS

As at 31 December 2019 and 2020, Xiamen Many Idea and its wholly-owned subsidiaries, 83.12% owned subsidiaries of the Company, has material non-controlling interests ("NCI").

As at 31 December 2021 and 30 April 2022, Beijing Many Idea Cloud, 99% owned subsidiary of the Company, has immaterial NCI.

Summarised financial information in relation to the NCI of Xiamen Many Idea and its wholly-owned subsidiaries, before intra-group eliminations, is presented below:

	As at 31 December			Four months ended
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
Revenue	391,038	308,377	-	-
Expenses	(311,014)	(276,593)	-	-
Profit for the year	80,024	31,784	-	-
Other comprehensive (expense)/income	(2,687)	513	-	-
Total comprehensive income	<u>77,337</u>	<u>32,297</u>	<u>-</u>	<u>-</u>
Profit allocated to NCI	<u>13,508</u>	<u>5,365</u>	<u>-</u>	<u>-</u>
Cash flows from operating activities	59,143	(6,972)	-	-
Cash flows from investing activities	47,559	(104,713)	-	-
Cash flows from financing activities	(3,651)	39,996	-	-
Net cash inflows/(outflows)	<u>103,051</u>	<u>(71,689)</u>	<u>-</u>	<u>-</u>
	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
Current assets	290,067	352,162	-	-
Non-current assets	21,301	19,313	-	-
Current liabilities	(56,795)	(89,958)	-	-
Non-current liabilities	(11,018)	(5,665)	-	-
Net assets	<u>243,555</u>	<u>275,852</u>	<u>-</u>	<u>-</u>
Accumulated NCI	<u>41,112</u>	<u>46,564</u>	<u>-</u>	<u>-</u>

APPENDIX I

ACCOUNTANTS' REPORT

39. INVESTMENT IN A SUBSIDIARY

The Company

	As at 31 December 2021 RMB'000	As at 30 April 2022 RMB'000
Unlisted investments, at cost	_*	_*

* Represents amount less than RMB1,000.

Particulars of the directly and indirectly held subsidiaries of the Company are set out on pages I-20 to I-22 of this report.

40. DEEMED DISTRIBUTIONS OF ASSETS TO AND ASSUMPTIONS OF LIABILITIES BY CONTROLLING SHAREHOLDERS

Pursuant to the business transfer agreement entered into between Xiamen Many Idea and Beijing Many Idea (collectively referred to as the "Transferor") and Xiamen Instant Interactive (as the "Transferee") on 30 November 2021, as part of the Group Reorganisation (the "Business Transfer"), the integrated marketing service business (including content marketing, SaaS interactive marketing, digital marketing, public relations event planning and media advertising) previously carried on by the Transferor was transferred to Transferee at a consideration of RMB370,000,000 and the transfer was completed on 1 December 2021. The designated assets and liabilities of the Transferor set out below were not transferred to Transferee as at 1 December 2021 and were treated as a deemed distribution of assets and assumption of liabilities to/by controlling shareholders in connection with the Group Reorganisation.

	RMB'000
Distribution of assets to and assumptions of liabilities by controlling shareholders:	
Financial assets at FVTOCI	62,558
Prepayment, deposits and other receivables	2,791
Income tax payables	(12,463)
Other payables and accruals	(53)
Amounts due to investees	(2,200)
Borrowings	(52,210)
	<u>(1,577)</u>

APPENDIX I

ACCOUNTANTS' REPORT

41. RELATED PARTY DISCLOSURES

(a) Compensation of key management personnel

The key management personnel of the Group represent directors and other senior management of the Group. Details of the remuneration paid to them during the Track Record Period are set out in Note 14 to the Historical Financial Information.

(b) Balances with related parties

Details of the Group's amounts due from/(to) a director and related parties are included in Notes 26 and 27.

(c) Guarantees provided by related parties

During the Track Record Period, directors of the Group provided personal guarantees to certain banks for general banking facilities granted to the Group (Note 33). All the personal guarantees were released as at 31 December 2021.

42. FINANCIAL RISK MANAGEMENT

The Group's principal financial assets are financial assets at fair value through other comprehensive income, trade receivables, deposits and other receivables, amounts due from related parties, short-term bank deposits and cash and cash equivalents that derive directly from its operations. Principal financial liabilities of the Group include trade payables, other payables and accruals, borrowings, lease liabilities, amount due to a director, amounts due to related parties, amounts due to investees and convertible bonds. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes at the end of each reporting period. The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum.

(a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and deposits with banks.

The Group's customers are mainly reputable corporations and thus credit risk is considered to be low. Credit risk on other receivables is minimal as the Group performs ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually and collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. The credit policies have been followed by the Group during the Track Record Period and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

The Group applies the simplified approach to provide for expected credit losses as prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables from transactions that is within the scope of HKFRS 15. Management has assessed the risk of default by counterparties and Note 22 details the loss allowance provision that was recognised during the Track Record Period.

APPENDIX I

ACCOUNTANTS' REPORT

To measure the expected credit losses, trade receivables were grouped based on shared credit risk characteristics and the days past due. The provision is determined as follows:

	Not yet past due	Less than 6 months past due	Over 6 months but less than 12 months past due	Over 12 months but less than 18 months past due	Over 18 months but not more than 24 months past due	Over 24 months past due	Total
As at 31 December 2019							
Expected loss rate	1.28%	5.98%	41.82%	100.00%	100.00%	100.00%	5.77%
Gross carrying amount (RMB'000)	117,468	23,360	2,798	1,873	1,726	878	148,103
Loss allowance provision (RMB'000)	1,507	1,397	1,170	1,873	1,726	878	8,551
As at 31 December 2020							
Expected loss rate	1.96%	7.23%	40.52%	100.00%	100.00%	100.00%	11.37%
Gross carrying amount (RMB'000)	115,074	37,592	14,130	2,860	2,298	4,174	176,128
Loss allowance provision (RMB'000)	2,255	2,719	5,725	2,860	2,298	4,174	20,031
As at 31 December 2021							
Expected loss rate	3.71%	10.75%	42.94%	100.00%	100.00%	100.00%	12.67%
Gross carrying amount (RMB'000)	109,019	38,991	13,490	2,092	2,070	3,195	168,857
Loss allowance provision (RMB'000)	4,046	4,191	5,793	2,092	2,070	3,195	21,387
As at 30 April 2022							
Expected loss rate	3.72%	10.75%	42.95%	100.00%	100.00%	100.00%	12.72%
Gross carrying amount (RMB'000)	160,606	49,491	14,208	7,508	650	4,615	237,078
Loss allowance provision (RMB'000)	5,967	5,319	6,102	7,508	650	4,615	30,161

As at 31 December 2019, 2020, 2021 and 30 April 2022, the fair value of trade receivables approximated their carrying amounts. The maximum exposure to credit risk at the reporting date was the carrying value of each class of receivable mentioned above. The Group does not hold any collateral or other credit enhancement over these balances.

APPENDIX I

ACCOUNTANTS' REPORT

The Group had a concentration of credit risk as certain of the Group's trade receivables were due from the Group's five largest customers as detailed below.

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
Five largest customers	35,750	33,592	68,667	83,477

The Group's major bank balances are deposited with banks with good reputation and with high credit-ratings assigned by international credit-rating agencies and hence management does not expect any losses from non-performance by these banks.

(b) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the Track Record Period and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of each reporting period.

	Interest rate	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
As at 31 December 2019						
Trade payables	N/A	22,286	22,286	22,286	-	-
Other payables and accruals	N/A	3,815	3,815	3,815	-	-
Amounts due to investees	N/A	5,300	5,300	300	5,000	-
Lease Liabilities	4.92% – 5.36%	9,773	10,583	4,161	4,768	1,654
		41,174	41,984	30,562	9,768	1,654
As at 31 December 2020						
Trade payables	N/A	19,015	19,015	19,015	-	-
Other payables and accruals	N/A	4,413	4,413	4,413	-	-
Amounts due to investees	N/A	5,000	5,000	2,800	2,200	-
Borrowings	3.85% – 6.05%	44,841	46,369	46,369	-	-
Lease Liabilities	4.92% – 5.36%	6,018	6,422	2,786	3,636	-
		79,287	81,219	75,383	5,836	-

APPENDIX I

ACCOUNTANTS' REPORT

	Interest rate	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
As at 31 December 2021							
Trade payables	N/A	20,470	20,470	20,470	-	-	-
Other payables and accruals	N/A	8,714	8,714	8,714	-	-	-
Amount due to a director	N/A	2	2	2	-	-	-
Amounts due to related parties	N/A	130,293	130,293	130,293	-	-	-
Lease Liabilities	4.92% – 5.36%	6,925	7,397	3,180	3,283	697	237
		<u>166,404</u>	<u>166,876</u>	<u>162,659</u>	<u>3,283</u>	<u>697</u>	<u>237</u>
As at 30 April 2022							
Trade payables	N/A	60,145	60,145	60,145	-	-	-
Other payables and accruals	N/A	5,341	5,341	5,341	-	-	-
Borrowings	4.50% – 17.06%	78,499	79,707	79,707	-	-	-
Convertible bonds — liability component	17.81% – 18.29%	44,116	48,927	48,927	-	-	-
Lease Liabilities	4.10% – 5.36%	6,679	7,040	3,215	3,304	313	208
		<u>194,780</u>	<u>201,160</u>	<u>197,335</u>	<u>3,304</u>	<u>313</u>	<u>208</u>

(c) Interest rate risk

Interest rate risk means the risk on fluctuation of fair value or future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing cash flow interest rate risk, and fixed interest rate instruments will result in the Group facing fair value interest rate risk.

Other than cash at bank in Note 29, the Group does not have significant interest-bearing assets. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's fair value interest-rate risk mainly arises from borrowings as disclosed in Note 33 and convertible bond as disclosed in Note 35. Borrowings and convertible bonds were issued at fixed rates which expose the Group to fair value interest-rate risk. The Group has no cash flow interest-rate risk as there are no borrowings which bear floating interest rates. The Group has not used any financial instruments to hedge potential fluctuations in interest rates.

The interest rates and terms of repayment of the Group's borrowings and convertible bonds are disclosed in Note 33 and Note 35.

APPENDIX I

ACCOUNTANTS' REPORT

(d) Foreign currency risk

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the United States dollars ("USD") and Hong Kong Dollars ("HKD") as the Group's bank balances and convertible bonds are denominated in these currencies. The Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

As at 31 December 2019, 2020, 2021 and 30 April 2022, if the USD had weakened/strengthened by 0.5% against the RMB with all other variables held constant, profit for the year/period and equity would have been nil, nil, nil and RMB321,000 higher/lower and RMB321,000 lower/higher respectively, mainly as a result of net foreign exchange losses/gains on translation of USD denominated bank balances and convertible bonds. The Group's management manages this risk by closely monitoring the exchange rate movement and changes in market conditions that may have a significant impact on the operations and financial performance.

(e) Capital risk management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the Track Record Period.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital plus total debt. Total debt is calculated as borrowings, lease liabilities, amount due to a director, amounts due to related parties, amounts due to investees and convertible bonds. Capital includes equity attributable to owners of the Company.

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Total debt	15,073	55,859	137,220	132,376
Equity attributable to the owners of the Company	<u>202,443</u>	<u>229,288</u>	<u>151,972</u>	<u>237,993</u>
Total debt and equity	<u>217,516</u>	<u>285,147</u>	<u>289,192</u>	<u>370,369</u>
Gearing ratio	<u>7%</u>	<u>20%</u>	<u>47%</u>	<u>36%</u>

(f) Fair value

Financial instruments not measured at fair value

Financial instruments not measured at fair value include short-term bank deposits, cash and cash equivalents, trade receivables, deposits and other receivables, amounts due from/(to) a director/related parties/investees, trade payables, other payables and accruals, borrowings and liability portion of convertible bonds.

APPENDIX I

ACCOUNTANTS' REPORT

Due to their short term nature, the carrying value of short-term bank deposits and cash and cash equivalents, trade and other receivables, amounts due from/(to) a director/related parties/investees and trade payables, and other payables and accruals, borrowings and liability portion of convertible bonds approximates fair value.

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2019, 2020, 2021 and 30 April 2022.

Financial instruments measured at fair value

Financial instruments measured at fair value include financial assets at FVTOCI and conversion option derivatives of convertible bonds measured at FVTPL. The Group's financial instruments carried at fair value as at 31 December 2019, 2020, 2021 and 30 April 2022 are categorised by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2019, 2020, 2021 and 30 April 2022.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
31 December 2019			
<i>Assets</i>			
Financial assets at FVTOCI	-	-	4,709
31 December 2020			
<i>Assets</i>			
Financial assets at FVTOCI	-	-	5,222
31 December 2021			
<i>Assets</i>			
Financial assets at FVTOCI	-	-	-
30 April 2022			
<i>Liabilities</i>			
Conversion option derivative at FVTPL	-	-	(3,082)

The financial asset at FVTOCI represent unlisted equity investments (Note 21). The fair value as at 31 December 2019 and 2020 is determined with reference to a valuation report issued by an independent valuation expert using cost approach. There is a change in valuation technique as at November 2021 (date of business transfer), as Many Idea Vision Culture and Many Idea Vision Advertising started their operations and generated revenue during the period ended 30 November 2021, the valuation technique changed from cost approach to market approach.

APPENDIX I

ACCOUNTANTS' REPORT

The determination of its fair value of financial assets at FVTOCI is based on certain parameters, including discount for lack of marketability and discount for lack of control which are unobservable. The significant unobservable inputs are shown as below:

	As at 31 December			As at
	2019	2020	2021	30 April 2022
Discount for lack of marketability	37.2%	33.1%	–	–
Discount for lack of control	22.8%	19.9%	–	–

Increased in discount for lack of marketability and discount for lack of control by 1% respectively would decrease the fair value of financial asset at FVTOCI by approximately RMB150,000 and RMB146,000 as at 31 December 2019 and 2020, whilst decrease in discount for lack of marketability and discount for lack of control by 1% respectively would increase the fair value of the financial asset at FVTOCI by approximately RMB152,000 and RMB149,000 as at 31 December 2019 and 2020.

The financial liabilities at FVTPL represent conversion option derivative portion of the convertible bonds (Note 35). The fair value is determined with reference to a valuation report issued by an independent valuation expert using Black-Scholes option pricing model.

The determination of the fair value of conversion option derivative portion of the convertible bonds is based on certain parameters including stock price and its volatility, exercise price, option life and risk-free interest rate, which are unobservable. The significant unobservable input is shown as below:

	As at 31 December			As at
	2019	2020	2021	30 April 2022
Volatility in stock price	–	–	–	58.4% to 58.6% (weighted average 58.5%)

Increased in volatility by 1% would decrease the fair value of financial liabilities at FVTPL by approximately RMB59,000 as at 30 April 2022, whilst decrease in volatility by 1% would increase the fair value of the financial liabilities at FVTPL by approximately RMB59,000 as at 30 April 2022.

APPENDIX I

ACCOUNTANTS' REPORT

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
<i>Assets</i>				
At the beginning of the year/period	2,396	4,709	5,222	–
Additions	5,000	–	30,000	–
Fair value change recognised in other comprehensive income	(2,687)	513	27,336	–
Assumptions of liabilities by controlling shareholders (<i>Note 40</i>)	–	–	(62,558)	–
At the end of the year/period	<u>4,709</u>	<u>5,222</u>	<u>–</u>	<u>–</u>
<i>Liabilities</i>				
At the beginning of the year/period	–	–	–	–
Convertible bonds issued	–	–	–	3,841
Fair value change	–	–	–	(759)
At the end of the year/period	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,082</u>

43. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Financial assets				
<i>Financial assets at FVTOCI</i>	<u>4,709</u>	<u>5,222</u>	<u>–</u>	<u>–</u>
<i>Financial assets at amortised cost – non-current</i>				
Deposits	<u>699</u>	<u>265</u>	<u>250</u>	<u>250</u>
<i>Financial assets at amortised cost – current</i>				
Trade receivables	139,552	156,097	147,470	206,917
Deposits and other receivables	1,159	2,618	1,193	1,783
Amounts due from related parties	–	–	–	26,637
Short-term bank deposits	25,000	130,000	–	–
Cash and cash equivalents	<u>116,932</u>	<u>45,243</u>	<u>50,187</u>	<u>86,637</u>
	<u>282,643</u>	<u>333,958</u>	<u>198,850</u>	<u>321,974</u>
	<u>283,342</u>	<u>334,223</u>	<u>199,100</u>	<u>322,224</u>

APPENDIX I

ACCOUNTANTS' REPORT

	As at 31 December			As at
	2019	2020	2021	30 April
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Financial liabilities				
<i>Financial liabilities at FVTPL</i>				
Convertible bonds – conversion option derivative	-	-	-	3,082
<i>Financial liabilities at amortised costs – current</i>				
Trade payables	22,286	19,015	20,470	60,145
Other payables and accruals	3,815	4,413	8,714	5,341
Borrowings	-	44,841	-	78,499
Convertible bonds – liability component	-	-	-	44,116
Lease liabilities	3,755	2,553	2,907	2,990
Amount due to a director	-	-	2	-
Amounts due to related parties	-	-	130,293	-
Amounts due to investees	300	2,800	-	-
	<u>30,156</u>	<u>73,622</u>	<u>162,386</u>	<u>191,091</u>
<i>Financial liabilities at amortised costs – non-current</i>				
Lease liabilities	6,018	3,465	4,018	3,689
Amounts due to investees	5,000	2,200	-	-
	<u>11,018</u>	<u>5,665</u>	<u>4,018</u>	<u>3,689</u>
	<u>41,174</u>	<u>79,287</u>	<u>166,404</u>	<u>197,862</u>

44. SUBSEQUENT EVENTS

There are no other significant events which took place subsequent to 30 April 2022.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries in respect of any period subsequent to 30 April 2022.