The following is the text of a report set out on pages I-1 to I-82, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUAFANG GROUP INC., HAITONG INTERNATIONAL CAPITAL LIMITED AND CCB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of the Huafang Group Inc. (the "Company") and its subsidiaries (together, the "Group") set out on page I-5 to I-82, which comprises the consolidated statements of financial position of the Group as at December 31, 2019, 2020 and 2021 and May 31, 2022, the statements of financial position of the Company as at December 31, 2021 and May 31, 2022, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 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-5 to I-82 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated November 30, 2022 (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

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

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on 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 preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2019, 2020 and 2021 and May 31, 2022 and the Company's financial position as at December 31, 2021 and May 31, 2022 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the five months ended May 31, 2021 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding 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 enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited 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 24(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared by the Company since its incorporation.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

November 30, 2022

HISTORICAL FINANCIAL INFORMATION

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

Consolidated statements of profit or loss

(Expressed in RMB)

		Years ended December 31,			Five months ended May 31,	
	Note	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue	*4*	2,830,872	3,683,475	4,599,690	1,801,646	2,087,441
Cost of sales		(2,125,207)	(2,672,103)	(3,377,109)	(1,301,973)	(1,545,712)
Gross profit		705,665	1,011,372	1,222,581	499,673	541,729
Other income, net	*5*	34,129	61,709	68,852	22,166	27,636
Selling and marketing expenses		(361,991)	(451,406)	(544,839)	(227,308)	(218,077)
General and administrative expenses		(41,987)	(68,867)	(146,011)	(44,898)	(44,361)
Research and development expenses		(132,052)	(156,243)	(207,850)	(87,928)	(93,577)
Impairment loss on goodwill and intangible assets	*6(c)*	–	(1,872,543)	–	–	–
Profit/(loss) from operations		203,764	(1,475,978)	392,733	161,705	213,350
Finance costs	*6(a)*	(624)	(776)	(484)	(223)	(1,101)
Profit/(loss) before taxation		203,140	(1,476,754)	392,249	161,482	212,249
Income tax	*7*	(11,842)	(47,917)	(67,226)	(25,298)	(34,358)
Profit/(loss) for the year/period attributable to equity shareholders of the Company		191,298	(1,524,671)	325,023	136,184	177,891
Earnings per share (RMB)						
– Basic and diluted	*10*	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of profit or loss and other comprehensive income

(Expressed in RMB)

	Years ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) for the year/period attributable to equity shareholders of the Company	191,298	(1,524,671)	325,023	136,184	177,891
Other comprehensive income for the year/period (after tax and reclassification adjustments):					
Item that will not be reclassified to profit or loss:					
– Changes in the fair value of financial assets at fair value through other comprehensive income	(3,432)	95	1,224	–	–
Item that may be reclassified subsequently to profit or loss:					
– Exchange differences on translation into presentation currency	–	–	(46)	(182)	215
Total comprehensive income for the year/period attributable to equity shareholders of the Company	187,866	(1,524,576)	326,201	136,002	178,106

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

(Expressed in RMB)

	Note	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at May 31, 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property and equipment	*11*	34,901	25,204	83,073	82,391
Intangible assets	*12*	157,699	153,310	132,641	124,097
Goodwill	*13*	2,459,472	699,778	699,778	699,778
Other financial assets	*14*	67,075	39,400	65,960	92,541
Deferred tax assets	*23(b)*	139,045	108,184	63,848	41,063
		2,858,192	1,025,876	1,045,300	1,039,870
Current assets					
Trade receivables	*15*	2,864	2,870	621	524
Prepayments, deposits and other receivables	*16*	55,467	75,198	138,457	139,170
Other financial assets	*14*	384,319	258,145	45,346	533,792
Cash at bank and on hand	*17*	789,678	1,068,149	1,614,783	1,371,355
		1,232,328	1,404,362	1,799,207	2,044,841
Current liabilities					
Trade payables	*18*	217,159	206,456	143,150	226,815
Contract liabilities	*19*	66,355	79,546	85,781	83,907
Accrued expenses and other payables	*20*	247,576	67,345	80,840	52,721
Lease liabilities	*21*	7,168	5,763	12,246	12,596
Current taxation	*23(a)*	5,351	4,028	8,871	7,415
		543,609	363,138	330,888	383,454
Net current assets		688,719	1,041,224	1,468,319	1,661,387
Total assets less current liabilities		3,546,911	2,067,100	2,513,619	2,701,257
Non-current liabilities					
Deferred tax liabilities	*23(b)*	22,158	22,572	19,501	18,267
Lease liabilities	*21*	12,069	6,965	46,063	42,893
		34,227	29,537	65,564	61,160
Net assets		3,512,684	2,037,563	2,448,055	2,640,097
Capital and reserves	*24*				
Share capital		–	–	33	33
Reserves		3,512,684	2,037,563	2,448,022	2,640,064
Total equity attributable to equity shareholders of the Company		3,512,684	2,037,563	2,448,055	2,640,097

The accompanying notes form part of the Historical Financial Information.

Statement of financial position of the Company

(Expressed in RMB)

	Note	As at December 31, 2021	As at May 31, 2022
		RMB'000	*RMB'000*
Non-current assets			
Investment in a subsidiary	*28*	30,189	44,046
Current assets			
Cash at bank and on hand		34	34
TOTAL ASSETS		30,223	44,080
Equity			
Share capital	*24(a)*	33	33
Other reserve	*24(b)*	30,190	44,047
TOTAL EQUITY		30,223	44,080

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

(Expressed in RMB)

	Note	Share capital	Other reserve	Share-based payment reserve	Translation reserve	Accumulated loss	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019		–	1,019,359	34,924	–	(811,878)	242,405
Changes in equity for 2019:							
Profit and other comprehensive income for the year		–	(3,432)	–	–	191,298	187,866
Capital injection from Huajiao-6.cn Merger	*27(a)*	–	3,414,667	–	–	–	3,414,667
Equity-settled share-based transaction	*22*	–	–	19,307	–	–	19,307
Net payment for the excluded Other Business	*24(b)*	–	(351,561)	–	–	–	(351,561)
Vesting of restricted share units		–	23,763	(23,763)	–	–	–
Balance at December 31, 2019 and January 1, 2020		–	4,102,796	30,468	–	(620,580)	3,512,684
Changes in equity for 2020:							
Loss and other comprehensive income for the year		–	95	–	–	(1,524,671)	(1,524,576)
Capital injection from shareholders of the Company	*24*	–	3,333	–	–	–	3,333
Equity-settled share-based transaction	*22*	–	(2,674)	18,796	–	–	16,122
Proceeds from excluded Other Business	*24(b)*	–	30,000	–	–	–	30,000
Acquisition of interest in a subsidiary		–	3,336	–	–	(3,336)	–
Vesting of restricted share units		–	19,834	(19,834)	–	–	–
Balance at December 31, 2020 and January 1, 2021		–	4,156,720	29,430	–	(2,148,587)	2,037,563
Changes in equity for 2021:							
Profit and other comprehensive income for the year		–	1,224	–	(46)	325,023	326,201
Capital injection from shareholders of the Company	*24*	33	–	–	–	–	33
Equity-settled share-based transaction	*22*	–	265	83,993	–	–	84,258
Disposal of an investment		–	(1,224)	–	–	1,224	–
Vesting of restricted share units		–	61,482	(61,482)	–	–	–
Balance at December 31, 2021		33	4,218,467	51,941	(46)	(1,822,340)	2,448,055

The accompanying notes form part of the Historical Financial Information.

	Note	**Share capital**	**Other reserve**	**Share-based payment reserve**	**Translation reserve**	**Accumulated loss**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2022		33	4,218,467	51,941	(46)	(1,822,340)	2,448,055
Changes in equity for the period:							
Profit and other comprehensive income for the period		–	–	–	215	177,891	178,106
Equity-settled share-based transaction	*22*	–	79	13,857	–	–	13,936
Vesting of restricted share units		–	9,127	(9,127)	–	–	–
Balance at May 31, 2022		33	4,227,673	56,671	169	(1,644,449)	2,640,097
(Unaudited)							
Balance at January 1, 2021		–	4,156,720	29,430	–	(2,148,587)	2,037,563
Changes in equity for the period:							
Profit and other comprehensive income for the period		–	–	–	(182)	136,184	136,002
Equity-settled share-based transaction	*22*	–	238	20,035	–	–	20,273
Vesting of restricted share units		–	19,503	(19,503)	–	–	–
Balance at May 31, 2021		–	4,176,461	29,962	(182)	(2,012,403)	2,193,838

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements

(Expressed in RMB)

		Years ended December 31,			Five months ended May 31,	
	Note	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Operating activities						
Profit/(loss) before taxation		203,140	(1,476,754)	392,249	161,482	212,249
Adjustments for:						
Finance costs	6(a)	624	776	484	223	1,101
Income from financial products issued by banks	5	(18,221)	(19,412)	(7,593)	(3,394)	(4,316)
Interest income	5	(3,698)	(9,553)	(20,375)	(7,817)	(10,261)
Depreciation	6(c)	9,349	13,619	13,583	5,357	9,761
Amortisation of intangible assets	6(c)	13,852	24,224	21,846	9,098	9,030
Share-based payment expenses	6(b)	19,307	18,796	83,993	20,035	13,857
Changes in fair value of financial products issued by banks	5	734	(626)	999	1,005	(66)
(Gain)/loss on disposal of long-term assets	5	(118)	9	(866)	264	274
Allowance for doubtful debts/ (reversal of allowance for doubtful debts)	6(c)	1,398	312	(109)	(302)	(142)
Impairment loss on goodwill and intangible assets	6(c)	–	1,872,543	–	–	–
Changes in working capital:						
Decrease/(increase) in trade receivables		11,001	3,933	2,247	(12,035)	97
(Increase)/decrease in prepayments, deposits and other receivables		(10,096)	(18,056)	(62,688)	(15,494)	20,371
Increase/(decrease) in contract liabilities		1,125	13,191	6,235	(6,373)	(1,874)
Increase/(decrease) in trade payables		10,297	(15,400)	(58,984)	26,180	84,108
Increase/(decrease) in accrued expenses and other payables		219,538	(191,916)	(1,359)	(52,061)	(17,603)
Cash generated from operations		458,232	215,686	369,662	126,168	316,586
Income tax paid	23(a)	(11,256)	(29,502)	(21,118)	(13,299)	(14,263)
Net cash generated from operating activities		446,976	186,184	348,544	112,869	302,323

The accompanying notes form part of the Historical Financial Information.

	Note	Years ended December 31,			Five months ended May 31,	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Investing activities						
Interest received		3,698	9,553	20,375	7,817	10,261
Income from financial products issued by banks		18,221	19,412	7,593	3,394	4,316
Purchase of financial products issued by banks		(2,924,510)	(3,807,430)	(2,161,640)	(642,600)	(2,429,690)
Proceeds from disposal of financial products issued by banks		3,015,440	3,936,645	2,373,440	836,440	1,941,310
Purchase of other financial assets		–	(34,000)	(17,308)	–	(40,652)
Loans to third parties		(8,360)	(20,000)	–	–	(20,942)
Proceed from disposal of an investment		–	–	6,840	–	–
Repayment from a third party		3,000	–	–	–	–
Payments for purchase of property and equipment		(3,348)	(2,235)	(16,289)	(1,094)	(5,524)
Proceeds on disposal of property and equipment		240	12	1,210	40	227
Payments for purchase of intangible assets		(115)	(314)	(1,177)	(119)	(472)
Proceeds on disposal of intangible assets		–	–	–	–	89
Acquisition of interests in subsidiaries		3,730	(34,420)	–	–	–
Net cash generated from/(used in) investing activities		107,996	67,223	213,044	203,878	(541,077)
Financing activities						
Capital element of lease rentals paid	*17(b)*	(4,170)	(7,493)	(9,886)	(3,093)	(3,457)
Interest element of lease rentals paid	*17(b)*	(624)	(776)	(484)	(223)	(1,101)
[REDACTED] paid	*17(b)*	–	–	[REDACTED]	–	[REDACTED]
Capital injection from shareholder		–	3,333	33	–	–
Proceeds from the excluded Other Business	*24(b)*	–	30,000	–	–	–
Net cash (used in)/generated from financing activities		(4,794)	25,064	(14,659)	(3,316)	(5,001)

		Years ended December 31,			Five months ended May 31,	
	Note	**2019**	**2020**	**2021**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Net increase/(decrease) in cash and cash equivalents		550,178	278,471	546,929	313,431	(243,755)
Cash and cash equivalents at the beginning of the year/period		239,500	789,678	1,068,149	1,068,149	1,614,783
Effects of exchange rate changes on the balance of cash held in foreign currencies		–	–	(295)	(248)	327
Cash and cash equivalents at the end of the year/period	*17(a)*	789,678	1,068,149	1,614,783	1,381,332	1,371,355

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Huafang Group Inc. (the "Company") was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on June 1, 2021 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried out any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, the "Group") are principally engaged in operating online social entertainment live streaming platforms and social networking services (the "[**REDACTED**] Business") in the People's Republic of China (the "PRC" or "China").

Prior to the incorporation of the Company and the completion of the reorganisation as described below, the [**REDACTED**] Business was carried out by Beijing Huafang Technology Co., Ltd. (北京花房科技有限公司, "Huafang Technology"), formerly known as Beijing 6.cn Technology Ltd., and Beijing Mijing Hefeng Technology Co., Ltd. (北京密境和風科技有限公司, "Mijing Hefeng") and their subsidiaries.

Pursuant to a series of share purchase agreements, Huafang Technology acquired Mijing Hefeng in two phases. In the first phase, Huafang Technology issued 5,987,000 shares in December 2018 to the then shareholders of Mijing Hefeng, namely Tianjin Huajiao No. 1 technology partnership (limited partnership) and Tianjin Huajiao No. 2 technology partnership (limited partnership), in exchange of 19.96% ownership of Mijing Hefeng. In the second phase, Huafang Technology issued 24,013,000 shares in April 2019 to the rest of the then shareholders of Mijing Hefeng, in exchange of the remaining 80.04% ownership of Mijing Hefeng. On April 29, 2019, Huafang Technology completed the acquisition of Mijing Hefeng ("Huajiao-6.cn Merger"). Upon the completion of the Huajiao-6.cn Merger, Mijing Hefeng became 100% owned by Huafang Technology and the original shareholders of Mijing Hefeng owned 60% of Huafang Technology.

The Huajiao-6.cn Merger has been accounted for as a reverse acquisition in accordance with IFRS 3 "Business Combinations" having taken into account the terms of the share purchase agreements, relative voting rights in the consolidated entity, composition of the governing body and senior management of the enlarged group after the acquisition as well as the relative size of Huafang Technology and Mijing Hefeng. Accordingly, Mijing Hefeng and its subsidiaries (the "Mijing Hefeng Group"), being the legal acquiree, have been collectively identified as the accounting acquirer while Huafang Technology, being the legal acquirer, has been identified as the accounting acquiree.

In these consolidated financial statements, Huafang Technology Group refers to the Huafang Technology and its subsidiaries immediately before the completion of the Huajiao-6.cn Merger.

The consolidated financial statements of the Group represent a continuation of the consolidated financial statements of the Mijing Hefeng Group, the accounting acquirer, and reflect the following:

(a) The assets and liabilities of the Mijing Hefeng Group have been recognised and measured in the consolidated statement of financial position at the carrying amounts before the completion of the Huajiao-6.cn Merger;

(b) The identifiable assets and liabilities of Huafang Technology Group have been recognised and measured in the consolidated statement of financial position generally at the fair values at the completion date of the Huajiao-6.cn Merger;

(c) The excess of the fair value of the consideration transferred by the Mijing Hefeng Group over the fair value of the identifiable assets and liabilities of Huafang Technology Group at the completion date of the Huajiao-6.cn Merger has been recognised as goodwill in the consolidated statement of financial position;

(d) The retained earnings and other equity balances recognised in the consolidated statement of financial position reflect the retained earnings and other equity balances of Mijing Hefeng immediately before the completion of the Huajiao-6.cn Merger; and

(e) The consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2019 reflect the results of the Mijing Hefeng Group for the whole year and the results of the Group after the completion of the Huajiao-6.cn Merger.

To rationalise the corporate structure in preparation for the [**REDACTED**] of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganisation (the "Reorganisation"), as detailed in the section headed "History, Reorganisation and Corporate Structure" in the Document.

As the operating live streaming platforms are essential for the operations of the [**REDACTED**] Business, they are conducted by Huafang Technology and its subsidiaries registered in the PRC and are subject to foreign investment restrictions under the relevant PRC laws and regulations, as part of the Reorganisation, Chengdu Huafang Online Technology Co., Ltd. (成都花房在線有限公司, the "WFOE"), an indirectly wholly-owned subsidiary of the Company, entered into a series of contractual arrangements (the "Contractual Arrangements"), with Huafang Technology and its registered shareholders, as detailed in the section headed "Contractual Arrangements" in the Document.

As a result of the Contractual Arrangements, the Group has rights to exercise power over Huafang Technology, receive variable returns from involvement in Huafang Technology, has the ability to affect those returns through its power over Huafang Technology, and hence, has the control over Huafang Technology. Consequently, the Group regards Huafang Technology as controlled entities. The directors of the Company have determined that the Contractual Arrangements are in compliance with PRC laws and are legally enforceable.

Upon the completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group. The Reorganisation only involved inserting certain investment holding companies with no substantive operations as the new holding companies of the [**REDACTED**] Business. There were no changes in the economic substance of the ownership and the business of the Group before and after the Reorganisation. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial information of the [**REDACTED**] Business with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gain/loss on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

The consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Track Record Period as set out in this report include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the Track Record Period, or since their respective dates of incorporation or establishment, where this is a shorter period. The consolidated statements of financial position of the Group as at December 31, 2019, 2020 and 2021 and May 31, 2022 as set out in this report have been prepared to present the financial position of the companies now comprising the Group as of those dates as if the current group structure had been in existence as of the respective dates taking into account the respective dates of incorporation or establishment, where applicable.

During the Track Record Period, the Group also engaged in mobile gaming development and operation after Huajiao-6.cn Merger, which was managed by the Beijing Lingdong Shikong Technology Co., Ltd., a subsidiary of the Group (the "Other Business"). The Other Business is separately managed and operated, its assets, liabilities, revenues and expenditures are clearly identifiable. On the basis that the entire equity interest in the Other Business had been disposed by the Group in December 2019, and the Other Business are clearly delineated from the Group's [**REDACTED**] Business, the Historical Financial Information excludes the assets, liabilities and results of operations associated with the Other Business and, accordingly, the fair value of Other Business has been excluded from the deemed consideration transferred when accounting for the Huajiao-6.cn Merger (see note 27(a)). The impact of the acquisition and the disposal of the Other Business are reflected in the Historical Financial Information as changes to the consolidated equity attributable to the equity shareholders of the Company.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies.

Company Name	Country/Place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group	Principal activities	Name of statutory auditor
Directly held –					
Liuhua HK Limited	Hong Kong ("HK")/ June 10, 2021	HKD10,000	100%	Investment holding	*(iii)*
Indirectly held –					
Chengdu Huafang *(i)*	The PRC/ June 28, 2021	USD100,000	100%	Investment holding	*(ii)*
Huafang Technology *(i)*	The PRC/ March 22, 2006	RMB50,000,000	100%	Operation of livestreaming platforms	*(vi)*
Mijing Hefeng *(i)*	The PRC/ December 24, 2014	RMB14,623,400	100%	Operation of livestreaming platforms	*(iv)*
Sichuan Huayin Technology Co., Ltd. (四川花音科技有限公司, "Sichuan Huayin") *(i)*	The PRC/ March 30, 2019	RMB2,000,000	100%	Supporting service to operation of mobile livestreaming platforms, voice-centric apps	*(v)*
Hainan Kailin Technology Co., Ltd. (海南凱林科技有限公司, "Hainan Kailin") *(i)*	The PRC/ May 22, 2020	RMB1,000,000	100%	Supporting service to operation of mobile livestreaming platforms	*(v)*
Beijing Huafang Canlan Technology Co., Ltd. (Former name: Beijing 6rooms Technic Ltd.) (北京花房燦爛科技有限公司, "Huafangcanlan") (Former name: 北京六間房子科技有限公司) *(i)*	The PRC/ March 27, 2018	RMB10,000,000	100%	Investment holding in internet entities	*(vi)*
Beijing HOLLA Group Network Technology Co., Ltd. (Former name: Beijing Mizhi Technology Co., Ltd.) (北京猴啦科技有限公司, "HOLLA Group") (Former name: 北京蜜枝科技有限公司, "Mizhi Technology") *(i)*	The PRC/ July 22, 2016	RMB74,762,849	100%	Virtual idol design and operation of internet social application	*(vii)*

Company Name	Country/Place and date of incorporation/ establishment	Registered/ Issued and paid-up capital	Attributable equity interest of the Group	Principal activities	Name of statutory auditor
Chengdu Huayang Technology Co., Ltd. (成都花漾科技有限公司, "Huayang") *(i)*	The PRC/ April 16, 2019	RMB1,000,000	100%	Investment holding in internet entities/the PRC	*(ii)*
Tianjin Maijike Network Technology Co., Ltd. (Former name: Tianjin Hongxiu mutual Entertainment Technology Co., Ltd.) (天津邁即刻網絡科技有限公司, "Maijike") (Former name: 天津紅袖互娛科技有限公司) *(i)*	The PRC/ September 1, 2017	RMB10,000,000	100%	Operation of internet social application	*(vii)*
EXU (HK) LIMITED ("EXU")	HK/August 13, 2014	HKD10,000	100%	Operation of dating centric live social apps	*(viii)*
MONKEY, INC. ("Monkey")	The United States ("US")/ September 27, 2017	USD50	100%	Operation of dating centric live social apps	*(ii)*
CHATWITH, INC. ("Chatwith")	US/April 9, 2020	USD50	100%	Operation of dating centric live social apps	*(ii)*
OVIEDO INTERACTIVES LIMITED ("Oviedo")	HK/ September 11, 2019	HKD10,000	100%	Operation of dating centric live social apps	*(viii)*
MITU INC LIMITED ("Mitu")	HK/August 20, 2020	HKD10,000	100%	Operation of dating centric live social apps	*(ix)*

(i) The official names of these entities are in Chinese. The English translation of the company names is for reference only.

(ii) No statutory audited financial statements have been prepared by these subsidiaries.

(iii) The financial statements of Liuhua HK Limited for the year ended December 31, 2021 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and audited by RICHFUL CPA LIMITED (瑞豐會計師事務所有限公司).

(iv) The financial statements of these subsidiaries for the years ended December 31, 2019, 2020 and 2021 were prepared in accordance with the generally accepted accounting standards in the PRC and audited by Grant Thornton International (致同會計師事務所(特殊普通合夥)), BDO Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) and Zhongxingcaiguanghua Certified Public Accountants Co. Ltd. (中興財光華會計師事務所有限公司) respectively.

(v) The financial statements of these subsidiaries for the years ended December 31, 2020 and 2021 were prepared in accordance with the generally accepted accounting standards in the PRC and audited by BDO Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) and Zhongxingcaiguanghua Certified Public Accountants Co. Ltd. (中興財光華會計師事務所有限公司) respectively.

(vi) The financial statements of these subsidiaries for the years ended December 31, 2019, 2020 and 2021 were prepared in accordance with the generally accepted accounting standards in the PRC and audited by Grant Thornton International (致同會計師事務所(特殊普通合夥)), BDO Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) and Zhongxintianhua Certified Public Accountants Co. Ltd. (北京中新天華會計師事務所有限公司) respectively.

(vii) The financial statements of these subsidiaries for the years ended December 31, 2020 and 2021 were prepared in accordance with the generally accepted accounting standards in the PRC and audited by BDO Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) and Zhongxintianhua Certified Public Accountants Co. Ltd. (北京中新天華會計師事務所有限公司) respectively.

(viii) The financial statements of these subsidiaries for the years ended December 31, 2020 and 2021 were prepared in accordance with HKFRSs and audited by Rich Moral CPA Limited. (瑞德會計師事務所有限公司).

(ix) The financial statements of these subsidiaries for the year ended December 31, 2021 were prepared in accordance with HKFRSs and audited by Rich Moral CPA Limited. (瑞德會計師事務所有限公司).

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

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs consistently throughout the Track Record Period. The Group has not adopted any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2022. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2022 and not yet adopted by the Group are set out in Note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for the following assets which are stated at their fair values as explained in the accounting policies set out below:

– other financial assets at fair value through profit or loss ("FVPL")

– other financial assets at fair value through other comprehensive income ("FVOCI")

(b) Use of estimates and judgements

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

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.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries

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

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an interest in an associate or, when appropriate, the cost on initial recognition of an investment in an associate.

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (See Note 2(h)(ii)).

On disposal of a cash generating unit during the periods, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 25(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(q)(ii)).

– fair value through other comprehensive income ("FVOCI")-recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(f) Property and equipment

The following items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of property and equipment, including right-of-use assets arising from leases of underlying property and equipment (see Note 2(g)).

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

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

	Estimated useful lives
– Office equipment and furniture	3 years
– Electronic equipment	3 years
– Vehicles	3 years
– Leasehold improvement	Shorter of lease term or 2 – 10 years
– Leasehold properties	Over the term of lease

Where parts of an item of property and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(g) Leased assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the Group has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

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

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

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

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

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

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

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit loss (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables).

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

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

The expected cash shortfalls of fixed-rate financial assets, trade and other receivables and other financial assets measured at amortised cost are discounted using the effective interest rate determined at initial recognition or an approximation thereof where the effect of discounting is material.

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

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

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

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

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

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

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

– property and equipment, including right-of-use assets;

– intangible assets; and

– goodwill.

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

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

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

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(i) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(h)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(h)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The useful lives of copyrights, trademark and technology and software were estimated by management based on the respective periods over which such assets can bring economic benefits to the Group. The estimation of the useful lives has taken into account the patent protection period, the historical life and characteristics of similar assets, the iteration cycle of live streaming and social networking technologies, update frequency and market competition, and the useful lives adopted by comparable companies in the market. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Copyrights, trademark and technology	5 – 10 years
Software	3 – 10 years

Both the period and method of amortisation are reviewed annually.

(j) Contract assets and contract liabilities

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

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

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(q)(ii)).

(k) Trade and other receivables

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

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the accounting policy set out in Note 2(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value, subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

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

(ii) Share-based payments

For equity-settled share-based payment transactions, the fair value of awarded shares granted to employees is recognised as an employee cost with a corresponding increase in share-based payment reserve within equity. The fair value is measured at grant date using the discounted cash flow model, taking into account the terms and conditions upon which the shares were granted.

At each reporting date, the number of equity instruments that are expected to be vested are estimated. The impact on the revision of original estimates is recognised in profit or loss and as a corresponding adjustment to equity over the remaining vesting period, unless the revision to original estimates is due to market conditions. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective at the date of the forfeiture.

(iii) Termination benefits

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

(o) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investment in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

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

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

(q) Revenue and other income

(i) Revenue

The Group principally derives its revenues from live streaming, social networking and other services. Revenue is recognised when control of a service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Live streaming service

The Group operates mobile and personal computer live streaming platforms, consisting of IT infrastructure, mobile applications and its proprietary algorithm, to offer live and interactive streaming services to individual users as customers. The Group creates and sells to individual users virtual items, so they can simultaneously present to hosts during their live streaming session to show their support. The Group considers the sale of virtual items in connection with live streaming service as a single performance obligation, and the associated revenue is recognized on a gross basis, as the Group has sole discretion in designing, pricing and monetizing the virtual items before they are transferred to individual users. Revenue is recognized at a point-in-time when the virtual items are consumed as they are presented to live streaming hosts, at an amount which becomes known at the time the items are consumed.

Individual user purchases virtual items using the Group's user token which is in turn acquired through third-party payment companies. User token is non-refundable, it is often used to acquired virtual items and consumed soon after it is purchased. As such, the Group does not expect any significant breakage. Unconsumed user token and virtual items are recorded as contract liabilities.

Social networking service

The Group also operates social networking platforms, which help users meet potential friends from all over the world. The Group creates and sells to individual users virtual items. Revenue from such sale is recognised at a point-in-time when the virtual items are consumed, as the consideration for matching the potential friends or chatting with hosts. Revenue is recognized on a gross basis as the Group is the principal with respect to the fulfillment of the associated promises.

Other services

The Group provide other services, such as advertisement and technical services. Revenues are recognised upon fulfillment of services obligation.

(ii) Interest income

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

(iii) Government grants

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

(r) Translation of foreign currencies

Foreign currency transactions are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

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

The results of foreign operations which have a functional currency other than RMB, the Group's presentation currency, are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity.

(s) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(t) Related parties

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

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

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the chief operating decision-maker ("CODM") of the Group for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. The CODM has been identified as executive directors of the Group.

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 22 and 25 contains information about the assumptions and their risk factors relating to fair value of equity-settled share-based transactions and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(h)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) Deferred tax assets

Deferred tax assets are recognised for all temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing whether such temporary differences can be utilised in the future, the Group needs to make judgements and estimates on the ability of each of its subsidiaries to generate taxable income in the future years. The Group believes it has recorded adequate deferred taxes based on the prevailing tax rules and regulations and its current best estimates and assumptions. In the event that future tax rules and regulations or related circumstances change, adjustments to deferred taxation may be necessary which would impact the Group's results or financial position.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in providing live streaming services, social networking and other services. Disaggregation of revenue from contracts with customers by major service lines are as follows:

	Years ended December 31,			Five months ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Live streaming	2,819,356	3,669,566	4,477,093	1,763,690	2,020,931
Social networking	–	–	118,243	35,613	66,387
Others	11,516	13,909	4,354	2,343	123
	2,830,872	3,683,475	4,599,690	1,801,646	2,087,441

The Group's customer base is diversified, where there was no customer with whom transactions have exceeded 10% of the Group's revenue during the Track Record Period.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is as follows:

	Years ended December 31,			Five months ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Point in time	2,829,079	3,679,654	4,597,043	1,800,687	2,087,318
Over time	1,793	3,821	2,647	959	123
	2,830,872	3,683,475	4,599,690	1,801,646	2,087,441

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and therefore the information about remaining performance obligations is not disclosed for contracts that have an original expected duration of one year or less.

(b) Segment reporting

For the purposes of assessing segment performance and allocating resources among segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

There are three segments in the Group, including 6.cn, Huajiao and HOLLA Group.

Information regarding the Group's reportable segments as provided to the CODM for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022 is set out below:

	Year ended December 31, 2019		
	6.cn	**Huajiao**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment revenue	659,195	2,171,677	2,830,872
Reportable segment profit before taxation	194,502	39,538	234,040
Including:			
Host cost	327,128	1,592,375	1,919,503
Promotion and advertising expenses	34,939	279,918	314,857
Staff cost (excluded share-based payment expenses)	58,910	143,487	202,397

	Year ended December 31, 2020		
	6.cn	**Huajiao**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment revenue	852,425	2,831,050	3,683,475
Reportable segment profit before taxation	179,283	257,724	437,007
Including:			
Host cost	438,493	2,007,728	2,446,221
Promotion and advertising expenses	68,455	341,685	410,140
Staff cost (excluded share-based payment expenses)	104,498	131,632	236,130

	Year ended December 31, 2021			
	6.cn	**Huajiao**	**HOLLA Group**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue	1,007,763	3,472,177	119,750	4,599,690
Reportable segment profit/(loss) before taxation	163,552	345,800	(13,855)	495,497
Including:				
Host cost	585,101	2,479,332	20,560	3,084,993
Promotion and advertising expenses	76,635	389,763	29,244	495,642
Staff cost (excluded share-based payment expenses)	106,353	169,395	30,491	306,239

	Five months ended May 31, 2021 (unaudited)			
	6.cn	**Huajiao**	**HOLLA Group**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue	404,590	1,361,443	35,613	1,801,646
Reportable segment profit/(loss) before taxation	70,319	126,650	(7,408)	189,561
Including:				
Host cost	225,423	952,581	4,934	1,182,938
Promotion and advertising expenses	34,601	168,430	6,469	209,500
Staff cost (excluded share-based payment expenses)	46,926	71,813	8,147	126,886

	Five months ended May 31, 2022			
	6.cn	Huajiao	HOLLA Group	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue	527,882	1,493,172	66,387	2,087,441
Reportable segment profit/(loss) before taxation	91,103	158,297	(14,442)	234,958
Including:				
Host cost	349,003	1,069,073	13,656	1,431,732
Promotion and advertising expenses	20,722	163,339	12,052	196,113
Staff cost (excluded share-based payment expenses)	47,408	74,795	21,599	143,802

Reconciliations of reportable segment revenues, profit or loss before taxation:

	Years ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue					
Reportable segment revenue	2,830,872	3,683,475	4,599,690	1,801,646	2,087,441
Profit					
Reportable segment profit before taxation	234,040	437,007	495,497	189,561	234,958
Depreciation and amortisation resulted from revaluation of property and equipment, and intangible assets	(10,969)	(21,646)	(18,771)	(7,821)	(7,751)
Finance costs	(624)	(776)	(484)	(223)	(1,101)
Impairment loss on goodwill and intangible assets	–	(1,872,543)	–	–	–
Share-based payment expenses	(19,307)	(18,796)	(83,993)	(20,035)	(13,857)
Consolidated profit/(loss) before taxation	203,140	(1,476,754)	392,249	161,482	212,249

5 OTHER INCOME, NET

	Years ended December 31,			Five months ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Income from financial products issued by banks	18,221	19,412	7,593	3,394	4,316
Changes in fair value of financial products issued by banks	(734)	626	(999)	(1,005)	66
Interest income	3,698	9,553	20,375	7,817	10,261
Government grants	1,361	8,600	9,862	140	575
Gain/(loss) on disposal of long-term assets	118	(9)	866	(264)	(274)
Additional deduction of input VAT	11,774	19,127	26,809	10,622	11,469
Others	(309)	4,400	4,346	1,462	1,223
	34,129	61,709	68,852	22,166	27,636

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Years ended December 31,			Five months ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(a) Finance costs					
Interest on lease liabilities	624	776	484	223	1,101
(b) Staff costs					
Salaries, wages, bonuses and other benefits	162,145	205,707	244,780	101,986	115,287
Contributions to defined retirement schemes	40,252	30,423	61,459	24,900	28,515
Share-based payment expenses *(Note 22)*	19,307	18,796	83,993	20,035	13,857
	221,704	254,926	390,232	146,921	157,659

The employees of certain subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby the Group is required to contribute to the schemes at a rate ranged 16% to 20% of the employees' basic salaries. Employees of certain subsidiaries of the Group is entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Years ended December 31,			Five months ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation charge *(Note 11)*					
– owned property and equipment	4,644	5,951	5,646	2,230	4,023
– right-of-use assets	4,705	7,668	7,937	3,127	5,738
	9,349	13,619	13,583	5,357	9,761
Host cost	1,919,503	2,446,221	3,084,993	1,182,938	1,431,732
Amortisation of intangible assets	13,852	24,224	21,846	9,098	9,030
Allowance for doubtful debts/(reversal of allowance for doubtful debts)	1,398	312	(109)	(302)	(142)
Impairment loss on goodwill and intangible assets *(Notes 12 and 13)*	–	1,872,543	–	–	–
Promotion and advertising expenses	314,857	410,140	495,642	209,500	196,113
Bandwidth expenses and server custody costs	50,703	53,264	51,868	22,500	21,373
Payment processing cost	41,508	43,823	73,909	28,604	34,171
[REDACTED]	–	–	[REDACTED]	–	[REDACTED]

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represent:

	Years ended December 31,			Five months ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current taxation ***(Note 23(a))***					
Provision for the year	16,607	28,179	25,961	11,049	12,807
Deferred taxation ***(Note 23(b))***					
Origination and reversal of temporary differences	(4,765)	19,738	41,265	14,249	21,551
	11,842	47,917	67,226	25,298	34,358

(b) Reconciliation between tax expenses and accounting profits at applicable tax rates:

	Years ended December 31,			Five months ended May 31,	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before taxation	203,140	(1,476,754)	392,249	161,482	212,249
Notional tax on profit/(loss) before taxation, calculated at the applicable rates in the jurisdictions concerned *(i)*	50,785	(369,189)	98,062	40,371	53,062
Effect of preferential tax rates applicable to certain subsidiaries of the Group *(ii)*	(31,948)	143,568	(42,795)	(17,232)	(22,592)
Tax effect of additional tax deduction on research and development expenses *(iii)*	(11,098)	(10,555)	(12,146)	(4,625)	(4,878)
Tax effect of non-deductible expenses	1,496	2,771	16,597	3,592	3,014
Tax effect of unused tax losses and temporary differences not recognised *(iv)*	2,607	281,322	7,508	3,192	5,752
Actual tax expenses	11,842	47,917	67,226	25,298	34,358

Notes:

(i) Income tax rate applies to the Group:

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

The Hong Kong Profits Tax rate during the Track Record Period is 16.5%.

The tax rate in Delaware state in United states is 8.7%.

In accordance with the Corporate Income Tax Law ("Income Tax Law") of the PRC, corporate income tax rate for the Group's PRC subsidiaries during the Track Record Period is 25%.

(ii) The PRC Corporate Income Tax Law allows enterprises to apply for certificate of "High and New Technology Enterprise" ("HNTE"), which entitles the qualified companies to a preferential income tax rate of 15%, subject to fulfilment of the recognition criteria.

Huafang Technology and Mijing Hefeng were qualified as a HNTE and entitled to the preferential tax rate of 15% for the three calendar years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022.

Subject to Caishui [2016] No. 85, Huocheng branch of Huafang Technology was entitled to full tax exemption for five years starting from 2016, its first profit-making year.

Subject to Caishui [2020] No. 31, Hainan Kailin was entitled to a preferential tax rate of 15% for the calendar year ended December 31, 2021 and the five months ended May 31, 2022.

(iii) According to the relevant tax rules in the PRC, qualified research and development expenses are allowed for additional tax deduction based on 75% of such expenses during the Track Record Period.

(iv) Mainly represent unused tax losses and temporary differences not recognised during the year 2020 due to the impairment loss of the goodwill and intangible assets incurred.

8 DIRECTORS' EMOLUMENTS

Details of emoluments of the directors of the Company during the Track Record Period are as follows:

		Year ended December 31, 2019						
	Note	**Directors' fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Sub-total**	**Share-based payments**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman								
Mr. Zhou Hongyi	*(a)*	–	–	–	–	–	–	–
Executive director								
Ms. Yu Dan	*(b)(c)*	–	1,396	66	50	1,512	5,836	7,348
Non Executive directors								
Mr. Chen Shengmin	*(b)*	–	–	–	–	–	–	–
		–	1,396	66	50	1,512	5,836	7,348

		Year ended December 31, 2020						
	Note	**Directors' fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Sub-total**	**Share-based payments**	**Total**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman								
Mr. Zhou Hongyi	*(a)*	–	–	–	–	–	–	–
Executive director								
Ms. Yu Dan	*(b)(c)*	–	957	132	4	1,093	7,115	8,208
Non Executive directors								
Mr. Chen Shengmin	*(b)*	–	–	–	–	–	–	–
Mr. Zhao Dan	*(b)*	–	–	–	–	–	–	–
		–	957	132	4	1,093	7,115	8,208

	Note	Year ended December 31, 2021						
		Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman								
Mr. Zhou Hongyi	*(a)*	–	–	–	–	–	–	–
Executive director								
Ms. Yu Dan	*(b)(c)*	–	1,844	132	37	2,013	29,757	31,770
Non Executive directors								
Mr. Chen Shengmin	*(b)*	–	–	–	–	–	–	–
Mr. Zhao Dan	*(b)*	–	–	–	–	–	–	–
		–	1,844	132	37	2,013	29,757	31,770

	Note	Five months ended May 31, 2022						
		Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman								
Mr. Zhou Hongyi	*(a)*	–	–	–	–	–	–	–
Executive director								
Ms. Yu Dan	*(b)(c)*	–	849	330	16	1,195	4,527	5,722
Non Executive directors								
Mr. Chen Shengmin	*(b)*	–	–	–	–	–	–	–
Mr. Zhao Dan	*(b)*	–	–	–	–	–	–	–
		–	849	330	16	1,195	4,527	5,722

	Note	Five months ended May 31, 2021 (unaudited)						
		Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-total	Share-based payments	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman								
Mr. Zhou Hongyi	*(a)*	–	–	–	–	–	–	–
Executive director								
Ms. Yu Dan	*(b)(c)*	–	690	132	16	838	5,349	6,187
Non Executive directors								
Mr. Chen Shengmin	*(b)*	–	–	–	–	–	–	–
Mr. Zhao Dan	*(b)*	–	–	–	–	–	–	–
		–	690	132	16	838	5,349	6,187

Notes:

(a) Mr. Zhou Hongyi joined the Group in April 2019 and appointed as the director of the Company in June 2021.

(b) Ms. Yu Dan, Mr. Chen Shengmin and Mr. Zhao Dan joined the Group in March 2017, September 2017 and August 2020, respectively and were appointed as directors of the Company in July 2021.

(c) The amount disclosed above included emoluments received before Ms. Yu Dan's appointment as an executive director.

During the Track Record Period, no emoluments were paid by the Company to directors as an inducement to join or upon joining the Company or as compensation for loss of office.

Mr. Chen Weiguang, Mr. Li Bing and Ms. Qian Aimin were appointed as independent non-executive directors in November 2022. No remuneration was paid to independent non-executive directors during the Track Record Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, 1, 1, 1, 1 (unaudited) and 1 are directors for each of the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining individuals during the Track Record Period are as followings:

	Years ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries and other emoluments	2,662	3,717	4,379	1,744	2,088
Discretionary bonuses	182	680	809	798	2,232
Share-based payment expenses	2,116	3,369	29,391	6,547	5,469
Retirement scheme contributions	156	21	176	75	77
	5,116	7,787	34,755	9,164	9,866

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Years ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	Number of individuals	Number of individuals	Number of individuals	Number of individuals	Number of individuals
				(unaudited)	
Nil – HKD1,000,000	2	–	–	–	–
HKD1,000,001 – HKD1,500,000	–	–	–	1	1
HKD1,500,001 – HKD2,000,000	–	–	–	1	1
HKD2,000,001 – HKD2,500,000	1	4	–	1	1
HKD2,500,001 – HKD3,000,000	1	–	–	–	–
HKD5,500,001 – HKD6,000,000	–	–	1	1	–
HKD6,000,001 – HKD6,500,000	–	–	1	–	1
HKD6,500,001 – HKD7,000,000	–	–	1	–	–
HKD23,000,001 – HKD23,500,000	–	–	1	–	–
	4	4	4	4	4

10 EARNINGS PER SHARE

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

11 PROPERTY AND EQUIPMENT

(a) Reconciliations of carrying amounts

	Office equipment and furniture	Electronic equipment	Vehicles	Leasehold improvement	Leasehold properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2019	191	4,628	–	–	–	4,819
Additions	281	1,577	1,369	121	3,882	7,230
Acquisition of subsidiary *(Note 27)*	829	14,803	475	–	19,755	35,862
Disposals	(210)	(62)	(78)	–	(917)	(1,267)
At December 31, 2019	1,091	20,946	1,766	121	22,720	46,644
Accumulated depreciation:						
At January 1, 2019	(85)	(3,454)	–	–	–	(3,539)
Charge for the year	(242)	(4,174)	(225)	(3)	(4,705)	(9,349)
Written back on disposals	186	42	–	–	917	1,145
At December 31, 2019	(141)	(7,586)	(225)	(3)	(3,788)	(11,743)
Carrying amount:						
At December 31, 2019	950	13,360	1,541	118	18,932	34,901

	Office equipment and furniture	Electronic equipment	Vehicles	Leasehold improvement	Leasehold properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At January 1, 2020	1,091	20,946	1,766	121	22,720	46,644
Additions	480	1,755	–	–	984	3,219
Acquisition of subsidiary *(Note 13)*	108	616	–	–	–	724
Disposals	(260)	–	–	–	(412)	(672)
At December 31, 2020	1,419	23,317	1,766	121	23,292	49,915
Accumulated depreciation:						
At January 1, 2020	(141)	(7,586)	(225)	(3)	(3,788)	(11,743)
Charge for the year	(405)	(5,136)	(375)	(35)	(7,668)	(13,619)
Written back on disposals	239	–	–	–	412	651
At December 31, 2020	(307)	(12,722)	(600)	(38)	(11,044)	(24,711)
Carrying amount:						
At December 31, 2020	1,112	10,595	1,166	83	12,248	25,204
Cost:						
At January 1, 2021	1,419	23,317	1,766	121	23,292	49,915
Additions	851	7,447	–	8,031	62,109	78,438
Disposals	(279)	(3,561)	(1,639)	–	(22,354)	(27,833)
At December 31, 2021	1,991	27,203	127	8,152	63,047	100,520
Accumulated depreciation:						
At January 1, 2021	(307)	(12,722)	(600)	(38)	(11,044)	(24,711)
Charge for the year	(363)	(4,726)	(351)	(206)	(7,937)	(13,583)
Written back on disposals	64	3,224	859	–	16,700	20,847
At December 31, 2021	(606)	(14,224)	(92)	(244)	(2,281)	(17,447)
Carrying amount:						
At December 31, 2021	1,385	12,979	35	7,908	60,766	83,073
Cost:						
At January 1, 2022	1,991	27,203	127	8,152	63,047	100,520
Additions	2,380	1,919	–	4,654	637	9,590
Disposals	(854)	(3,060)	–	–	–	(3,914)
At May 31, 2022	3,517	26,062	127	12,806	63,684	106,196

	Office equipment and furniture	Electronic equipment	Vehicles	Leasehold improvement	Leasehold properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:						
At January 1, 2022	(606)	(14,224)	(92)	(244)	(2,281)	(17,447)
Charge for the period	(237)	(1,894)	(35)	(1,857)	(5,738)	(9,761)
Written back on disposals	656	2,747	–	–	–	3,403
At May 31, 2022	(187)	(13,371)	(127)	(2,101)	(8,019)	(23,805)
Carrying amount:						
At May 31, 2022	3,330	12,691	–	10,705	55,665	82,391

(b) Leasehold properties

(i) The Group leased offices expires from 1.5 to 5 years. None of the leases includes an option to purchase the leased assets at the end of the lease term.

(ii) The analyses of expenses items in relation to leases recognised in the Group's profit or loss are as follows:

	Years ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation charge of leasehold properties	4,705	7,668	7,937	3,127	5,738
Interest on lease liabilities *(Note 6(a))*	624	776	484	223	1,101
Expense relating to short-term leases	12,028	11,122	12,906	6,816	6,878

(iii) Details of total cash outflow for leases and the maturity analyses of lease liabilities are set out in Notes 17(c) and 21.

12 INTANGIBLE ASSETS

	Copyrights, trademark and technology	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At January 1, 2019	15,730	162	15,892
Additions	–	115	115
Acquisition of subsidiary *(Note 27)*	156,079	288	156,367
At December 31, 2019 and January 1, 2020	171,809	565	172,374
Additions	–	314	314
Acquisition of subsidiaries	46,082	2,763	48,845
At December 31, 2020 and January 1, 2021	217,891	3,642	221,533
Additions	566	611	1,177
At December 31, 2021 and January 1, 2022	218,457	4,253	222,710
Additions	–	472	472
Disposals	–	(496)	(496)
Translation differences arising on translation of foreign currency financial statements	–	160	160
At May 31, 2022	218,457	4,389	222,846
Accumulated amortisation:			
At January 1, 2019	(806)	(17)	(823)
Charge for the year	(13,547)	(305)	(13,852)
At December 31, 2019 and January 1, 2020	(14,353)	(322)	(14,675)
Charge for the year	(23,941)	(283)	(24,224)
Impairment loss *(Note 13)*	(29,324)	–	(29,324)
At December 31, 2020 and January 1, 2021	(67,618)	(605)	(68,223)
Charge for the year	(21,077)	(769)	(21,846)
At December 31, 2021 and January 1, 2022	(88,695)	(1,374)	(90,069)
Charge for the period	(8,801)	(229)	(9,030)
Written back on disposals	–	417	417
Translation differences arising on translation of foreign currency financial statements	–	(67)	(67)
At May 31, 2022	(97,496)	(1,253)	(98,749)
Net book value:			
At December 31, 2019	157,456	243	157,699
At December 31, 2020	150,273	3,037	153,310
At December 31, 2021	129,762	2,879	132,641
At May 31, 2022	120,961	3,136	124,097

The amortisation of intangible assets is included in cost of sales, general and administrative expenses and research and development expenses in the consolidated statements of profit or loss during the Track Record Period.

13 GOODWILL

	RMB'000
Cost:	
At January 1, 2019	–
Addition *(Note 27)*	2,459,472
At December 31, 2019 and January 1, 2020	2,459,472
Addition	83,525
At December 31, 2020 and December 31, 2021 and May 31, 2022	2,542,997
Accumulated impairment losses:	
At January 1, 2019, December 31, 2019 and January 1, 2020	–
Charge for the year	1,843,219
At December 31, 2020 and December 31, 2021 and May 31, 2022	1,843,219
Net book value:	
At December 31, 2019	2,459,472
At December 31, 2020	699,778
At December 31, 2021	699,778
At May 31, 2022	699,778

Goodwill is allocated to the Groups of cash-generating unit ("CGU") as follows:

	As at December 31,		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
6.cn	2,459,472	681,763	681,763
HOLLA Group	–	17,394	17,394
Maijike	–	621	621
Total	2,459,472	699,778	699,778

(a) Goodwill arisen in business combinations

As stated in Note 1, the Group completed the Huajiao-6.cn Merger in April 2019 and the goodwill amounted to RMB2,459,472,000 was recognised, further detail was set out in Note 27.

Mizhi Technology was engaged in virtual idol and virtual livestreaming business, Huafang Technology owned its 18% interest from July 2016 to March 2020. In April 2020, the Group acquired 82% interest of Mizhi Technology at a consideration of RMB31,543,000. The goodwill arose from this acquisition amounted to RMB65,510,000.

Except for the acquisition of Mizhi Technology, addition of goodwill in 2020 amounted to RMB18,015,000, of which RMB17,394,000 and RMB621,000 arose on the acquisition of HOLLA Group and Maijike respectively. The aggregate consideration for these acquisitions was RMB17,406,000 and fair value of net identifiable liabilities assumed was RMB609,000.

(b) Goodwill impairment testing

The recoverable amount of a CGU is determined based on value in use ("VIU") calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Key assumptions used for VIU calculations:

	As at December 31,		
	2019	**2020**	**2021**
6.cn			
Annual revenue (decline)/growth rates for first five years *(aa)*	(1.18)% – 10.00%	(4.98)% – 0.00%	(0.82)% – 0.00%
Terminal growth rate *(bb)*	0.00%	0.00%	0.00%
Discount rate *(cc)*	14.59%	15.72%	15.30%

	As at December 31,	
	2020	**2021**
HOLLA Group		
Annual revenue growth rates for first five years *(aa)*	0.00% – 21.80%	0.00% – 20.99%
Terminal growth rate *(bb)*	0.00%	0.00%
Discount rate *(cc)*	13.98%	14.92%

	As at December 31,	
	2020	**2021**
Maijike		
Annual revenue growth rates for first five years *(aa)*	0.00% – 10.00%	0.00% – 20.32%
Terminal growth rate *(bb)*	0.00%	0.00%
Discount rate *(cc)*	16.40%	17.27%

The directors of the Company were of the view that there were no indications that the above CGUs might be impaired as at May 31, 2022.

Notes:

(aa) The annual revenue growth rates adopted are based on 6.cn, HOLLA Group and Maijike's CGU's historical experience and the Group's expectations of future changes in the live streaming industry and adjusted for other factors that are specific to the CGU of 6.cn, HOLLA Group and Maijike.

(bb) Cash flows beyond the five-year period are extrapolated used a terminal growth rate based on the relevant industry growth forecasts and does not exceed the average terminal growth rate of the relevant industry.

(cc) The discount rates used are pre-tax and reflect specific risks relating to the CGU of 6.cn, HOLLA Group and Maijike.

Goodwill arising from Huajiao-6.cn Merger

Following the Huajiao-6.cn Merger, the synergistic sharing of resources and experiences between Huajiao and 6.cn have paved the way for the sustained business of Huafang Technology. As at December 31, 2019, based on the impairment test performed, the recoverable amount of CGU of 6.cn calculated based on VIU exceeded carrying value by RMB179,176,000 ("headroom") and no impairment of goodwill was recognised.

The following table indicates how the headroom would have decreased if certain key assumptions used in the forecast had changed, assuming all other assumptions remained constant:

	As at December 31, 2019
6.cn	**Headroom decreases by RMB'000**
If annual revenue growth rates decrease by 50 basis point	64,552
If terminal growth rate decreases by 50 basis point	72,888
If discount rate increases by 50 basis point	94,161

The directors of the Company were of the view that any reasonably possible change in key assumptions used in the value in use calculation of 6.cn would not cause the carrying amount to exceed the recoverable amount.

Since the beginning of 2020, the COVID-19 pandemic has significantly disrupted the normal economic life in China and around the world. The pandemic has accelerated the proliferation of mobile-based live streaming and has had a disproportionately greater effect on PC-based live streaming due to the government-mandated mobility restrictions which could impede access to streaming studios. Market competition has also intensified to compete for user time and viable hosts as new players continue to enter the entertainment live streaming industry. These challenges resulted in a decline in 6.cn's business performance in 2020. Based on the impairment test performed, as at December 31, 2020, the recoverable amount of CGU of 6.cn has been reduced to RMB751,462,000 and the impairment loss of RMB1,777,709,000 was recognised. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment loss.

As at December 31, 2021, based on the impairment test performed, the recoverable amount of CGU of 6.cn calculated based on VIU exceeded carrying value by RMB165,315,000 ("headroom") and no impairment of goodwill was recognised.

The following table indicates how the headroom would have decreased if certain key assumptions used in the forecast had changed, assuming all other assumptions remained constant:

	As at December 31, 2021
6.cn	**Headroom decreases by RMB'000**
If annual revenue growth rates decrease by 50 basis point	37,733
If terminal growth rate decreases by 50 basis point	21,831
If discount rate increases by 50 basis point	25,138

The directors of the Company were of the view that any reasonably possible change in key assumptions used in the value in use calculation of 6.cn would not cause the carrying amount to exceed the recoverable amount.

Goodwill arising from acquisitions of Mizhi Technology, HOLLA Group and Maijike

Since the major changes in market conditions and the uncertainty of profitability of the virtual idol and virtual livestreaming business, the directors of the Company decided to suspend the business of Mizhi Technology, the goodwill of Mizhi Technology was fully impaired in the end of 2020.

As at December 31, 2020, based on the impairment test performed, the recoverable amount of CGU of HOLLA Group and Maijike calculated based on VIU exceeded carrying value by RMB13,002,000 and RMB8,528,000 respectively, and no impairment of goodwill was recognised.

As at December 31, 2021, based on the impairment test performed, the recoverable amount of CGU of HOLLA Group and Maijike calculated based on VIU exceeded carrying value by RMB26,854,000 and RMB1,033,000 respectively, and no impairment of goodwill was recognised.

The following table indicates how the amounts of headroom would have decreased if certain key assumptions used in the forecast had changed, assuming all other assumptions remained constant:

	As at December 31,	
	Headroom decreases by	
HOLLA Group	**2020**	**2021**
	RMB'000	*RMB'000*
If annual revenue growth rates decrease by 50 basis point	3,962	13,111
If terminal growth rates decrease by 50 basis point	979	4,388
If discount rates increase by 50 basis point	2,086	4,022

	As at December 31,	
	Headroom decreases by	
Maijike	**2020**	**2021**
	RMB'000	*RMB'000*
If annual revenue growth rates decrease by 50 basis point	176	45
If terminal growth rates decrease by 50 basis point	26	44
If discount rates increase by 50 basis point	312	46

The directors of the Company were of the view that any reasonably possible change in key assumptions used in the value in use calculation of HOLLA Group and Maijike would not cause the carrying amount to exceed the recoverable amount.

14 OTHER FINANCIAL ASSETS

	As at December 31,			As at May 31,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
Financial products issued by banks	384,319	258,145	45,346	533,792
Non-current				
Financial assets measured at FVOCI				
– Investment in Mizhi Technology *(Note 13(a))*	13,345	–	–	–
– Investment in Shanghai Benqu Network Technology Co., Ltd. ("上海本趣網絡科技有限公司") *(i)*	5,400	5,400	–	–
– Investment in Tianjin Jiadui Technology Co., Ltd. ("天津佳對科技有限公司") *(ii)*	–	19,000	19,000	19,000
– Investment in Wuhan Qijifangzhou Information Technology Co., Ltd. ("武漢奇蹟方舟信息技術有限公司") *(iii)*	–	15,000	15,000	15,000
– Investment in Chengdu Xundui Culture Communication Co., Ltd. ("成都尋對文化傳媒有限公司") *(iv)*	–	–	18,960	18,960
– Investment in Battuta Technology Pte. Ltd. *(v)*	–	–	13,000	13,581
– Investment in Chengdu Aobeisha Cultural Communication Co., Ltd. ("成都奧貝沙文化傳媒有限公司") *(vi)*	–	–	–	18,000
– Investment in Chengdu Lailiaoyiliao Cultural Communication Co., Ltd. ("成都來聊一聊文化傳媒有限公司") *(vii)*	–	–	–	8,000
Financial assets measured at amortised costs				
– Loan to Mizhi Technology	48,330	–	–	–
	67,075	39,400	65,960	92,541

(i) Shanghai Benqu Network Technology Co., Ltd. ("Shanghai Benqu") is an information technology service provider in the PRC market. In 2021, the Group disposed the investment in Shanghai Benqu at a consideration amounted to RMB6,840,000.

(ii) The Group holds 25% of the interests of Tianjin Jiadui Technology Co., Ltd., which operates an online dating platform in the PRC. The Group has not appointed directors or participated in the operations of Tianjin Jiadui Technology Co., Ltd.

(iii) The Group holds 25% of the interests of Wuhan Qijifangzhou Information Technology Co., Ltd., which is an information technology service provider in the PRC. The Group has not appointed directors or participated in the operations of Wuhan Qijifangzhou Information Technology Co., Ltd.

(iv) The Group holds 25% of the interests of Chengdu Xundui Culture Communication Co., Ltd., which operates an online social networking platform in the PRC. The Group has not appointed directors or participated in the operations of Chengdu Xundui Culture Communication Co., Ltd.

(v) The Group holds 25% of the interests of Battuta Technology Pte. Ltd. ("Battuta"), which operates an online social networking platform in Singapore. The Group has not appointed directors or participated in the operations of Battuta Technology Pte. Ltd.

(vi) The Group holds 25% of the interests of Chengdu Aobeisha Culture Communication Co., Ltd., which operates an online social networking platform in the PRC. The Group has not appointed directors or participated in the operations of Chengdu Aobeisha Culture Communication Co., Ltd.

(vii) The Group holds 30% of the interests of Chengdu Lailiaoyiliao Cultural Communication Co., Ltd., which operates an online social networking platform in the PRC. The Group has not appointed directors or participated in the operations of Chengdu Lailiaoyiliao Cultural Communication Co., Ltd.

15 TRADE RECEIVABLES

	As at December 31,			**As at May 31,**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	2,879	2,885	640	543
Less: loss allowance	(15)	(15)	(19)	(19)
	2,864	2,870	621	524

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

(a) Ageing analysis

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

	As at December 31,			**As at May 31,**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	2,863	2,595	624	130
3 to 6 months	–	271	–	397
6 to 12 months	16	3	–	–
Over 1 year	–	16	16	16
Less: loss allowance	(15)	(15)	(19)	(19)
	2,864	2,870	621	524

Further details on the Group's credit policy and credit risk are set out in Note 25(a).

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for purchase of services	23,358	15,914	43,036	41,044
Deposits	4,519	5,642	8,961	7,429
Loans to third parties *(i)*	–	–	–	20,942
Receivable from third party payment platform	24,518	43,428	73,993	60,695
Deductible input VAT	2,026	3,641	5,184	3,673
Government grant receivables	–	6,593	7,072	5,419
Others	1,202	454	572	188
	55,623	75,672	138,818	139,390
Less: loss allowance	(156)	(474)	(361)	(220)
	55,467	75,198	138,457	139,170

(i) As at May 31, 2022, the Group offered interest-free loans to Battuta and its subsidiary in an aggregate principal amount of RMB15,942,000 with the term of repayment of 6 months and 12 months, the Group also offered an interest-free loan to Beijing Qianyihudong Technology Co., Ltd. in principal amount of RMB5,000,000 with the terms of repayment of 6 months.

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

17 CASH AT BANK AND ON HAND AND OTHER CASH FLOW INFORMATION

(a) Cash at bank and on hand comprise:

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents in the consolidated statements of financial position and in the consolidated cash flow statements	789,678	1,068,149	1,614,783	1,371,355

(b) Reconciliation of liabilities arising from financing activities:

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

	Lease liabilities	[REDACTED] payable	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2019	–	–	–
Changes from financing cash flows:			
Interest element of lease rentals paid	(624)	–	(624)
Capital element of lease rentals paid	(4,170)	–	(4,170)
Other changes:			
Acquisition of subsidiary	19,525	–	19,525
Increase in lease liabilities from entering into new lease during the year	3,882	–	3,882
Interest expenses *(Note 6(a))*	624	–	624
At December 31, 2019 and January 1, 2020	19,237	–	19,237
Changes from financing cash flows:			
Interest element of lease rentals paid	(776)	–	(776)
Capital element of lease rentals paid	(7,493)	–	(7,493)
Other changes:			
Increase in lease liabilities from entering into new lease during the year	984	–	984
Interest expenses *(Note 6(a))*	776	–	776
At December 31, 2020 and January 1, 2021	12,728	–	12,728
Changes from financing cash flows:			
Interest element of lease rentals paid	(484)	–	(484)
Capital element of lease rentals paid	(9,886)	–	(9,886)
[REDACTED] paid	–	[REDACTED]	[REDACTED]
Other changes:			
Increase in lease liabilities from entering into new lease during the year	62,109	–	62,109
Interest expenses *(Note 6(a))*	484	–	484
Decrease in lease liabilities from terminating a lease during the year	(6,642)	–	(6,642)
Addition	–	5,964	5,964
At December 31, 2021 and January 1, 2022	58,309	1,642	59,951

	Lease liabilities	[REDACTED] payable	Total
	RMB'000	*RMB'000*	*RMB'000*
At December 31, 2021 and January 1, 2022	58,309	1,642	59,951
Changes from financing cash flows:			
Interest element of lease rentals paid	(1,101)	–	(1,101)
Capital element of lease rentals paid	(3,457)	–	(3,457)
[REDACTED] paid	–	[REDACTED]	[REDACTED]
Other changes:			
Increase in lease liabilities from entering into new lease during the period	637	–	637
Interest expenses *(Note 6(a))*	1,101	–	1,101
Addition	–	748	748
At May 31, 2022	55,489	1,947	57,436
(Unaudited)			
At January 1, 2021	12,728	–	12,728
Changes from financing cash flows:			
Interest element of lease rentals paid	(223)	–	(223)
Capital element of lease rentals paid	(3,093)	–	(3,093)
Other changes:			
Increase in lease liabilities from entering into new lease during the period	1,162	–	1,162
Interest expenses *(Note 6(a))*	223	–	223
At May 31, 2021	10,797	–	10,797

(c) Total cash outflow for leases:

Amounts included in the cash flow statement for leases comprise the following:

	Years ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Within operating cash flows	11,578	11,609	13,082	3,074	8,325
Within financing cash flows	4,794	8,269	10,370	3,316	4,558
	16,372	19,878	23,452	6,390	12,883

18 TRADE PAYABLES

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Host	169,860	118,539	96,525	141,260
Advertisers	31,686	69,285	29,470	59,403
Bandwidth providers	10,374	11,592	9,449	16,899
Others	5,239	7,040	7,706	9,253
Total	217,159	206,456	143,150	226,815

The ageing analyses of the trade payables, based on the invoice date, are as follows:

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1 to 3 months	206,188	198,228	141,644	216,266
4 to 6 months	2,919	5,648	650	6,711
7 to 12 months	6,796	1,385	249	3,224
Over 1 year	1,256	1,195	607	614
	217,159	206,456	143,150	226,815

All trade payables are expected to be settled within one year or are repayable on demand.

19 CONTRACT LIABILITIES

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Live streaming *(i)*	66,355	78,419	85,781	83,907
Advertising	–	1,127	–	–
	66,355	79,546	85,781	83,907

(i) Contract liabilities primarily arose from the considerations received from customers before the Group satisfying performance obligations. It would be recognised as revenue upon rendering services. Almost all of the contract liabilities balance as at December 31, 2019, 2020, 2021 and May 31, 2022 was recognised as revenue within one year.

The changes in contract liabilities during Track Record Period were mainly due to the changes in prepayment of top-up from users on our platform in connection with our live streaming services.

20 ACCRUED EXPENSES AND OTHER PAYABLES

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued expense	131	2,902	1,110	1,609
Deposits	2,150	1,870	2,165	2,165
Individual income tax payables on behalf of others *(i)*	196,513	–	–	–
Amounts due to related parties	2,589	2,589	2,868	396
Payables for staff related cost	29,140	40,660	39,856	27,726
Payables for other taxes	16,004	13,749	15,739	11,822
Payables for equity investment *(ii)*	–	–	14,652	–
Others	1,049	5,575	4,450	9,003
	247,576	67,345	80,840	52,721

(i) The previous individual shareholders of Huafang Technology sold their shares to Songcheng Performance Development Co., Ltd. in 2015. The previous individual shareholders paid the individual income tax resulted from this transaction to Huafang Technology in 2019 and Huafang Technology paid the tax to the local tax bureau on their behalf in 2020.

(ii) Payables for equity investment represents the remaining consideration for investment in Chengdu Xundui Culture Communication Company Limited and Battuta Technology Pte. Ltd.

All of the accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

21 LEASE LIABILITIES

The following tables show the remaining contractual maturities of the Group's lease liabilities as at the end of each of the reporting period:

	As at December 31,						As at May 31,	
	2019		2020		2021		2022	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	7,168	7,909	5,763	6,211	12,246	14,732	12,596	14,862
After 1 year but within 2 years	5,427	5,851	5,592	5,777	11,636	13,564	11,293	13,002
After 2 years but within 5 years	6,642	6,825	1,373	1,378	34,427	36,762	31,600	33,290
	12,069	12,676	6,965	7,155	46,063	50,326	42,893	46,292
	19,237	20,585	12,728	13,366	58,309	65,058	55,489	61,154
Less: total future interest expenses		(1,348)		(638)		(6,749)		(5,665)
Present value of lease liabilities		19,237		12,728		58,309		55,489

22 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

In January 2017, the shareholder of Mijing Hefeng approved an equity-settled stock incentive plan (the "2017 plan"). Pursuant to the 2017 plan, the total equity of Mijing Hefeng as was assumed to be divided into 12,200,000,000 units for the purpose of implementing the 2017 plan and 1,002,041,000 units thereof were granted to certain employees and key management personnel (including a director) of Mijing Hefeng under the 2017 plan. The holders of vested units are entitled to receive free shares of Mijing Hefeng based on the pre-determined unit-to-share ratio. The vesting conditions include both service conditions and non-market performance conditions. The grants to each employee/director would vest in instalments of 20%, 20%, 30% and 30% at each anniversary from the grant date over the next four years. Shares received by the holders of vested units are subject to post-vesting transfer restrictions until Mijing Hefeng completes an [**REDACTED**]. Units granted are also referred to as restricted share units.

In October 2020, the board of directors of the Huafang Technology resolved to launch a more comprehensive equity-settled stock incentive plan (the "2020 plan"). Pursuant to the 2020 plan, the total equity of Huafang Technology was assumed to be divided into 21,688,000,000 units for the purpose of implementing the 2020 plan and 1,355,605,000 units thereof (equivalent to 6.25% of the total shares of Huafang Technology after expansion in share capital on November 11, 2021) were granted to certain employees (including a director) of Huafang Technology, among which 435,661,000 units were identified as a replacement for the awards under the 2017 plan and 919,944,000 units were newly granted under the 2020 plan.

For the replacement portion, the transition from the 2017 plan to the 2020 plan is as follows:

(1) 268,086,000 units under the 2017 plan had been vested by the time of transition. These units under the 2017 plan were carried over to the 2020 plan with a decreasing effect on the number of shares that employees were entitled to, i.e. employees would now become entitled to the shares of Huafang Technology (instead of Mijing hefeng) but at a lower quantity.

(2) 167,575,000 units under the 2017 plan were still within the vesting period at the time of transition. Those outstanding units under the 2017 plan were exchanged for units under the 2020 plan on a one-to-one basis. The terms and conditions of the 2017 plan continued to be carried out, except that the employees would receive shares of Huafang Technology instead of Mijing Hefeng but at a lower quantity for vested units in the future.

The Group has applied modification accounting to the afore-mentioned replacement and determined that no incremental fair value was granted to employees as a result of those modifications.

The vesting conditions of the new grants under the 2020 plan include both service conditions and non-market performance conditions. The new grants to each employee/director would vest in instalments of 30%, 30%, 20% and 20% at each anniversary from the grant date over the next four years. Shares received by the holders of vested units are subject to post-vesting transfer restrictions until Huafang Technology completes an [**REDACTED**].

The Group has sponsored a limited partnership vehicle (Tianjin Huafang Feiteng Technology Center (L.P.) (天津花房飛騰科技中心(有限合夥)) ("Huafang Feiteng"),) established by its employees to hold 6.25% of its shares to meet the obligations of physical delivery of vested shares under the 2020 plan. Employees that participate in the 2020 plan have subscribed for the shares in the shareholding vehicles of Huafang Feiteng at a nominal amount and can receive the shares of Huafang Technology indirectly when the units are vested. The subscription price will be returned to the employees for units that are forfeited under the 2020 plan.

Along with the incorporation of the Company and the completion of the reorganisation as described in Note 1, the 2020 plan was adjusted to be carried out on the level of the Company with no other changes including but not limited to the terms and condition. There is no change in the accounting treatment due to this adjustment.

As the Group has power to govern the relevant activities of Huafang Feiteng and its shareholding vehicles, and can derive benefits from the contributions of the eligible employees who are awarded with the shares under the stock incentive plan, the Group has consolidated these vehicles and reflected non-vested shares held by Huafang Feiteng as other reserve.

(a) Fair value and assumptions

The fair value of the restricted share units granted was estimated as at the date of grant, using the discounted cash flow method or latest financing price to determine the equity fair value of Mijing Hefeng under the 2017 plan and Huafang Technology under 2020 plan, and adopting the valuation model of Average Asian Option Pricing Model to determine the fair value of the underlying restricted share units, taking into account the terms and conditions upon which the restricted share units were granted. The following table lists the inputs to the model used:

Assumptions of restricted share units	**2017**	**2018**	**2019**	**2020**
Volatility	60.96%	68.40%	58.76%	61.80%
Dividend yield	0%	0%	0%	0%
Expected option life (months)	67.0 – 69.0	52.0	39.0	23.0 – 30.0

The fair value of the equity interests is measured by the valuation reports which were prepared by external valuers and reviewed and approved by the management.

(b) Set out below are the movement in the number of awarded restricted share units under the stock incentive plan:

	Years ended December 31,			**Five months ended May 31,**
	2019	**2020**	**2021**	**2022**
	'000	*'000*	*'000*	*'000*
Outstanding at the beginning of the year/period	461,201	232,618	1,030,454	613,912
Granted during the year/period	40,470	967,662	–	–
Forfeited during the year/period	(165,696)	(69,111)	(47,303)	(22,229)
Vested during the year/period	(103,357)	(100,715)	(369,239)	(32,018)
Outstanding at the end of the year/period	232,618	1,030,454	613,912	559,665

(c) Expenses arising from equity-settled share-based transactions

	Years ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of sales	10,110	9,242	32,188	7,412	5,391
Selling and marketing expenses	2,185	1,316	2,908	639	633
General and administrative expenses	1,172	4,081	34,368	8,226	5,312
Research and development expenses	5,840	4,157	14,529	3,758	2,521
	19,307	18,796	83,993	20,035	13,857

23 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	Years ended December 31,			Five months ended May 31,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Income tax payable at January 1	–	5,351	4,028	8,871
Provision for the year/period	16,607	28,179	25,961	12,807
Income tax paid	(11,256)	(29,502)	(21,118)	(14,263)
Income tax payable at December 31/May 31	5,351	4,028	8,871	7,415

(b) Deferred tax assets and liabilities recognised

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

The deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Track Record Period are as follows:

	Credit loss allowance	Revaluation of property and equipment, and intangible assets	Revaluation of other finance assets	Deductible cumulative tax losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:					
At January 1, 2019	19	–	–	135,874	135,893
Effect of business combination	15	(23,792)	(600)	–	(24,377)
Credited to the consolidated statements of profit or loss *(Note 7(a))*	210	1,645	–	2,910	4,765
Charged to other reserve	–	–	606	–	606
At December 31, 2019 and January 1, 2020	244	(22,147)	6	138,784	116,887
Effect of business combinations	–	(11,520)	–	–	(11,520)
Credited/(charged) to the consolidated statements of profit or loss *(Note 7(a))*	48	11,097	10	(30,893)	(19,738)
Charged to other reserve	–	–	(17)	–	(17)
At December 31, 2020 and January 1, 2021	292	(22,570)	(1)	107,891	85,612
(Charged)/credited to the consolidated statements of profit or loss *(Note 7(a))*	(235)	3,046	1	(44,077)	(41,265)
At December 31, 2021 and January 1, 2022	57	(19,524)	–	63,814	44,347
(Charged)/credited to the consolidated statements of profit or loss *(Note 7(a))*	(22)	1,259	(10)	(22,778)	(21,551)
At May 31, 2022	35	(18,265)	(10)	41,036	22,796

(ii) Reconciliations to the consolidated statements of financial position

	As at December 31,			As at May 31,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets recognised in the consolidated statements of financial position	139,045	108,184	63,848	41,063
Deferred tax liabilities recognised in the consolidated statements of financial position	(22,158)	(22,572)	(19,501)	(18,267)
	116,887	85,612	44,347	22,796

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(o), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB10,485,000, RMB123,165,000, RMB144,039,000 and RMB158,215,000 at December 31, 2019, 2020, 2021 and May 31, 2022 respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

Such cumulative tax losses will be carried forward and expire in years as follows:

	As at December 31,			As at May 31,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2021	–	6,222	–	–
2022	–	43,368	43,368	43,368
2023	58	30,153	29,811	29,795
2024	10,427	21,885	21,768	20,855
2025	–	21,537	21,537	21,537
2026	–	–	27,555	27,555
2027	–	–	–	15,105
Total	10,485	123,165	144,039	158,215

The other unrecognised deferred tax assets of temporary differences mainly consist of impairment loss of goodwill.

(d) Deferred tax liabilities not recognised

As at December 31, 2019, 2020 and 2021, and May 31, 2022, the Group did not recognise deferred tax liabilities in respect of undistributed retained earnings of the subsidiaries in the PRC of the Group amounting to RMB665,024,000, RMB13,173,000, RMB15,252,000 and RMB17,428,000 respectively, as the Group is able to control the timing of the distribution of the retained earnings of these subsidiaries and it is probable that the subsidiaries would not make such distribution relating to these undistributed retained earnings in the foreseeable future.

24 CAPITAL, RESERVES AND DISTRIBUTIONS

(a) Share capital

The Company was incorporated in the Cayman Islands on June 1, 2021 as part of the Reorganisation with an initial authorised share capital of US$50,000 divided into 500,000,000 shares of US$0.0001 each. On June 1, 2021 and July 29, 2021, the Company issued 53,333,333 shares to the original shareholders.

Movements of the Company's equity

	Share Capital	Share-based payment reserve	Total equity
	RMB'000	*RMB'000*	*RMB'000*
Balance at June 1, 2021 (Date of incorporation)	–	–	–
Changes in equity for the year:			
Capital injection from shareholders of the Company	33	–	33
Profit and other comprehensive income for the year	–	1	1
Equity-settled share-based transactions	–	30,189	30,189
Balance at December 31, 2021	33	30,190	30,223
Changes in equity for the year/period:			
Capital injection from shareholders of the Company	–	–	–
Equity-settled share-based transactions	–	13,857	13,857
Balance at May 31, 2022	33	44,047	44,080

(b) Other reserve

(i) For the purpose of the Historical Financial Information, the aggregate amount of the paid-in capital of all the entities comprising the Group at the respective dates were recorded as other reserve, after elimination of investments in subsidiaries.

(ii) Impact of exclusion of Other Business represented the exclusion of the fair value of the Other Business of RMB476,315,000 and payables to Other Business of RMB124,754,000 at the completion date of the Huajiao-6.cn Merger. Please refer to Note 27(a) for further details. Proceeds from excluded Other Business represented cash flows in connection with the disposal of the Other Business.

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

(iv) As at December 31, 2019, 2020 and 2021 and May 31, 2022, the statutory reserve made by the Company's PRC subsidiaries amounting to RMB134,693,000, RMB134,694,000, RMB149,876,000 and RMB149,876,000 were included in the Group's reserves.

(v) As disclosed in Note 22, Huafang Feiteng is controlled by the Company and therefore the unvested portion of shares issued to Huafang Feiteng was presented as other reserve. These other reserve represent the shares held by Huafang Feiteng controlled by the Company for the Equity Incentive Plan.

(c) Share-based payment reserve

The share-based payments reserve represents the portion of the grant date fair value of unvested restricted share units granted to the employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(n)(ii).

(d) Dividends

During the Track Record Period, no dividends were declared by the entities comprising the Group to its owners.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by the management of the Group, for which the Group considers to have low credit risk.

The Group's credit risk is primarily attributable to trade receivables and other receivables. The directors of the Company expect the occurrence of losses from non-performance by the counterparties of trade and other receivables was remote and loss allowance provision for trade and other receivables was immaterial.

Trade receivables

Trade receivables mainly arise from advertisement and technical services provided to certain corporate clients.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss. The expected credit loss is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions. The expected credit losses as at each reporting period end were as follows:

	Less than 6 months	6 months to 1 year	1 year to 2 years	Over 2 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2019					
Expected loss rate	0.50%	5.00%	10.00%	100.00%	
Trade receivable	2,863	16	–	–	2,879
Less: allowance	(14)	(1)	–	–	(15)
	2,849	15	–	–	2,864
December 31, 2020					
Expected loss rate	0.50%	5.00%	10.00%	100.00%	
Trade receivable	2,866	3	16	–	2,885
Less: allowance	(13)	–	(2)	–	(15)
	2,853	3	14	–	2,870
December 31, 2021					
Expected loss rate	0.50%	5.00%	10.00%	100.00%	
Trade receivable	624	–	–	16	640
Less: allowance	(3)	–	–	(16)	(19)
	621	–	–	–	621
May 31, 2022					
Expected loss rate	0.50%	5.00%	10.00%	100.00%	
Trade receivable	527	–	–	16	543
Less: allowance	(3)	–	–	(16)	(19)
	524	–	–	–	524

As the balances of trade receivables were immaterial to the Group's financial positions and the Directors of the Group considered that there were no significant changes in the Group's customer base, credit risk of customers, and credit policy during the Track Record Period, hence the Group applied the same credit loss rates during the Track Record Period.

Other receivables

Other receivables mainly included receivable from third party payment platform, deposits, loans and others. The receivable from third party payment platform at the end of each reporting period were due from reputable online payment platforms, such as WeChat, Alipay and Apple pay etc.. In the view of the history of cooperation with the online platforms and the sound collection history of the balance due from them, the director of the Company believes that the credit risk inherent in the Group's outstanding receivable balance from third party payment platform is very low, thus no expected credit losses were provided during the Track Record Period. For deposits, loans and others, the Group made periodic assessments as well as individual assessments on the recoverability based on historical experience and current conditions, the average expected loss rates during the Track Record Period were from 1% to 8%.

(b) Liquidity risk

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

The following tables show the remaining contractual maturities at December 31, 2019, 2020 and 2021, and May 31, 2022 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at December 31, 2019, 2020 and 2021, and May 31, 2022) and the earliest dates the Group can be required to pay:

	As at December 31, 2019 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	217,159	–	–	–	217,159	217,159
Accrued expenses and other payables	247,576	–	–	–	247,576	247,576
Lease liabilities	7,909	5,851	6,825	–	20,585	19,237
	472,644	5,851	6,825	–	485,320	483,972

	As at December 31, 2020 Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	206,456	–	–	–	206,456	206,456
Accrued expenses and other payables	67,345	–	–	–	67,345	67,345
Lease liabilities	6,211	5,777	1,378	–	13,366	12,728
	280,012	5,777	1,378	–	287,167	286,529

	As at December 31, 2021 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	143,150	–	–	–	143,150	143,150
Accrued expenses and other payables	80,840	–	–	–	80,840	80,840
Lease liabilities	14,732	13,564	36,762	–	65,058	58,309
	238,722	13,564	36,762	–	289,048	282,299

	As at May 31, 2022 Contractual undiscounted cash outflow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**More than 5 years**	**Total**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	226,815	–	–	–	226,815	226,815
Accrued expenses and other payables	52,721	–	–	–	52,721	52,721
Lease liabilities	14,862	13,002	33,290	–	61,154	55,489
	294,398	13,002	33,290	–	340,690	335,025

(c) Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities and cash flow risk in relation to variable-rate bank balances. The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Directors of Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances and cash is insignificant because the current market interest rates are relatively low and stable.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

In accordance with IFRS 13 *Fair Value Measurement,* the Group defines the three levels of fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

Recurring fair value measurements	Fair value at December 31, 2019	Fair value Measurement as at December 31, 2019 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial products issued by banks	384,319	–	–	384,319
Unlisted equity investments	18,745	–	–	18,745
	403,064	–	–	403,064

Recurring fair value measurements	Fair value at December 31, 2020	Fair value Measurement as at December 31, 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial products issued by banks	258,145	–	–	258,145
Unlisted equity investments	39,400	–	–	39,400
	297,545	–	–	297,545

Recurring fair value measurements	Fair value at December 31, 2021	Fair value Measurement as at December 31, 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial products issued by banks	45,346	–	–	45,346
Unlisted equity investments	65,960	–	–	65,960
	111,306	–	–	111,306

Recurring fair value measurements	Fair value at May 31, 2022	Fair value Measurement as at May 31, 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial products issued by banks	533,792	–	–	533,792
Unlisted equity investments	92,541	–	–	92,541
	626,333	–	–	626,333

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

(i) Financial products issued by banks

The fair values of financial products issued by banks have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The un-observable inputs are expected annual return rate fixed in the investment contracts. These expected annual return rates were 2.78% to 3.80% as at December 31, 2019, 2.72% to 2.93% as at December 31, 2020, 2.59% as at December 31, 2021, and 2.11% to 3.10% as at May 31, 2022.

As at December 31, 2019, 2020 and 2021 and May 31, 2022, it is estimated that with all other variables held constant, an increase/decrease of expected annual return rate by 1% would have decreased/increased the Group's profit/(loss) before taxation by RMB3.84 million, RMB2.58 million, RMB0.45 million and RMB5.34 million, respectively.

The movements of financial products issued by banks during the Track Record Period in the balance of these Level 3 fair value measurements are as follows:

	Years ended December 31,			**Five months ended May 31,**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	384,319	258,145	45,346
Addition	2,924,510	3,807,430	2,161,640	2,429,690
Acquisition of subsidiary	475,983	2,415	–	–
Disposal	(3,015,440)	(3,936,645)	(2,373,440)	(1,941,310)
Change in fair value	(734)	626	(999)	66
At the end of the year/period	384,319	258,145	45,346	533,792

(ii) Unlisted equity investments

The carrying amount of equity investments are measured at fair values in the consolidated statements of financial position as at December 31, 2019, 2020 and 2021 and May 31, 2022. The Group's equity investments are investments in unlisted companies. The Group determines the fair value by reference to their recent transaction prices or using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates.

As at December 31, 2019, 2020 and 2021 and May 31, 2022, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity investments by 1% would have decreased/increased the Group's other reserve by RMB0.19 million, RMB0.39 million, RMB0.66 million and RMB0.93 million respectively.

The movements of unlisted equity investments during the Track Record Period in the balance of these Level 3 fair value measurements are as follows:

	Years ended December 31,			Five months ended May 31,
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	5,400	18,745	39,400	65,960
Addition	–	34,000	31,960	26,000
Acquisition of subsidiary	17,383	–	–	–
Disposal	–	–	(6,840)	–
Acquired as a subsidiary	–	(13,457)	–	–
Change in fair value	(4,038)	112	1,440	–
Foreign currency translation	–	–	–	581
At the end of the year/period	18,745	39,400	65,960	92,541

26 MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

The material related party transactions entered into by the Group during the Track Record Period and the balances with related parties at the end of each reporting period are set out below.

(a) Names and relationships of the related parties that had material transactions with the Group during the Track Record Period

Chinese name of related party	English name of related party	Relationship
北京奇付通科技有限公司	Beijing Qifutong Technology Co., Ltd.	controlled by shareholder
北京奇虎科技有限公司	Beijing Qihu Technology Co., Ltd.	controlled by shareholder
北京奇智商務諮詢有限公司	Beijing Qizhi Business Consulting Co., Ltd.	controlled by shareholder
三六零科技集團有限公司	360 Technology Group Co., Ltd.	controlled by shareholder
奇虎三六零軟件(北京)有限公司	Qihoo 360 Software (Beijing) Co., Ltd.	controlled by shareholder
宋城演藝發展股份有限公司	Songcheng Performance Development Co., Ltd.	Shareholder
成都奇英科技有限公司	Chengdu Qiying Science and Technology Co., Ltd.	controlled by shareholder
杭州宋城實業有限公司	Hangzhou Songcheng Industrial Co., Ltd.	controlled by shareholder
杭州宋城藝術團有限公司	Hangzhou Songcheng Art Troupe Co., Ltd.	controlled by shareholder
浙江宋城娛樂文化傳媒有限公司	Zhejiang Songcheng Entertainment Culture Media Co., Ltd.	controlled by shareholder
寧波宋城演藝現場娛樂投資合夥企業(有限合夥)	Ningbo Songcheng Performing Arts Live Entertainment Investment Partnership (Limited Partnership)	controlled by shareholder
北京鴻享技術服務有限公司	Beijing Hongxiang Technology Service Co., Ltd.	controlled by shareholder
北京鴻盈信息技術有限公司	Beijing Hongying Technology Service Co., Ltd.	controlled by shareholder

* The official names of these entities are in Chinese. The English translation of the names are for identification purpose only.

(b) Transactions with related parties during the Track Record Period

	Years ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Provision of service	92	3	–	–	–
Charges of rental service	14,103	10,099	10,269	4,150	881
Charges of other service*	40,243	38,592	34,600	12,604	12,986
Purchase shares of subsidiary**	–	31,543	–	–	–

* Charges of other service mainly included bandwidth expenses and promotion and advertising expenses, which constitute continuing connected transactions.

** In April 2020, Huafang Technology purchased 42.19% shares of Mizhi Technology at RMB31,543,000 from Ningbo Songcheng Performing Arts Live Entertainment Investment Partnership (Limited Partnership).

(c) Balances with related parties

The Group's balances with related parties as at the end of each reporting period are as follows:

	As at December 31,			As at May 31,
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	9	3	–	–
Trade payables	9,648	9,954	7,714	12,985
Accrued expenses and other payables	2,589	2,589	2,868	396

Amounts due from and to related parties of the Group are unsecured, interest-free, repayable on demand/on contract terms. All balances with related parties are trade in nature.

(d) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

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

	As at December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Short-term employee benefits	4,306	6,605	8,560	4,013	6,424
Post-employment benefits	205	25	265	112	115
Share-based payments expenses	7,952	10,832	61,552	12,282	10,262
	12,463	17,462	70,377	16,407	16,801

Total remuneration was included in staff costs (see Note 6(b)).

27 HUAJIAO-6.CN MERGER

(a) Acquisition of Huafang Technology

As stated in Note 1, on April 29, 2019 the Group completed its second-phase acquisition of Huafang Technology Group which was accounted for as a reverse acquisition. On this date, Huafang Technology Group (the accounting acquiree) carried a 19.96% interest in Mijing Hefeng (the accounting acquirer) at its then fair value of RMB1,017,961,000. As such, when accounting for the reverse acquisition, part of the consideration transferred has been attributed to the repurchase at fair value of this 19.96% interest, without any resulting gain or loss. The rest of the consideration transferred has been attributed to the acquisition of the business of Huafang Technology Group and was compared with the other identifiable net assets of Huafang Technology. The excess of fair value of this part of the consideration transferred over the identifiable net assets of Huafang Technology at their acquisition-date amounts is recognised as goodwill in the consolidated statement of financial position at the acquisition date.

The following table summarises the consideration transferred at the acquisition date.

	As at April 29, 2019
	RMB'000
Fair value of the shares deemed to have been issued by Mijing Hefeng*	3,414,667
Exclusion of the fair value of Other Business	(476,315)
Consideration transferred	2,938,352

* Calculated based on the acquisition date fair value of the number of equity interest of Mijing Hefeng would have had to issue to give the owners of Huafang Technology the same percentage equity interest in the consolidated entity that results from the acquisition.

The following table summarises the fair value of assets acquired and liabilities assumed recognised at the acquisition date.

	As at April 29, 2019
	RMB'000
Consideration transferred	2,938,352
Property and equipment	35,862
Intangible assets	156,367
Other non-current financial assets	60,352
Trade and other receivables	13,112
Cash and cash equivalents	3,730
Other financial assets	475,983
Trade and other payables	(72,944)
Contract liabilities	(24,926)
Leased liabilities	(19,525)
Deferred tax liabilities	(24,377)
Net identifiable assets acquired	603,634
Exclusion of payables to Other Business	(124,754)
Goodwill	2,459,472

The goodwill of approximately RMB2,459,472,000 arising from Huajiao-6.cn Merger is attributable to the synergies expected to be achieved from integrating Huafang Technology's operations into Mijing Hefeng's existing business.

(b) Pre-acquisition Financial Information of Huafang Technology

The following pre-acquisition financial information of Huafang Technology from the beginning of the Track Record Period to the date of acquisition ("Pre-acquisition Period") presented in accordance with Rule 4.05A of the Listing Rules is disclosed below. The accounting policies adopted in the preparation of the pre-acquisition financial information is consistent with those adopted in the preparation of the Historical Financial Information.

Consolidated statement of profit or loss
(Expressed in RMB)

	Note	**For the period from January 1, 2019 to April 29, 2019**
		RMB'000
Revenue	*(1)*	319,703
Cost of sales		(167,779)
Gross profit		151,924
Other income, net	*(2)*	1,975
Selling and marketing expenses		(27,395)
General and administrative expenses		(9,802)
Research and development expenses		(15,544)
Profit from operations		101,158
Finance costs	*(3)*	(321)
Profit before taxation		100,837
Income tax	*(4)*	(8,435)
Profit for the period attributable to equity shareholders of Huafang Technology		92,402
Other comprehensive income for the period (after tax and reclassification adjustments):		–
Total comprehensive income for the period attributable to equity shareholders of the Huafang Technology		92,402

Consolidated statement of financial position
(Expressed in RMB)

	Note	**As at April 29, 2019**
		RMB'000
Non-current assets		
Property and equipment	*(5)*	33,316
Intangible assets		301
Other financial assets	*(6)*	1,078,313
		1,111,930
Current assets		
Trade receivables	*(7)*	1,840
Prepayments, deposits and other receivables	*(8)*	11,272
Other financial assets	*(6)*	475,983
Cash at bank and on hand	*(9)*	3,730
		492,825
Current liabilities		
Trade payables	*(10)*	63,004
Contract liabilities	*(11)*	24,926
Accrued expenses and other payables	*(12)*	9,940
Lease liabilities	*(13)*	5,152
Current taxation	*(14)(a)*	–
		103,022
Net current assets		389,803
Total assets less current liabilities		1,501,733
Non-current liabilities		
Deferred tax liabilities	*(14)(b)*	585
Lease liabilities	*(13)*	14,373
		14,958
NET ASSETS		1,486,775
Capital and reserves		
Paid-in capital		25,987
Reserves		1,460,788
Total equity attributable to equity shareholders of Huafang Technology		1,486,775
TOTAL EQUITY		1,486,775

Consolidated statement of changes in equity
(Expressed in RMB)

	Paid-in capital	Other reserve	Retained profit	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019	25,987	1,008,478	359,908	1,394,373
Change in equity for the period:				
Profit and other comprehensive income for the period	–	–	92,402	92,402
Balance at April 29, 2019	25,987	1,008,478	452,310	1,486,775

Consolidated cash flow statement
(Expressed in RMB)

	Note	For the period from January 1, 2019 to April 29, 2019
		RMB'000
Profit before taxation		100,837
Adjustments for:		
Interest on lease liabilities		321
Interest income		(128)
Depreciation of property and equipment		3,607
Amortisation of intangible assets		232
Investment income from financial products issued by banks		(4,120)
Changes in fair value of financial products issued by banks		(144)
Reversal of impairment loss allowance for trade and other receivables		(490)
Changes in working capital:		
Decrease in trade receivables		1,017
Decrease in prepayments, deposits and other receivables		999
Decrease in deferred income		(459)
Decrease in contract liabilities		(1,631)
Increase in trade payables		2,942
Decrease in accruals and other payable		(4,517)
Cash generated from operations		98,466
Income tax paid	*(14)(a)*	(14,205)
Net cash generated from operating activities		84,261

	Note	**For the period from January 1, 2019 to April 29, 2019**
		RMB'000
Investing activities		
Purchase of financial products issued by banks		(1,260,260)
Proceed from disposal of financial products issued by banks		1,162,910
Purchases of property and equipment		(181)
Loan to a third party		(42,970)
Income from financial products issued by banks		4,120
Interest received		128
Net cash used in investing activities		(136,253)
Financing activities		
Capital element of lease rentals paid		(2,746)
Interest element of lease rentals paid		(321)
Net cash used in financing activities		(3,067)
Net decrease in cash and cash equivalents		(55,059)
Cash and cash equivalents at the beginning of the period	*(9)*	58,789
Cash and cash equivalents at the end of the period	*(9)*	3,730

(1) Revenue

	For the period from January 1, 2019 to April 29, 2019
	RMB'000
Live streaming	318,270
Others	1,433
	319,703

(2) Other income, net

	For the period from January 1, 2019 to April 29, 2019
	RMB'000
Income from financial products issued by banks	4,120
Changes in fair value of financial products issued by banks	144
Interest income	128
Government grants	107
Additional deduction of input VAT	310
Others	(2,834)
	1,975

(3) Profit before taxation

Profit before taxation is arrived at after charging:

	For the period from January 1, 2019 to April 29, 2019
	RMB'000
(a) Finance costs	
Interest on lease liabilities	321
(b) Staff costs	
Salaries, wages, bonuses and other benefits	19,494
Contributions to retirement schemes	6,072
	25,566

(c) Other items

	For the period from January 1, 2019 to April 29, 2019
	RMB'000
Depreciation charge *(Note (5))*	
– owned property and equipment	1,618
– leasehold properties	1,989
	3,607

	For the period from January 1, 2019 to April 29, 2019
	RMB'000
Host cost	146,098
Amortisation of intangible assets	232
Reversal of loss allowance of trade receivables or other receivables	(490)
Promotion and advertising expenses	19,868
Bandwidth expenses and server custody costs	6,399
Agency service fees	3,371
Payment processing cost	2,198

(4) Income tax in the consolidated statement of profit or loss

(a) Taxation in the consolidated statement of profit or loss represent:

	For the period from January 1, 2019 to April 29, 2019
	RMB'000
Current taxation	
Provision for the period	8,554
Deferred taxation	
Origination and reversal of temporary differences	(119)
	8,435

(b) Reconciliation between tax expenses and accounting profits at applicable tax rates:

	For the period from January 1, 2019 to April 29, 2019
	RMB'000
Profit before taxation	100,837
Notional tax on loss before taxation, calculated at the applicable rates in the jurisdictions concerned *(i)*	25,209
Effect of preferential tax rates applicable to certain subsidiaries of Huafang Technology	(16,805)
Tax effect of non-deductible expenses	7
Tax effect of tax losses and temporary differences not recognised	24
Actual tax expenses	8,435

Note:

(i) Income tax rate applies to the Huafang Technology and its subsidiaries:

In accordance with the Corporate Income Tax Law ("Income Tax Law") of the PRC, corporate income tax rate for the Huafang Technology and its subsidiaries during the Track Record Period is 25%. During the period, Huafang Technology is subject to a preferential tax rate of 15%, as it was qualified as a HNTE.

(5) Property and equipment

(a) Reconciliations of carrying amounts

	Office equipment and furniture	Electronic equipment	Motor vehicles	Leasehold properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At January 1, 2019	2,221	37,453	1,051	26,761	67,486
Additions	21	160	–	–	181
Disposals	–	–	–	(180)	(180)
At April 29, 2019	2,242	37,613	1,051	26,581	67,487
Accumulated depreciation:					
At January 1, 2019	(1,318)	(23,536)	(873)	(5,017)	(30,744)
Charge for the period	(96)	(1,506)	(16)	(1,989)	(3,607)
Disposals	–	–	–	180	180
At April 29, 2019	(1,414)	(25,042)	(889)	(6,826)	(34,171)
Carrying amount:					
At April 29, 2019	828	12,571	162	19,755	33,316

(b) Leasehold properties

(i) The analyses of the carrying amounts of right-of-use assets by class of underlying assets are as follows:

	As at April 29, 2019
	RMB'000
Leasehold properties	19,755

(ii) The analyses of depreciation expenses in relation to leases recognised in profit or loss are as follows:

	As at April 29, 2019
	RMB'000
Depreciation charge:	
– Leasehold properties	1,989
Interest on lease liabilities *(Note (3)(a))*	321

Details of the maturity analyses of lease liabilities are set out in Note 27(13).

(6) Other financial assets

	As at April 29, 2019
	RMB'000
Current	
Financial products issued by banks	475,983
Non-current	
Financial assets measured at amortised costs	
– Loan to Mizhi Technology	42,970
Financial assets measured at FVOCI	
– Investment in Mizhi Technology	17,382
– Investment in Mijing Hefeng	1,017,961
	1,078,313

All financial assets measured at FVOCI are unlisted equity shares. Huafang Technology designated these investments at FVOCI (non-recycling as these investments are held for strategic purposes). No dividend was received on these investments during the Track Record Period.

In 2019, Huafang Technology lent an interest-free loan to Mizhi Technology and the loan term was 60 months.

(7) Trade receivables

	As at April 29, 2019
	RMB'000
Trade receivables	1,849
Less: loss allowance	(9)
	1,840

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

At the end of each reporting period, the ageing analyses of trade receivables, based on the invoice date, are as follows:

	As at April 29, 2019
	RMB'000
Within 3 months	1,835
3 to 6 months	14
Less: loss allowance	(9)
	1,840

(8) Prepayments, deposits and other receivables

	As at April 29, 2019
	RMB'000
Prepayments for purchase of services	1,926
Deposits	2,619
Receivable from third party payment platform	5,940
Deductible input VAT	711
Others	169
	11,365
Less: loss allowance	(93)
	11,272

(9) Cash at bank and on hand

Cash at bank and on hand comprise:

	As at April 29, 2019
	RMB'000
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated cash flow statement	3,730

(10) Trade payables

	As at April 29, 2019
	RMB'000
Hosts	53,447
Advertisers	5,128
Bandwidth providers	2,047
Others	2,382
Total	63,004

All trade payables are expected to be settled within one year or are repayable on demand.

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

	As at April 29, 2019
	RMB'000
1 to 3 months	56,068
4 to 6 months	6,173
7 to 12 months	104
Over 1 year	659
	63,004

(11) Contract liabilities

	As at April 29, 2019
	RMB'000
Live streaming	24,926

(12) Accrued expenses and other payables

	As at April 29, 2019
	RMB'000
Accrued expenses	403
Payables for staff related cost	2,122
Payables for other taxes	6,809
Others	606
	9,940

All of the accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

(13) Lease liabilities

The following tables show the remaining contractual maturities of Huafang Technology and its subsidiaries' lease liabilities as at the end of each reporting period:

	As at April 29, 2019	
	Present value of the minimum lease payments	**Total minimum lease payments**
	RMB'000	*RMB'000*
Within 1 year	5,152	5,969
After 1 year but within 2 years	5,353	5,927
After 2 years but within 5 years	9,020	9,450
	14,373	15,377
	19,525	21,346
Less: total future interest expenses		(1,821)
Present value of lease liabilities		19,525

(14) Income tax in the consolidated statement of financial position

(a) Movements of current taxation in the consolidated statement of financial position are as follows:

	As at April 29, 2019
	RMB'000
Income tax payable at January 1	4,940
Provision for the period	8,554
Income tax paid	(14,205)
Income tax recoverable at April 29	(711)

(b) Deferred tax assets and liabilities recognised

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

The deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the Track Record Period are as follows:

	Credit loss allowance	Revaluation of other financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax arising from:			
At January 1, 2019	30	(734)	(704)
Credited to the consolidated statement of profit or loss *(Note (4)(a))*	14	105	119
At April 29, 2019	44	(629)	(585)

(ii) Reconciliations to the consolidated statement of financial position

	As at April 29, 2019
	RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	–
Deferred tax liabilities recognised in the consolidated statement of financial position	(585)
	(585)

28 INVESTMENT IN A SUBSIDIARY OF THE COMPANY

	As at December 31, 2021	As at May 31, 2022
	RMB'000	*RMB'000*
Deemed investment arising from share-based compensation	30,189	44,046

29 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

No significant non-adjusting events have occurred since May 31, 2022.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to the date of issue of this report, the IASB has issued a number of amendments, and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the Track Record Period and which have not been adopted in the historical financial information. These developments include the following which may be relevant to the Group.

	Effective for accounting year beginning on or after
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	January 1, 2023
Amendments to IAS 1, and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	January 1, 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	January 1, 2023
Amendments to IAS 12, *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*	January 1, 2023

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to May 31, 2022.