

SPARK44 SHANGHAI LIMITED

**AUDITORS' REPORT AND FINANCIAL
STATEMENTS**

FROM APRIL 2019 TO MARCH 2020



Auditors' Report

PCPAR [2020] No. ZA40680

To Spark44 Shanghai Limited,

I. Opinion

We have audited the financial statements of Spark44 Shanghai Limited (hereinafter referred to as "the Company"), which comprise the balance sheet as at March 31, 2020, and the income statement, statement of cash flows and statement of changes in shareholders' equity for the year ended then, and notes to the financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the Company as at March 31, 2020 and its operating results and cash flows for the year ended then.

II. Basis for Our Opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants in China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. According to the Code of Ethics for Chinese CPA, we are independent of the Company and have fulfilled other ethical responsibilities in the aspect of code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The management of the Company (hereinafter referred to as "the Management") is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the Management is responsible for assessing the Company's going-concern ability, disclosing the matters related to going concern (if applicable) and using the going-concern assumption unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

IV. Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the process of an audit conducted in accordance with audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Meanwhile, we also implement the following work:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Understand the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting. Meanwhile, based on the audit evidence obtained, we come to a conclusion on whether a material uncertainty exists in events or conditions that may cause significant doubt on the Company's going-concern ability. If we conclude that a material uncertainty exists, we are required to, in our auditors' report, draw attention of the users of statements to the related disclosures in the financial statements; if such disclosures are inadequate, we should modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content (including the disclosures) of the financial statements, and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

IV. Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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- (2) Understand the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting. Meanwhile, based on the audit evidence obtained, we come to a conclusion on whether a material uncertainty exists in events or conditions that may cause significant doubt on the Company's going-concern ability. If we conclude that a material uncertainty exists, we are required to, in our auditors' report, draw attention of the users of statements to the related disclosures in the financial statements; if such disclosures are inadequate, we should modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content (including the disclosures) of the financial statements, and evaluate whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



立信会计师事务所(特殊普通合伙)
BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP

We communicate with those charged with governance regarding the planned scope and timing of the audit, significant audit findings and other matters, including any significant deficiencies in internal control that we identify during our audit.

**BDO CHINA Shu Lun Pan
Certified Public Accountants LLP**

**Certified Public Accountant of China:
Jiang Qiang**

**Certified Public Accountant of China:
Chen Shuzhen**

Shanghai, China

April 30, 2020

This auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. In case the English version does not conform to the Chinese version, the Chinese version shall prevail.

Spark44 Shanghai Limited
Balance Sheet
As at March 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

| Assets | Balance as at March 31, 2020 | Balance as at April 1, 2019 |
|---|---------------------------------|--------------------------------|
| Current assets: | | |
| Cash and cash equivalents | 15,240,416.98 | 12,411,178.64 |
| Financial assets measured at fair value through the current profit or loss | | |
| Derivative financial assets | | |
| Notes receivable | | |
| Accounts receivable | 28,480,081.66 | 36,616,620.83 |
| Advances to suppliers | 723,621.82 | 752,176.63 |
| Other receivables | 7,544,620.51 | 5,152,113.27 |
| Inventories | | |
| Assets held for sale | | |
| Non-current assets maturing within one year | | |
| Other current assets | 1,234,274.41 | |
| Total current assets | 53,223,015.38 | 54,932,089.37 |
| Non-current assets: | | |
| Available-for-sale financial assets | | |
| Held-to-maturity investments | | |
| Long-term receivables | | |
| Long-term equity investments | | |
| Investment properties | | |
| Fixed assets | 644,073.48 | 1,096,255.70 |
| Construction in progress | | |
| Productive biological assets | | |
| Oil and gas assets | | |
| Intangible assets | 240,988.15 | 430,980.39 |
| Development expenditures | | |
| Goodwill | | |
| Long-term deferred expenses | 132,811.07 | |
| Deferred income tax assets | | |
| Other non-current assets | | |
| Total non-current assets | 1,017,872.70 | 1,527,236.09 |
| Total assets | 54,240,888.08 | 56,459,325.46 |

The accompanying notes to the financial statements form an integral part of the financial statements.

Legal Representative: Accounting Principal: Head of the Accounting Department:

Spark44 Shanghai Limited
Balance Sheet (Continued)
As at March 31, 2020

(Amounts are expressed in RMB unless otherwise stated)

| Liabilities and owners' equity (or shareholders' equity) | Balance as at March 31, 2020 | Balance as at April 1, 2019 |
|--|---------------------------------|--------------------------------|
| Current liabilities: | | |
| Short-term borrowings | | |
| Financial liabilities measured at fair value through the current profit or loss | | |
| Derivative financial liabilities | | |
| Notes payable | | |
| Accounts payable | 12,810,846.71 | 12,381,933.15 |
| Advances from customers | 523,495.29 | |
| Employee compensation payable | 851,401.67 | 1,070,428.00 |
| Taxes and surcharges payable | 1,128,983.92 | 1,384,968.72 |
| Other payables | 15,186,465.09 | 11,791,274.29 |
| Liabilities held for sale | | |
| Non-current liabilities maturing within one year | | |
| Other current liabilities | | |
| Total current liabilities | 30,501,192.68 | 26,628,604.16 |
| Non-current liabilities: | | |
| Long-term borrowings | | |
| Bonds payable | | |
| Long-term payables | | |
| Long-term employee compensation payable | | |
| Estimated liabilities | | |
| Deferred income | | |
| Deferred income tax liabilities | | |
| Other non-current liabilities | | |
| Total non-current liabilities | | |
| Total liabilities | 30,501,192.68 | 26,628,604.16 |
| Owners' equity (or shareholders' equity): | | |
| Paid-in capital (or share capital) | 1,000,000.00 | 1,000,000.00 |
| Other equity instruments | | |
| Capital reserves | 4,440.50 | 4,440.50 |
| Less: treasury stock | | |
| Other comprehensive income | | |
| Special reserves | | |
| Surplus reserves | 500,000.00 | 500,000.00 |
| Retained earnings | 22,235,254.90 | 28,326,280.80 |
| Total owners' equity (or shareholders' equity) | 23,739,695.40 | 29,830,721.30 |
| Total liabilities and owners' equity (or shareholders' equity) | 54,240,888.08 | 56,459,325.46 |

The accompanying notes to the financial statements form an integral part of the financial statements.

Legal Representative: Accounting Principal: Head of the Accounting Department:

Spark44 Shanghai Limited
Income Statement
For the Year Ended March 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

| Item | Current period | Last period |
|--|----------------|----------------|
| I. Operating income | 96,005,815.08 | 115,441,293.04 |
| Less: operating costs | 78,962,662.10 | 83,545,936.90 |
| Taxes and surcharges | 360,770.85 | 421,580.24 |
| Selling and distribution expenses | | |
| General and administrative expenses | 19,820,333.03 | 21,218,849.88 |
| Research and development expenses | | |
| Financial expenses | -208,572.69 | -224,301.92 |
| Including: interest expenses | | |
| Interest income | 205,561.91 | 148,653.54 |
| Losses from asset impairment | | |
| Plus: income from changes in fair value ("-" for losses) | | |
| Investment income ("-" for losses) | | |
| Including: income from investment in associates and joint ventures | | |
| Income from assets disposal | | |
| Exchange gains | | |
| Other income | 770,063.51 | 166,655.39 |
| II. Operating profits ("-" for losses) | -2,159,314.70 | 10,645,883.33 |
| Plus: non-operating income | 1,070,000.00 | 1,210,000.00 |
| Less: non-operating expenses | 1,711.20 | |
| III. Total profits ("-" for total losses) | -1,091,025.90 | 11,855,883.33 |
| Less: income tax expenses | | 3,334,910.88 |
| IV. Net profit ("-" for net loss) | -1,091,025.90 | 8,520,972.45 |
| (I) Net profit from continued operation ("-" for net loss) | -1,091,025.90 | 8,520,972.45 |
| (II) Net profit from cease of operation ("-" for net loss) | | |
| V. Other comprehensive income, net of tax | | |
| (I) Other comprehensive income that cannot be reclassified into profit or loss later | | |
| Including: 1. Changes arising from the re-measurement of net liabilities or net assets of defined benefit plan | | |
| 2. Share in the investees' other comprehensive income that cannot be reclassified into profit or loss under equity method | | |
| (II) Other comprehensive income that will be reclassified into profit or loss later | | |
| Including: 1. Share in the investees' other comprehensive income that will be reclassified into profit or loss under equity method | | |
| 2. Profit or loss on changes in the fair value of available-for-sale financial assets | | |
| 3. Profit or loss arising from reclassification of held-to-maturity investments as available-for-sale financial assets | | |
| 4. Effective portion of cash flow hedging profit or loss | | |
| 5. Differences arising from translation of foreign-currency financial statements | | |
| 6. Others | | |
| VI. Total comprehensive income | -1,091,025.90 | 8,520,972.45 |

The accompanying notes to the financial statements form an integral part of the financial statements.

Legal Representative: Accounting Principal: Head of the Accounting Department:

Spark44 Shanghai Limited
Statement of Cash Flows
For the Year Ended March 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

| Item | Current period | Last period |
|---|----------------------|-----------------------|
| I. Cash flows from operating activities | | |
| Cash received from sale of goods and rendering of services | 108,279,702.53 | 109,302,573.58 |
| Refunds of taxes and surcharges received | | |
| Cash received from other operating activities | 4,795,772.61 | 1,586,514.93 |
| Sub-total of cash inflows from operating activities | 113,075,475.14 | 110,889,088.51 |
| Cash paid for goods purchased and services received | 45,217,251.35 | 45,829,245.54 |
| Cash paid to and on behalf of employees | 43,680,840.48 | 54,219,091.09 |
| Cash paid for taxes and surcharges | 4,781,308.67 | 7,080,222.18 |
| Cash paid for other operating activities | 11,213,371.17 | 13,433,310.61 |
| Sub-total of cash outflows from operating activities | 104,892,771.67 | 120,561,869.42 |
| Net cash flows from operating activities | 8,182,703.47 | -9,672,780.91 |
| II. Cash flows from investing activities | | |
| Cash received from investors | | |
| Cash received from returns on investments | | |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | | |
| Net cash received from disposal of subsidiaries and other business units | | |
| Cash received from other investing activities | | |
| Sub-total of cash inflows from investing activities | | |
| Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets | 353,465.60 | 948,680.18 |
| Cash paid for investments | | |
| Net cash paid to acquire subsidiaries and other business units | | |
| Cash paid for other investing activities | | |
| Sub-total of cash outflows from investing activities | 353,465.60 | 948,680.18 |
| Net cash flows from investing activities | -353,465.60 | -948,680.18 |
| III. Cash flows from financing activities | | |
| Cash received from investors | | |
| Cash received from borrowings | | |
| Cash received from bonds issue | | |
| Cash received from other financing activities | | |
| Sub-total of cash inflows from financing activities | | |
| Cash paid for debt repayments | | |
| Cash paid for distribution of dividends and profits or payment of interest | 5,000,000.00 | 5,000,000.00 |
| Cash paid for other financing activities | | |
| Sub-total of cash outflows from financing activities | 5,000,000.00 | 5,000,000.00 |
| Net cash flows from financing activities | -5,000,000.00 | -5,000,000.00 |
| IV. Effect of fluctuation in exchange rate on cash and cash equivalents | 0.47 | 0.27 |
| V. Net increase in cash and cash equivalents | 2,829,238.34 | -15,621,460.82 |
| Plus: beginning balance of cash and cash equivalents | 12,411,178.64 | 28,032,639.46 |
| VI. Ending balance of cash and cash equivalents | 15,240,416.98 | 12,411,178.64 |

The accompanying notes to the financial statements form an integral part of the financial statements.

Legal Representative: Accounting Principal: Head of the Accounting Department:

Spark44 Shanghai Limited
Statement of Changes in Owners' Equity
For the Year Ended March 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

| Item | Paid-in capital (or share capital) | Other equity instruments | | | Less: treasury stock | Other comprehensive income | Special reserves | Surplus reserves | Retained earnings | Total owners' equity |
|--|--|--------------------------|-------------------|--------|----------------------------|----------------------------------|---------------------|---------------------|----------------------|-------------------------|
| | | Preferred stock | Perpetual bond | Others | | | | | | |
| I. Balance as at the end of the last period | 1,000,000.00 | | | | | | | 500,000.00 | 28,326,280.80 | 29,830,721.30 |
| Plus: adjustments for changes in accounting policies | | | | | | | | | | |
| Correction of accounting errors in last periods | | | | | | | | | | |
| Others | | | | | | | | | | |
| II. Balance as at the beginning of the current period | 1,000,000.00 | | | | | | | | | |
| III. Increase or decrease in the current period ("-" for decrease) | | | | | | | | | | |
| (I) Total comprehensive income | | | | | | | | | -6,091,025.90 | -6,091,025.90 |
| (II) Capital contributed or reduced by owners | | | | | | | | | -1,091,025.90 | -1,091,025.90 |
| 1. Capital contributed by owners | | | | | | | | | | |
| 2. Capital contributed by the holders of other equity instruments | | | | | | | | | | |
| 3. Amounts of share-based payments recognized in owners' equity | | | | | | | | | | |
| 4. Others | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | -5,000,000.00 | -5,000,000.00 |
| 2. Profit distributed to owners (or shareholders) | | | | | | | | | -5,000,000.00 | -5,000,000.00 |

| Item | Current period | | | | | | | | | |
|---|--|--------------------------|--------|---------------------|----------------------------|----------------------------------|---------------------|---------------------|----------------------|-------------------------|
| | Paid-in capital (or share capital) | Other equity instruments | | Capital reserves | Less: treasury stock | Other comprehensive income | Special reserves | Surplus reserves | Retained earnings | Total owners' equity |
| | Preferred stock | Perpetual bond | Others | | | | | | | |
| 3. Others | | | | | | | | | | |
| (IV) Internal carry-forward of owners' equity | | | | | | | | | | |
| 1. Conversion of capital reserves into paid-in capital (or share capital) | | | | | | | | | | |
| 2. Conversion of surplus reserves into paid-in capital (or share capital) | | | | | | | | | | |
| 3. Surplus reserves offsetting losses | | | | | | | | | | |
| 4. Carry-forward of changes in the defined benefit plan for retained earnings | | | | | | | | | | |
| 5. Others | | | | | | | | | | |
| (V) Special reserves | | | | | | | | | | |
| 1. Withdrawal in the current period | | | | | | | | | | |
| 2. Amount used in the current period | | | | | | | | | | |
| (VI) Others | | | | | | | | | | |
| IV. Balance as at the end of the current period | 1,000,000.00 | | | 4,440.50 | | | | 500,000.00 | 22,235,254.90 | 23,739,695.40 |

The accompanying notes to the financial statements form an integral part of the financial statements.

Legal Representative:

Accounting Principal:

Head of the Accounting Department:

Spark44 Shanghai Limited
Statement of Changes in Owners' Equity (Continued)
For the Year Ended March 31, 2020
(Amounts are expressed in RMB unless otherwise stated)

| Item | Paid-in capital (or share capital) | Other equity instruments | | | Less: treasury stock | Last period | | | | Total owners' equity |
|--|--|--------------------------|-------------------|--------|----------------------------|----------------------------------|---------------------|---------------------|----------------------|-------------------------|
| | | Preferred stock | Perpetual bond | Others | | Other comprehensive income | Special reserves | Surplus reserves | Retained earnings | |
| I. Balance as at the end of the last period | 1,000,000.00 | | | | | | | 500,000.00 | 19,805,308.35 | 21,309,748.85 |
| Plus: adjustments for changes in accounting policies | | | | | | | | | | |
| Correction of accounting errors in last periods | | | | | | | | | | |
| Others | | | | | | | | | | |
| II. Balance as at the beginning of the current period | 1,000,000.00 | | | | | | | 500,000.00 | 19,805,308.35 | 21,309,748.85 |
| III. Increase or decrease in the current period ("-" for decrease) | | | | | | | | | | |
| (I) Total comprehensive income | | | | | | | | | 8,520,972.45 | 8,520,972.45 |
| (II) Capital contributed or reduced by owners | | | | | | | | | 8,520,972.45 | 8,520,972.45 |
| 1. Capital contributed by owners | | | | | | | | | | |
| 2. Capital contributed by the holders of other equity instruments | | | | | | | | | | |
| 3. Amounts of share-based payments recognized in owners' equity | | | | | | | | | | |
| 4. Others | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | | |
| 2. Profit distributed to | | | | | | | | | | |

| Item | Last period | | | | | | |
|---|--|--------------------------|-------------------|--------|----------------------------|----------------------------------|-------------------------|
| | Paid-in capital (or share capital) | Other equity instruments | | | Less: treasury stock | Other comprehensive income | Special reserves |
| | | Preferred stock | Perpetual bond | Others | Capital reserves | | Retained earnings |
| | | | | | | | Surplus reserves |
| | | | | | | | Total owners' equity |
| owners (or shareholders) | | | | | | | |
| 3. Others | | | | | | | |
| (IV) Internal carry-forward of owners' equity | | | | | | | |
| 1. Conversion of capital reserves into paid-in capital (or share capital) | | | | | | | |
| 2. Conversion of surplus reserves into paid-in capital (or share capital) | | | | | | | |
| 3. Surplus reserves offsetting losses | | | | | | | |
| 4. Carry-forward of changes in the defined benefit plan for retained earnings | | | | | | | |
| 5. Others | | | | | | | |
| (V) Special reserves | | | | | | | |
| 1. Withdrawal in the current period | | | | | | | |
| 2. Amount used in the current period | | | | | | | |
| (VI) Others | | | | | | | |
| IV. Balance as at the end of the current period | 1,000,000.00 | | | | 4,440.50 | | 500,000.00 |
| | | | | | | | 28,326,280.80 |
| | | | | | | | 29,830,721.30 |

The accompanying notes to the financial statements form an integral part of the financial statements.

Legal Representative:

Accounting Principal:

Head of the Accounting Department:

Spark44 Shanghai Limited
Notes to the Financial Statements
From April 2019 To March 2020

1 Company profile

Spark44 Shanghai Limited (hereinafter referred to as "the Company"), was a limited liability company (wholly owned by foreign legal person) invested in and established by SPARK44 (JV) LIMITED on March 25, 2014 with KOO YEAT MUNG as the legal representative. As of March 31, 2020, the total investment of the Company was RMB 1,420,000.00 and the registered capital of the Company was RMB 1,000,000.00. The Unified Social Credit Code of the enterprise is 91310000088514160B and the registered address is Units 6401, 6402, 6501 and 6502, Building 6, No. 436 Jumen Road, Huangpu District, Shanghai. The Company now is in its operation period. The Company's business scope includes enterprise management consulting, investment consulting, business information consulting, design of enterprise image, and enterprise marketing planning; and designing, producing, providing agency services for, and publicizing all kinds of domestic and foreign advertisements. [Items subject to approval according to law shall not be carried out before such approval is granted by the competent authorities]

2 Basis of preparation for the financial statements

Based on going concern, the Company, according to actually occurred transactions and events, prepares its financial statements in accordance with the *Accounting Standards for Business Enterprises - Basic Standards* issued by the Ministry of Finance and all the specific accounting standards, Application Guidance to the Accounting Standards for Business Enterprises, the interpretation of the Accounting Standards for Business Enterprises and other relevant provisions (hereinafter referred to as the "Accounting Standards for Business Enterprises").

3 Principal accounting policies and accounting estimates

3.1 Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the Company's financial position, operation results, cash flows and other relevant information in the reporting period.

3.2 Accounting period

The accounting year is from April 1, 2019 to March 31, 2020 in calendar year.

3.3 Operating cycle

The Company's operating cycle is 12 months.

3.4 Functional currency

RMB is adopted as the Company's functional currency.

3.5 Recognition criteria of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term "cash" refers to the cash on hand and the unrestricted deposit of the Company. The term "cash equivalents" refers to short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.6 Accounting method of foreign currency transactions

Foreign currency transactions are translated into RMB for recording purpose at the spot exchange rate prevailing on the transaction date.

SPARK44 SHANGHAI LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

The balance of foreign currency items on the balance sheet date are measured at the spot exchange rate on the balance sheet date. The exchange difference arising therefrom shall be included in the current profit or loss, while other exchange difference arising from the special borrowings of foreign currency related to the acquired and constructed assets qualified to capitalization shall be dealt with according to the principle of borrowing capitalization.

3.7 Recognition criteria and method of provision for bad debts of receivables

3.7.1 Recognition criteria of bad debts

Uncollectible accounts arising from repeal and liquidation of debtor after taking legal clearance procedures; uncollectible accounts arising from the death of debtor leaving no assets to pay off and nobody to assume the obligations; overdue accounts, with clear evidence to show the debtors failed to repay obligations, are subject to approval of cancellation after verification according to the administration authority of the Company.

3.7.2 Accounting method for losses on bad debts:

Allowance method is adopted for accounting.

3.7.3 Method and proportion of provision for bad debts

Provision for bad debts is made by using specific identification method.

3.8 Fixed assets

3.8.1 Recognition criteria of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, rendering services, renting or business management with useful lives exceeding one accounting year. Fixed assets will be recognized only when all the following criteria are satisfied:

- (1) It is probable that the economic benefits relating to the fixed assets will flow into the Company; and
- (2) The costs of the fixed assets can be measured reliably.

3.8.2 Depreciation method

Depreciation of the Company's fixed assets is provided on a category basis by using the straight-line method. The depreciation rates are determined according to the categories, estimated useful lives and estimated net residual rates of fixed assets. If the components of a fixed asset have different useful lives or cause economic benefit for the Company in different ways, different depreciation rate or method will be adopted for the depreciation on the individual component basis.

Depreciation lives and annual depreciation rates of different fixed assets are listed as follows:

| Category of fixed assets | Depreciation life (year) | Residual value rate (%) | Annual depreciation rate (%) |
|--------------------------|--------------------------|-------------------------|------------------------------|
| Electronic equipment | 3 | 5 | 31.67 |

3.9 Intangible assets

3.9.1 Measurement method for intangible assets

- (1) The Company initially measures intangible assets at cost on acquisition;
The costs of externally acquired intangible assets comprise their purchase prices, related taxes and surcharges and any other directly attributable expenditure incurred to prepare the asset for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the intangible asset shall be determined on the basis of the current value of the purchase price.

For intangible assets acquired from a debtor for the settlement of his liabilities in debt restructuring, their book-entry values should be determined based on their fair values. Differences between the book values of restructured debts and the fair values of the intangible assets for the settlement of liabilities should be included in the current profit or loss.

On the premise that non-monetary assets trade is of commercial nature and the fair value of the assets traded in or out can be measured reliably, the book-entry values of intangible assets traded in with non-monetary assets should be recognized at the fair value of the assets traded out, unless any unambiguous evidence indicates that the fair values of the assets traded in are more reliable; as to the non-monetary assets trade not meeting the aforesaid premise, the book value of the assets traded out and related taxes and surcharges payable should be recognized as the cost of the intangible assets traded in, and no profit or loss will be recognized.

(2) Subsequent measurement

The useful lives of the intangible assets are analyzed and determined on acquisition.

For intangible assets with definite useful lives, the Company shall adopt the straight-line method for amortization within the period during which they can bring economic benefits to the Company; if the period during which they can bring economic benefits to the Company cannot be forecast, those intangible assets shall be deemed as assets with indefinite lives and not be amortized.

3.9.2 Estimate of useful lives of intangible assets with definite useful lives:

| Item | Estimated useful life | Basis |
|-------------------|-----------------------|-----------------------|
| Computer software | 1 - 5 years | Estimated useful life |

At the end of each period, the Company shall review the useful lives and amortization method of intangible assets with definite useful lives.

Upon review, the useful lives and amortization methods of the intangible assets at the end of the current period are not different from those estimated before.

3.10 Long-term asset impairment

If any indication shows that the fixed assets, intangible assets with definite useful lives and other long-term assets may be impaired on the balance sheet date, an impairment test can be conducted. If the result of the impairment test shows that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made and included in impairment loss.

The recoverable amount of the asset is the higher of the net amount of its fair value less disposal expenses and the present value of its estimated future cash flows. Provision for impairment of assets is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company shall estimate the recoverable amount of the asset portfolio that the individual asset belongs to.

The asset group is the minimum asset group that can independently generate the cash inflow.

The above losses from asset impairment cannot be reversed in subsequent accounting periods once recognized.

3.11 Long-term deferred expenses

Long-term deferred expenses refer to various expenses which have been already incurred but will be borne in the reporting period and in the future with an amortization period of over one year.

3.11.1 Amortization method

Long-term deferred expenses shall be amortized averagely within the period of benefit, among which:

- (1) The rental prepayments for fixed assets leased by operating lease are amortized evenly over the period specified in the lease contract.
- (2) The improvement expenditures for fixed asset leased by operating lease are amortized reasonably according to the best expected economic benefits.

3.11.2 Amortization period

The improvement expenditures for fixed assets leased by operating lease are evenly amortized over the shorter of the remaining lease period and useful period of the leased assets.

3.12 Employee compensation

3.12.1 Short-term compensation

During the accounting period in which employees provide service to the Company, the short-term remuneration actually incurred is recognized as liabilities and included into the current profit or loss or the assets-related cost.

The social insurance premiums and the housing provident fund paid by the Company for its employees, together with the labor union expenditures and employee education drew as required are used to calculate and determine the relevant employee remuneration amount based on the prescribed accrual basis and accrual proportion during the accounting period in which the employees provide services to the Company.

Employee benefits in the non-monetary form shall be measured at fair value.

3.12.2 Accounting treatment of post-employment benefits

- (1) **Defined contribution plan**
The Company pays basic endowment insurance premium and unemployment insurance premium for its employees in accordance with relevant provisions of local government. During the accounting period when the Company receives services from employees, the payable amount calculated based on the basis and proportion prescribed is recognized as a liability and included in current profit and loss, or related asset cost.
- (2) **Defined benefit plans**
According to the formula determined based on expected cumulative unit method, the Company will set the period that the welfare obligations deriving from the defined benefit plan, which will be included in current profit or loss or assets-related cost.

A net liability or net asset in connection with the defined benefit plan is recognized at the present value of the obligation under the defined benefit plan less the deficit or surplus arising out of the fair value of the assets under the defined benefit plan. For a surplus of defined benefit plans, the Company should measure the net asset of such defined benefit plans at the lower of the surplus of such defined benefit plans and asset upper limit thereof.

All obligations of the defined benefit plan, including the payments expected to be paid within 12 months after the end of the annual reporting period when the employees provide services, will be discounted at the market yield rate of national debt corresponding to the period and currencies of the obligations of the defined benefit plan and that of high-quality corporate bonds active on the market on the balance sheet date.

Service costs arising from defined benefit plan and net interest of net liabilities or assets of defined benefit plan are included in current profit or loss or relevant asset costs; changes arising from re-measurement of net liabilities or assets of defined benefit plan are included in other comprehensive income, and will not be transferred to profit or loss in the subsequent accounting period. When the original defined benefit plan terminates, the portion originally included in other comprehensive income will all be transferred to retained earnings.

When the defined benefit plan is settled, the settlement gain or loss will be measured at the balance between the present value of the obligations of the defined benefit plan and the settlement price determined on the settlement date.

3.12.3 Accounting treatment of dismissal benefits

When the Company fails to unilaterally withdraw the dismissal benefits offered due to the termination of the labor relation plan or layoff proposal, or confirms the costs or fees associated with the reorganization involving the payment of the dismissal benefits (whichever is earlier), the employee compensation liabilities arising from the confirmation of dismissal benefits are included in the current profit or loss.

3.13 Revenue

3.13.1 Principles for recognition and measurement of revenue from sales of goods

Revenue from sales of goods shall be recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; the Company retains neither continuous management rights associated with ownership of the goods sold nor effective control over the goods sold; the relevant amount of revenue can be measured reliably; it is highly likely that the economic benefits associated with the transaction will flow into the Company; and the relevant amount of cost incurred or to be incurred can be measured reliably.

3.13.2 Basis for recognition of the revenue from transfer of rights to use assets

When the economic benefits relating to the transactions is possible to flow into the Company and the amount of revenue can be measured reliably, revenues should be recognized. Revenues from transfer of right to use assets are recognized under the following circumstances:

- (1) Interest income is determined based on the time when the monetary funds are lent and the effective rate.
- (2) The amount of revenues from usage is determined based on the charging time and method as agreed in relevant contract or agreement.

3.13.3 Basis and method of recognizing the progress of completion, when determining revenue from rendering of service and revenue from construction contract at percentage-of-completion method

In case that the outcome of service transactions can be reliably evaluated, the service revenue will be recognized at the percentage of completion method on the balance sheet date. Completion progress of rendering of services is recognized at the measurement of completed work.

Total revenues from rendering of services are recognized at received or receivable contract or agreement price, except that the latter are not fair. The current revenues from rendering of services is recognized as total revenues therefrom multiply the percentage of completion less revenues from rendering of services accumulated and recognized in Last periods on the balance sheet date; at the same time, the current labor costs are carried forward at total expected costs for rendering of services multiply the percentage of completion less labor costs accumulated and recognized in Last periods.

When the outcome of transactions involving the rendering of services cannot be estimated reliably, it should be handled on the balance sheet date as follows:

- (1) If the service costs incurred are expected to be recoverable, the amounts equal to the costs incurred should be recognized as service revenues and the equivalent amounts should be included into the service costs.
- (2) If the service costs incurred are not expected to be fully compensated, revenues from rendering of service are not recognized and the service costs incurred are included in the current profit or loss.

3.14 Government subsidies

3.14.1 Type

Government subsidies are monetary and non-monetary assets obtained from the government for free. The Government subsidies include asset-related Government subsidies and income-related Government subsidies.

Asset-related Government subsidies refer to Government subsidies that the enterprise acquires for acquisition, construction or otherwise form long-term assets. Income-related Government subsidies refer to Government subsidies other than asset-related Government subsidies.

The specific criteria of the Company to classify the government subsidies as asset-related are: the Government subsidies acquired and used by the Company for acquiring and constructing or otherwise to form long-term assets;

The specific criteria of the Company to classify the Government subsidies as income-related are: the Government subsidies other than the assets-related Government subsidies;

Where government documents fail to clearly define subsidy objects, the judgment basis for the Company to divide Government subsidies into asset-related Government subsidies and income-related Government subsidies is as follows: classify the Government subsidies as income-related Government subsidies as a whole.

3.14.2 Time of recognition

Time of recognizing asset-related Government subsidies: when the related assets reach their preset usable state;

Time of recognizing the income-related Government subsidies: when the related expenses or losses occur.

3.14.3 Accounting treatment

The Government subsidies relating to assets shall be used to offset the book value of relevant assets or recognized as deferred income. Where such subsidies are recognized as the deferred income, they will be included in the current profit or loss by reasonable and systematic methods within useful lives of related assets (where such subsidies are related to the routine activities of the Company, they will be included in other income; where such subsidies are not related to the routine activities of the Company, they will be included in non-operating income);

Income-related Government subsidies used to compensate for relevant costs or losses which will occur in the following period in the Company shall be recognized as the deferred income, and, during the period when relevant costs or losses are recognized, be included in the current profit or loss (where income-related Government subsidies are relevant to routine activities of the Company, such subsidies shall be included in the other income; where income-related Government subsidies are irrelevant to routine activities of the Company, such subsidies shall be included in the non-operating income) or used to offset relevant costs or losses; income-related Government subsidies used to compensate for relevant costs or losses incurred in the Company shall be included in the current profit or loss (where income-related Government subsidies are relevant to routine activities of the Company, such subsidies shall be included in the other income; where income-related Government subsidies are irrelevant to routine activities of the Company, such subsidies shall be included in the non-operating income) or used to offset relevant costs or losses.

The interest subsidies of policy-based preferential loans obtained by the Company are subject to the following accounting treatments according to two situations:

- (1) When the finance department appropriates the interest subsidies to the lending bank, and the lending bank provides the loan at the policy-based preferential interest rate to the Company, the Company will take the book-entry value at the loan amount actually received, and relevant loan expenses are calculated based on the principal of the loan and the policy-based preferential interest rate.
- (2) Where the finance department directly appropriates the interest subsidies to the Company, the Company will use the corresponding interest subsidies to offset related borrowing costs.

3.15 Leases

3.15.1 Accounting treatment of operating lease

- (1) Lease fees paid by the Company for leased asset shall be amortized at straight-line method over the whole lease term (including rent-free period) and included in the period charges. Initial direct costs related to lease transactions paid by the Company shall be included in the period charges.

If the expense related to the lease which shall be paid by the Company is assumed by the lessor of the asset, then such expenses shall be deducted from total lease fees, and the balances shall be amortized over the lease terms and charged to the current expenses.

- (2) The Company's rental expenses collected for leased assets shall, within the whole lease term excluding the rent-free period, be amortized with the straight-line method and recognized as rental income. Initial direct costs related to lease transactions paid by the Company shall be included in the current expenses; if the amount is large, it shall be capitalized, and shall be included in the current income by stages within the whole lease period on same basis for recognition of lease income.

When the Company bears costs related to the lease which shall be borne by the lessee, the Company should deduct the part of expenses from the total rents and amortize the rents after deduction over the lease term.

3.15.2 Accounting treatment of financing lease

- (1) Assets acquired under financing leases: At the commencement of the lease term, assets acquired under financing leases shall be recorded at the lower of their fair values and the present values of the minimum lease payments, and the Company shall recognize the long-term payables at amounts equal to the minimum lease payments, and shall record the differences between book value of the leased assets and the long-term payables as unrecognized finance charges.

The Company adopts the effective interest rate method for unrecognized financing charges, which shall be amortized over the lease term and included in financial expenses.

- (2) Assets rented out under financing lease: on the commencement date of lease, the Company recognizes the difference between the sum of financing lease payment receivable and unguaranteed residual value, and the present value of the assets as unrealized financing income and as financing income in each period of future lease. The initial direct expenses of the Company related to lease are included into the initial measurement of financing lease payment receivable, and the income recognized in lease period is decreased accordingly.

3.16 Related parties

One party is related to another if it has control or joint control, or significant influence over the other party, or both of them are jointly controlled by the same third party. Related parties can be persons or entities. State-controlled enterprises without other related party relations shall not be related parties of the Company.

Related parties of the Company include but are not limited to:

- (1) Parent company of the Company;
- (2) Subsidiaries of the Company;
- (3) Other entities under the control of the same parent company with the Company;
- (4) Investors imposing common control over the Company;
- (5) Investors imposing significant influence over the Company;
- (6) Joint ventures of the Company, including subsidiaries of joint ventures;
- (7) Associates of the Company, including subsidiaries of the associates;
- (8) Major investors of the Company and their close family members;
- (9) Key management personnel of the Company or its parent company and their close family members; and
- (10) Other enterprises under the control or common control or significant influence of major investors, key management of the Company or their close family members.

3.17 Changes in principal accounting policies and accounting estimates

3.17.1 Changes in principal accounting policies

Implementation of the Circular of the Ministry of Finance on Revising and Issuing General Corporate Financial Statement Templates for the Year 2019 and the Circular on Revising and Issuing the Consolidated Financial Statement Templates (2019 Version)

The Ministry of Finance promulgated the Circular on Revising and Issuing General Corporate Financial Statement Templates for the Year 2019 (CK [2019] No. 6) and the Circular on Revising and Issuing the Consolidated Financial Statement Templates (2019 Version) (CK [2019] No. 16) respectively on April 30, 2019 and September 19, 2019, revising the format of the financial statements of general enterprises. Main impacts of the Company's implementation of the above provisions are as follows:

| Content of and reason for changes in accounting policies | Name and amount of affected items in the financial statements |
|--|--|
| (1) "Notes receivable and accounts receivable" in the balance sheet is divided into "notes receivable" and "accounts receivable" for presentation; "notes payable and accounts payable" is divided into "notes payable" and "accounts payable" for presentation; comparative data is adjusted accordingly. | "Notes receivable and accounts receivable" is divided into "notes receivable" and "accounts receivable" for presentation, with RMB 0 presented as the ending balance of notes receivable in the last period and RMB 36,616,620.83 presented as the ending balance of accounts receivable in the last period; "Notes payable and accounts payable" is divided into "notes payable" and "accounts payable" for presentation, with RMB 0 presented as the ending balance of notes payable in the last period and RMB 12,381,933.15 presented as the ending balance of accounts payable in the last period. |

3.17.2 Changes in principal accounting estimates

There were no changes in significant accounting estimates within the reporting period.

4 Taxation

Major tax types and tax rates applicable to the Company

| Tax type | Basis of tax assessment | Tax rate |
|-----------------------|--|----------|
| Value-added tax | Levied at the difference between the output tax (computed based on the revenue from the sale of goods and the taxable services calculated by tax laws) and the input tax deductible for current period | 6% |
| Enterprise income tax | Levied based on the taxable income | 25% |

5 Notes to the main items of the financial statements

(The following amounts are expressed in RMB unless otherwise stated)

5.1 Cash and cash equivalents

| Item | Balance as at March 31, 2020 | Balance as at April 1, 2019 |
|--------------|------------------------------|-----------------------------|
| Bank deposit | 15,240,416.98 | 12,411,178.64 |
| Total | 15,240,416.98 | 12,411,178.64 |

5.2 Accounts receivable

5.2.1 Breakdown of accounts receivable

| Aging | Balance as at March 31, 2020 | | | | Balance as at April 1, 2019 | | | |
|---------------|------------------------------|----------------------------|-------------------------|---------------------------------------|-----------------------------|----------------------------|-------------------------|---------------------------------------|
| | Book balance | Proportion in total amount | Provision for bad debts | Proportion of provision for bad debts | Book balance | Proportion in total amount | Provision for bad debts | Proportion of provision for bad debts |
| Within 1 year | 28,480,081.66 | 100.00% | | | 36,616,620.83 | 100.00% | | |
| Total | 28,480,081.66 | 100.00% | | | 36,616,620.83 | 100.00% | | |

5.2.2 Accounts receivable with significant balance as at March 31, 2020

| Company name | Relationship with the Company | Nature / Content | Amount | Aging | Proportion in total accounts receivable |
|--|--|--|---------------|---------------|---|
| Jaguar Land Rover (China) Investment Co., Ltd. | Controlled by the same ultimate controller | Income from the sales of products and services | 19,879,945.75 | Within 1 year | 69.80% |
| Chery Jaguar Land Rover Automotive Co., Ltd. | Related company of the parent company | Income from the sales of products and services | 8,276,924.91 | Within 1 year | 29.06% |

5.3 Advances to suppliers

Aging analysis

| Aging | Balance as at March 31, 2020 | | Balance as at April 1, 2019 | |
|---------------|------------------------------|------------|-----------------------------|------------|
| | Book balance | Proportion | Book balance | Proportion |
| Within 1 year | 723,621.82 | 100.00% | 752,176.63 | 100.00% |
| Total | 723,621.82 | 100.00% | 752,176.63 | 100.00% |

5.4 Other receivables

| Item | Balance as at March 31, 2020 | Balance as at April 1, 2019 |
|----------------------|------------------------------|-----------------------------|
| Interest receivable | | |
| Dividends receivable | | |
| Other receivables | 7,544,620.51 | 5,152,113.27 |
| Total | 7,544,620.51 | 5,152,113.27 |

5.4.1 Other receivables

(1) Breakdowns of other receivables:

| Aging | Balance as at March 31, 2020 | | | | Balance as at April 1, 2019 | | | |
|---------------|------------------------------|----------------------------|-------------------------|---------------------------------------|-----------------------------|----------------------------|-------------------------|---------------------------------------|
| | Book balance | Proportion in total amount | Provision for bad debts | Proportion of provision for bad debts | Book balance | Proportion in total amount | Provision for bad debts | Proportion of provision for bad debts |
| Within 1 year | 2,481,486.90 | 32.89% | | | 4,108,111.12 | 79.74% | | |
| 1 - 2 years | 3,529,843.84 | 46.79% | | | 133,508.67 | 2.59% | | |
| 2 - 3 years | 625,429.77 | 8.29% | | | 2,633.48 | 0.05% | | |
| 3 - 4 years | - | 0.00% | | | 907,860.00 | 17.62% | | |
| 4 - 5 years | 907,860.00 | 12.03% | | | | | | |
| Total | 7,544,620.51 | 100.00% | | | 5,152,113.27 | 100.00% | | |

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(2) Other receivables with significant balance as at March 31, 2020

| Company name | Relationship with the Company | Nature / Content | Amount | Aging | Proportion in total other receivables |
|--|---------------------------------------|------------------|--------------|-------------------------------------|---------------------------------------|
| Spark44 Ltd | Controlled by the same parent company | Current accounts | 6,216,747.16 | Within 1 year, 1-2 years, 2-3 years | 82.40% |
| Shanghai Shangyi Housing Leasing Co., Ltd. | Non-related party | Deposit | 1,026,121.00 | 1-2 years, 4-5 years | 13.60% |

5.5 Original cost of fixed assets and accumulated depreciation

| Item | Balance as at March 31, 2020 | Balance as at April 1, 2019 |
|--------------------------|------------------------------|-----------------------------|
| Fixed assets | 644,073.48 | 1,096,255.70 |
| Disposal of fixed assets | | |
| Total | 644,073.48 | 1,096,255.70 |

Original cost of fixed assets and accumulated depreciation

(1) Original cost of fixed assets

| Category | Balance as at April 1, 2019 | Increase in the current period | Decrease in the current period | Balance as at March 31, 2020 |
|----------------------|-----------------------------|--------------------------------|--------------------------------|------------------------------|
| Electronic equipment | 4,622,632.40 | 59,179.65 | 34,223.96 | 4,647,588.09 |
| Total | 4,622,632.40 | 59,179.65 | 34,223.96 | 4,647,588.09 |

(2) Accumulated depreciation

| Category | Balance as at April 1, 2019 | Increase in the current period | Withdrawal in the current period | Decrease in the current period | Balance as at March 31, 2020 |
|----------------------|-----------------------------|--------------------------------|----------------------------------|--------------------------------|------------------------------|
| Electronic equipment | 3,526,376.70 | | 509,650.67 | 32,512.76 | 4,003,514.61 |
| Total | 3,526,376.70 | | 509,650.67 | 32,512.76 | 4,003,514.61 |

(3) Net value of fixed assets

| Category | Balance as at April 1, 2019 | Increase in the current period | Decrease in the current period | Balance as at March 31, 2020 |
|----------------------|-----------------------------|--------------------------------|--------------------------------|------------------------------|
| Electronic equipment | 1,096,255.70 | 59,179.65 | 511,361.87 | 644,073.48 |
| Total | 1,096,255.70 | 59,179.65 | 511,361.87 | 644,073.48 |

(4) Book value of fixed assets

| Category | Balance as at April 1, 2019 | Increase in the current period | Decrease in the current period | Balance as at March 31, 2020 |
|----------------------|-----------------------------|--------------------------------|--------------------------------|------------------------------|
| Electronic equipment | 1,096,255.70 | 59,179.65 | 511,361.87 | 644,073.48 |
| Total | 1,096,255.70 | 59,179.65 | 511,361.87 | 644,073.48 |

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5.6 Intangible assets

| Item | Balance as at April 1, 2019 | Increase in the current period | Decrease in the current period | Balance as at March 31, 2020 |
|--|-----------------------------|--------------------------------|--------------------------------|------------------------------|
| 1. Total original cost | 1,142,015.57 | 60,472.39 | | 1,202,487.96 |
| Computer software | 1,142,015.57 | 60,472.39 | | 1,202,487.96 |
| 2. Total accumulated amortization | 711,035.18 | 250,464.63 | | 961,499.81 |
| Computer software | 711,035.18 | 250,464.63 | | 961,499.81 |
| 3. Total provision for impairment of intangible assets | | | | |
| Computer software | | | | |
| 4. Total book value of intangible assets | 430,980.39 | 60,472.39 | 250,464.63 | 240,988.15 |
| Computer software | 430,980.39 | 60,472.39 | 250,464.63 | 240,988.15 |

5.7 Long-term deferred expenses

| Item | Balance as at April 1, 2019 | Increase in the current period | Amortization in the current period | Other decreases | Balance as at March 31, 2020 | Causes of other decreases |
|------------------|-----------------------------|--------------------------------|------------------------------------|-----------------|------------------------------|---------------------------|
| Renovation costs | | 225,772.37 | 92,961.30 | | 132,811.07 | |
| Total | | 225,772.37 | 92,961.30 | | 132,811.07 | |

5.8 Accounts payable

5.8.1 Presentation of accounts payable:

| Item | Balance as at March 31, 2020 | Balance as at April 1, 2019 |
|------------------|------------------------------|-----------------------------|
| Accounts payable | 12,810,846.71 | 12,381,933.15 |
| Total | 12,810,846.71 | 12,381,933.15 |

5.8.2 There were no significant accounts payable with aging over one year as at March 31, 2020.

5.9 Employee compensation payable

| Item | Balance as at April 1, 2019 | Increase in the current period | Decrease in the current period | Balance as at March 31, 2020 |
|--|-----------------------------|--------------------------------|--------------------------------|------------------------------|
| I. Short-term compensation | 687,758.00 | 39,784,984.05 | 39,621,340.38 | 851,401.67 |
| (1) Salaries, bonuses, allowances and subsidies | 687,758.00 | 35,769,413.78 | 35,605,770.11 | 851,401.67 |
| (2) Employee welfare expenses | | 571,876.64 | 571,876.64 | |
| Including: bonus and welfare funds of foreign-invested enterprises | | | | |
| (3) Social insurance premiums | | 2,051,398.35 | 2,051,398.35 | |
| Including: medical insurance premium | | 1,771,662.21 | 1,771,662.21 | |
| Work-related injury insurance premium | | 93,245.38 | 93,245.38 | |
| Maternity insurance premiums | | 186,490.76 | 186,490.76 | |

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| Item | Balance as at April 1, 2019 | Increase in the current period | Decrease in the current period | Balance as at March 31, 2020 |
|--|-----------------------------|--------------------------------|--------------------------------|------------------------------|
| (4) Housing provident fund | | 1,353,576.00 | 1,353,576.00 | |
| (5) Labor union expenditures and employee education funds | | 38,719.28 | 38,719.28 | |
| (6) Other short-term compensated absences | | | | |
| (7) Short-term profit sharing plan | | | | |
| (8) Other short-term compensation | | | | |
| II. Defined contribution plans | | | | |
| (1) Basic endowment insurance premiums | | 2,983,852.13 | 2,983,852.13 | |
| (2) Unemployment insurance premiums | | 93,245.38 | 93,245.38 | |
| (3) Enterprise annuity payment | | | | |
| (4) Others | | | | |
| III. Defined benefit plans | | | | |
| IV. Dismissal welfare | 382,670.00 | 576,740.00 | 959,410.00 | |
| V. Other long-term benefits | | | | |
| Sub-total | 1,070,428.00 | 43,438,821.56 | 43,657,847.89 | 851,401.67 |
| Less: payment after 12 months since the balance sheet date | | | | |
| Total | 1,070,428.00 | 43,438,821.56 | 43,657,847.89 | 851,401.67 |

5.10 Taxes and surcharges payable

| Item | Balance as at March 31, 2020 | Balance as at April 1, 2019 |
|--|------------------------------|-----------------------------|
| Value-added tax | 746,965.29 | 708,551.93 |
| Urban maintenance and construction tax | 49,742.50 | 49,996.75 |
| Enterprise income tax | | 278,112.10 |
| Individual income tax | 296,745.78 | 319,738.37 |
| Education surtax | 35,530.35 | 28,569.57 |
| Total | 1,128,983.92 | 1,384,968.72 |

5.11 Other payables

| Item | Balance as at March 31, 2020 | Balance as at April 1, 2019 |
|-------------------|------------------------------|-----------------------------|
| Interest payable | | |
| Dividends payable | | |
| Other payables | 15,186,465.09 | 11,791,274.29 |
| Total | 15,186,465.09 | 11,791,274.29 |

5.11.1 Other payables

(1) Presentation of other payables:

| Item | Balance as at March 31, 2020 | Balance as at April 1, 2019 |
|----------------|---------------------------------|--------------------------------|
| Other payables | 15,186,465.09 | 11,791,274.29 |

(2) Other payables with significant balance as at March 31, 2020

| Company name | Amount | Nature / Content |
|----------------------|---------------|--|
| Spark44 Ltd | 12,988,444.96 | Current accounts between related parties |
| SPARK44 (JV) LIMITED | 466,454.93 | Current accounts between related parties |
| Total | 13,454,899.89 | |

5.12 Paid-in capital

| Name of contributor | Balance as at April 1, 2019 | Increase in the current period | Decrease in the current period | Balance as at March 31, 2020 | Contribution proportion |
|-------------------------|-----------------------------------|---|---|------------------------------------|----------------------------|
| SPARK44 (JV) LIMITED | 1,000,000.00 | | | 1,000,000.00 | 100.00% |
| Total | 1,000,000.00 | | | 1,000,000.00 | 100.00% |

Note: The above capital has been verified by Shanghai Juzheng Certified Public Accountants Co., Ltd. with Report of Capital Verification (HJKYZ [2014] No. 1031).

5.13 Capital reserves

| Item | Balance as at April 1, 2019 | Increase in the current period | Decrease in the current period | Balance as at March 31, 2020 |
|-----------------|--------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Capital premium | 4,440.50 | | | 4,440.50 |
| Total | 4,440.50 | | | 4,440.50 |

5.14 Surplus reserves

| Item | Balance as at April 1, 2019 | Increase in the current period | Decrease in the current period | Balance as at March 31, 2020 |
|-------------------------------|--------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Statutory surplus reserves | 500,000.00 | | | 500,000.00 |
| Total | 500,000.00 | | | 500,000.00 |

Note: The cumulative amount of the statutory surplus reserves of the Company has reached over 50% of the registered capital, thus the Company ceases to further make such appropriation.

5.15 Retained earnings

| Item | Amount |
|--|---------------|
| Retained earnings as at April 1, 2019 | 28,326,280.80 |
| Plus: net profit in the current period | -1,091,025.90 |
| Dividends payable | -5,000,000.00 |
| Retained earnings as at March 31, 2020 | 22,235,254.9 |

5.16 Operating income and operating costs

| Item | Current period | | Last period | |
|------------------|----------------|---------------|----------------|---------------|
| | Income | Cost | Income | Cost |
| Primary business | 96,005,815.08 | 78,962,662.10 | 115,441,293.04 | 83,545,936.90 |
| Total | 96,005,815.08 | 78,962,662.10 | 115,441,293.04 | 83,545,936.90 |

5.17 Taxes and surcharges

| Item | Current period | Last period |
|--|----------------|-------------|
| Urban maintenance and construction tax | 199,640.26 | 227,304.71 |
| Education surtax | 117,457.99 | 133,494.50 |
| Stamp duty | 43,672.60 | 60,781.03 |
| Total | 360,770.85 | 421,580.24 |

5.18 General and administrative expenses

| Item | Current period | Last period |
|---|----------------|---------------|
| Employee compensation | 7,517,611.46 | 9,469,069.30 |
| Management support fees | 2,763,290.56 | 515,768.76 |
| Leasing and property management fees | 4,064,036.38 | 3,925,602.63 |
| Depreciation and amortization of long-term assets | 853,076.60 | 1,587,706.53 |
| Communications and information technology fees | 1,506,950.10 | 1,700,408.53 |
| Travelling expenses | 1,097,012.71 | 1,415,747.30 |
| Business entertainment expenses | 683,819.94 | 745,377.15 |
| Office expenses | 478,916.17 | 965,752.58 |
| Intermediary service charges | 556,636.99 | 604,624.65 |
| Recruitment expenses | 298,982.12 | 288,792.45 |
| Total | 19,820,333.03 | 21,218,849.88 |

5.19 Financial expenses

| Category | Current period | Last period |
|------------------------------------|----------------|-------------|
| Interest expenses | | |
| Less: interest income | 205,561.91 | 148,653.54 |
| Profit or loss on foreign exchange | 9,106.58 | -83,426.89 |
| Others | 6,095.80 | 7,778.51 |
| Total | -208,572.69 | -224,301.92 |

5.20 Other income

| Item | Current period | Last period |
|--|----------------|-------------|
| Government subsidies | 98,253.00 | 89,708.00 |
| Additional deduction of input tax | 268,772.82 | 0 |
| Handling charges for withholding individual income tax | 403,037.69 | 76,947.39 |
| Total | 770,063.51 | 166,655.39 |

5.21 Non-operating income

| Item | Current period | Last period |
|----------------------|----------------|--------------|
| Government subsidies | 1,070,000.00 | 1,210,000.00 |
| Total | 1,070,000.00 | 1,210,000.00 |

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5.22 Income tax expenses

| Item | Current period | Last period |
|-----------------------------|----------------|--------------|
| Current income tax expenses | | 3,334,910.88 |
| Total | | 3,334,910.88 |

5.23 Supplementary information to the statement of cash flows

| Item | Current period | Last period |
|--|----------------|----------------|
| I. Net profit adjusted to cash flows from operating activities | | |
| Net profit | -1,091,025.90 | 8,520,972.45 |
| Plus: provision for assets impairment | | |
| Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets | 509,650.67 | 786,188.95 |
| Amortization of intangible assets | 250,464.63 | 410,695.20 |
| Amortization of long-term deferred expenses | 92,961.30 | 390,822.38 |
| Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains) | | |
| Losses from write-off of fixed assets ("-" for gains) | 1,711.20 | |
| Losses from changes in fair value ("-" for gains) | | |
| Financial expenses ("-" for gains) | -0.47 | -0.27 |
| Investment losses ("-" for gains) | | |
| Decreases in deferred tax assets ("-" for increases) | | |
| Increases in deferred tax liabilities ("-" for decreases) | | |
| Decreases in inventories ("-" for increases) | | |
| Decreases in operating receivables ("-" for increases) | 4,538,312.33 | -16,134,331.22 |
| Increases in operating payables ("-" for decreases) | 3,880,629.71 | -3,647,128.40 |
| Others | | |
| Net cash flows from operating activities | 8,182,703.47 | -9,672,780.91 |
| II. Significant investing and financing activities not involving cash inflow and outflow | | |
| Conversion of debt into capital | | |
| Convertible corporate bonds maturing within one year | | |
| Fixed assets acquired under financial leasing | | |
| III. Net changes in cash and cash equivalents | | |
| Ending balance of cash | 15,240,416.98 | 12,411,178.64 |
| Less: beginning balance of cash | 12,411,178.64 | 28,032,639.46 |
| Plus: ending balance of cash equivalents | | |
| Less: beginning balance of cash equivalents | | |
| Net increase in cash and cash equivalents | 2,829,238.34 | -15,621,460.82 |

6 Related parties and related-party transactions

6.1 Related parties

6.1.1 Parent company of the Company

(Monetary unit: RMB'0,000)

| Name of parent company | Registration place | Shareholding ratio in the Company (%) | Voting right ratio in the Company (%) |
|------------------------|------------------------------------|---------------------------------------|---------------------------------------|
| SPARK44 (JV) LIMITED | AbbeyRoad,Whitley,Coventry CV3 4LF | 100.00 | 100.00 |

6.1.2 Other related parties of the Company

| Name of other related party | Relationship with the Company |
|--|--|
| Spark44 LTD | Controlled by the same parent company |
| Spark44 GmbH | Controlled by the same parent company |
| Spark44 Singapore | Controlled by the same parent company |
| Jaguar Land Rover (China) Investment Co., Ltd. | Controlled by the same ultimate controller |
| Chery Jaguar Land Rover Automotive Co., Ltd. | Related company of the parent company |

6.2 Related-party transactions

6.2.1 Purchase of goods and receipt of services

| Name of related party | Contents of related party transactions | Current period | Last period |
|-----------------------|--|----------------|--------------|
| Spark44 LTD | Receipt of labor services | 2,844,897.00 | 3,715,209.69 |
| Spark44 GmbH | Receipt of labor services | | 636,639.50 |
| Spark44 Singapore | Receipt of labor services | | 164,731.63 |

6.2.2 Sale of goods and rendering of services

| Name of related party | Contents of related-party transactions | Current period | Last period |
|--|--|----------------|---------------|
| Spark44 LTD | Rendering of services | 2,297,384.64 | |
| Chery Jaguar Land Rover Automotive Co., Ltd. | Rendering of services | 25,987,820.70 | 40,286,962.29 |
| Jaguar Land Rover (China) Investment Co., Ltd. | Rendering of services | 67,720,609.74 | 75,048,891.77 |

6.2.3 Receivables from and payables to related parties

| Item | Related party | As at March 31, 2020 | | As at April 1, 2019 | |
|---------------------|--|----------------------|-------------------------|---------------------|-------------------------|
| | | Book balance | Provision for bad debts | Book balance | Provision for bad debts |
| Accounts receivable | | | | | |
| | Chery Jaguar Land Rover Automotive Co., Ltd. | 8,276,924.91 | | 16,729,200.72 | |
| | Jaguar Land Rover (China) Investment Co., Ltd. | 19,879,945.75 | | 19,887,420.11 | |
| Other receivables | | | | | |
| | Spark44 Singapore | 97,650.00 | | 97,650.00 | |
| | Spark44 Ltd | 6,216,747.16 | | 3,920,095.63 | |
| Other payables | | | | | |
| | Spark44 Ltd | 12,988,444.96 | | 10,157,145.92 | |
| | SPARK44 (JV) LIMITED | 466,454.93 | | 466,454.93 | |
| | Spark44 Singapore | 81,464.82 | | 162,616.67 | |

7 Commitments and contingencies

7.1 Significant commitments

The Company had no significant commitments required to be disclosed as at March 31, 2020.

7.2 Contingencies

The Company had no major contingencies required to be disclosed as at March 31, 2020.

8 Post-balance-sheet events

The Company had no major post-balance-sheet non-adjusted events required to be disclosed by the Company as at April 30, 2020.

9 Notes to other significant events

The Company had no other significant events required to be disclosed as at March 31, 2020.

Spark44 Shanghai Limited

April 30, 2020