

SPARK44 SHANGHAI LIMITED

**AUDITORS' REPORT AND FINANCIAL
STATEMENTS**

**FOR THE PERIOD FROM APRIL 2020 TO
MARCH 2021**

Spark44 Shanghai Limited
Auditors' Report and Financial Statements
(From April 1, 2020 to March 31, 2021)

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Auditors' Report

PCPAR [2021] No. ZA40918

To Spark44 Shanghai Limited,

I. Opinion

We have audited the accompanying financial statements of Spark44 Shanghai Limited (hereinafter referred to as the "Company"), which comprise the balance sheet as at March 31, 2021, the income statement, the statement of cash flows and the statement of changes in owners' equity for the period from April 2020 to March 2021 and notes to the financial statements.'

In our opinion, the accompanying financial statements present fairly, in all material respects, the Company's financial position as at March 31, 2021 and its operating results and cash flows for the period from April 2020 to March 2021, in accordance with the requirements of Accounting Standards for Business Enterprises.

II. Basis for Our Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Management's Responsibilities for the Financial Statements

The management of the Company (hereinafter referred to as the Management) is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Management is 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 may arise from fraud or error and are generally considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (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) Obtain an understanding of 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 by 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, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are 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 (including disclosure), structure and contents of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, 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, 2021

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, 2021

(Amounts are expressed in RMB unless otherwise stated)

Assets	Ending balance	Ending balance of last year
Current assets:		
Monetary funds	17,998,445.63	15,240,416.98
Financial assets measured at fair value through current profit or loss		
Derivative financial assets		
Notes receivable		
Accounts receivable	26,459,273.07	28,480,081.66
Advances to suppliers	853,832.99	723,621.82
Other receivables	7,526,515.94	7,544,620.51
Inventories		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets	590,412.18	1,234,274.41
Total current assets	53,428,479.81	53,223,015.38
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments		
Investment properties		
Fixed assets	351,268.29	644,073.48
Construction in progress		
Productive biological assets		
Oil and gas assets		
Intangible assets	67,988.44	240,988.15
Development expenses		
Goodwill		
Long-term deferred expenses	18,972.95	132,811.07
Deferred income tax assets:		
Other non-current assets		
Total non-current assets	438,229.68	1,017,872.70
Total assets	53,866,709.49	54,240,888.08

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

Legal Representative:

Accounting Principal:

Head of Accounting Department:

Spark44 Shanghai Limited
Balance Sheet (Continued)
As at March 31, 2021

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and owners' equity	Ending balance	Ending balance of last year
Current liabilities:		
Short-term borrowings		
Financial liabilities measured at fair value through the current profit or loss		
Derivative financial liabilities		
Notes payable		
Accounts payable	9,820,819.38	12,810,846.71
Advances from customers		523,495.29
Employee compensation payable	1,188,119.98	851,401.67
Taxes and surcharges payable	832,838.43	1,128,983.92
Other payables	15,777,668.40	15,186,465.09
Liabilities held for sale		
Non-current liabilities maturing within one year		
Other current liabilities		
Total current liabilities	27,619,446.19	30,501,192.68
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: preferred stocks		
Perpetual bonds		
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	27,619,446.19	30,501,192.68
Owners' equity:		
Paid-in capital (or share capital)	1,000,000.00	1,000,000.00
Other equity instruments		
Including: preferred stocks		
Perpetual bonds		
Capital reserves	4,440.50	4,440.50
Less: treasury stocks		
Other comprehensive income		
Special reserves		
Surplus reserves	500,000.00	500,000.00
Undistributed profits	24,742,822.80	22,235,254.90
Total owners' equity	26,247,263.30	23,739,695.40
Total liabilities and owner's equity	53,866,709.49	54,240,888.08

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

Legal Representative:

Accounting Principal:

Head of Accounting Department:

Spark44 Shanghai Limited
Income Statement
For the Period from April 2020 to March 2021
(Amounts are expressed in RMB unless otherwise stated)

Item	Amount in the current period	Amount in the previous period
I. Operating revenue	101,883,318.64	96,005,815.08
Less: operating cost	72,734,591.17	78,962,662.10
Taxes and surcharges	315,584.37	360,770.85
Selling expenses		
General and administrative expenses	19,953,621.88	19,820,333.03
Research and development expenses		
Financial expenses	162,991.77	-208,572.69
Including: interest expenses		
Interest income	181,918.42	205,561.91
Plus: other income	395,296.12	770,063.51
Investment income ("- " for losses)		
Including: income from investment in associates and joint ventures		
Gains from changes in fair value ("- " for losses)		
Losses from asset impairment ("- " for losses)		
Gains from disposal of assets ("- " for losses)		
II. Operating profit ("- " for losses)	9,111,825.57	-2,159,314.70
Plus: non-operating revenue	690,000.00	1,070,000.00
Less: non-operating expenses	8,948.17	1,711.20
III. Total profit ("- " for total loss)	9,792,877.40	-1,091,025.90
Less: income tax expenses	2,285,309.50	
IV. Net profit ("- " for net loss)	7,507,567.90	-1,091,025.90
(I) Net profit from continued operation ("- " for net loss)	7,507,567.90	-1,091,025.90
(II) Net profit from discontinued operation ("- " for net loss)		
V. Other comprehensive income, net of tax		
(I) Other comprehensive income that cannot be reclassified into profit or loss		
1. Changes in re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method		
(II) Other comprehensive income that will be reclassified into profit or loss		
1. Other comprehensive income that can be transferred to profit or loss under the equity method		
2. Profit and loss of change in 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	7,507,567.90	-1,091,025.90

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

Legal Representative:

Accounting Principal:

Head of Accounting Department:

Spark44 Shanghai Limited
Statement of Cash Flows
For the Period from April 2020 to March 2021
(Amounts are expressed in RMB unless otherwise stated)

Item	Amount in the current period	Amount in the previous period
I. Cash flows from operating activities		
Cash received from sales of goods and rendering of services	109,037,347.49	108,279,702.53
Refunds of taxes and surcharges		
Cash received from other operating activities	982,257.25	4,795,772.61
Sub-total of cash inflows from operating activities	110,019,604.74	113,075,475.14
Cash paid for goods purchased and services received	36,705,866.95	45,217,251.35
Cash paid to and on behalf of employees	49,259,098.86	43,680,840.48
Cash paid for taxes and surcharges	5,668,117.10	4,781,341.27
Cash paid for other operating activities	10,582,539.37	11,213,338.57
Sub-total of cash outflows from operating activities	102,215,622.28	104,892,771.67
Net cash flows from operating activities	7,803,982.46	8,182,703.47
II. Cash flows from investing activities		
Cash received from disposal of investments		
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	45,955.23	353,465.60
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	45,955.23	353,465.60
Net cash flows from investing activities	-45,955.23	-353,465.60
III. Cash flows from financing activities		
Cash from absorption of investments		
Cash received from borrowings		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities		
Cash paid for debts 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	1.42	0.47
V. Net increase in cash and cash equivalents	2,758,028.65	2,829,238.34
Plus: beginning balance of cash and cash equivalents	15,240,416.98	12,411,178.64
VI. Ending balance of cash and cash equivalents	17,998,445.63	15,240,416.98

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

Legal Representative:

Accounting Principal:

Head of Accounting Department:

Spark44 Shanghai Limited
Statement of Changes in Owners' Equity
For the Period from April 2020 to March 2021
(Amounts are expressed in RMB unless otherwise stated)

Item	Amount in the current period									
	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stocks	Perpetual bonds	Others						
I. Balance as at the end of last year	1,000,000.00				4,440.50			500,000.00	22,235,254.90	23,739,695.40
Plus: adjustments for changes in accounting policies										
Correction of accounting errors in prior period										
Others										
II. Balance as at the beginning of current year	1,000,000.00				4,440.50			500,000.00	22,235,254.90	23,739,695.40
III. Increases/decreases in current period ("-" for decreases)									2,507,567.90	2,507,567.90
(I) Total comprehensive income									7,507,567.90	7,507,567.90
(II) Capital contributed or reduced by owners										
1. Common stock contributed by owners										
2. Capital contributed by the holders of other equity instruments										
3. Amount of share-based payments recognized in owners' equity										
4. Others										
(III) Profit distribution									-5,000,000.00	-5,000,000.00
1. Withdrawal of surplus										

Item	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stocks	Perpetual bonds	Others						
reserves										
2. Profit distributed to owners (or shareholders)									-5,000,000.00	-5,000,000.00
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. Amount withdrawn in the current period										
2. Amount used in the current period										
(VI) Others										
IV. Balance as at the end of current period	1,000,000.00				4,440.50			500,000.00	24,742,822.80	26,247,263.30

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
Statement of Changes in Owners' Equity (Continued)
For the Period from April 2020 to March 2021
(Amounts are expressed in RMB unless otherwise stated)

Item	Paid-in capital (or share capital)	Other equity instruments			Amount in the previous period					
		Preferred stocks	Perpetual bonds	Others	Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
I. Balance as at the end of last year	1,000,000.00				4,440.50			500,000.00	28,326,280.80	29,830,721.30
Plus: adjustments for changes in accounting policies										
Correction of accounting errors in prior period										
Others										
II. Balance as at the beginning of current year	1,000,000.00				4,440.50			500,000.00	28,326,280.80	29,830,721.30
III. Increases/decreases in current period ("-" for decreases)									-6,091,025.90	-6,091,025.90
(I) Total comprehensive income									-1,091,025.90	-1,091,025.90
(II) Capital contributed or reduced by owners										
1. Common stock contributed by owners										
2. Capital contributed by the holders of other equity instruments										
3. Amount of share-based payments recognized in owners' equity										
4. Others										
(III) Profit distribution									-5,000,000.00	-5,000,000.00
1. Withdrawal of surplus										

Item	Amount in the previous period									
	Paid-in capital (or share capital)	Other equity instruments			Capital reserves	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stocks	Perpetual bonds	Others						
reserves										
2. Profit distributed to owners (or shareholders)									-5,000,000.00	-5,000,000.00
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. Amount withdrawn in the current period										
2. Amount used in the current period										
(VI) Others										
IV. Balance as at the end of 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
Notes to the Financial Statements
For the Period from April 2020 to March 2021
(Amounts are expressed in RMB unless otherwise stated)

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, 2021, the paid-in registered capital of the Company was RMB 1,000,000. 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. It is in the operation term. The Company's business scope includes enterprise management 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 can be carried out only after such approval is granted by the competent authorities]

2 Preparation basis for financial statements

2.1 Preparation basis

The Company prepares its financial 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 collectively referred to as the "Accounting Standards for Business Enterprises").

2.2 Going concern

The financial statements of the Company have been prepared on a going concern basis.

3 Principal accounting policies and accounting estimates

3.1 Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements meet the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the Company's financial position as at March 31, 2021, and its operating results and cash flows for the period from April 2020 to March 2021.

3.2 Accounting period

The accounting year is from April 1, 2020 to March 31, 2021 in a calendar year.

3.3 Operating cycle

The Company's operating cycle is 12 months.

3.4 Functional currency

The Company adopts RMB as its functional currency.

3.5 Recognition criteria of cash and cash equivalents

Cash refers the Company's cash on hand and the unrestricted deposits. Cash equivalents refer to short-term 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 Foreign currency transactions and translation of foreign currency financial statements

3.6.1 Foreign currency transactions

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

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 is 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 is dealt with according to the principle of borrowing capitalization.

3.7 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 of 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 and initial measurement of fixed assets

Fixed assets are tangible assets that are held for the purpose of producing goods, providing services, leasing or operating management, and having a life span of more than one fiscal year. Fixed assets are recognized when they simultaneously meet the following conditions:

- (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.

The initial measurement of fixed assets is made at cost (and by taking the impact of expected disposal costs).

The subsequent expenditures relating to fixed assets are included in the costs of fixed assets when relevant economic benefits are likely to flow in the Company and their costs can be measured reliably; as for the part replaced, the book value thereof is derecognized; all other subsequent expenditures are included in the current profit or loss when they occur.

3.8.2 Depreciation method

Depreciation of the fixed assets is made on a category basis 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. For fixed assets where the provision for impairment has been made, the depreciation amount in the future will be determined at the book value of the fixed assets where the provision for impairment has been deducted, based on the remaining useful life. Where various components of fixed assets are different in useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to separately provide for depreciation.

The depreciation methods, depreciation years, residual value rates and annual depreciation rates of fixed assets are presented by categories as follows:

Category	Depreciation method	Depreciation life (year)	Residual value rate (%)	Annual depreciation rate (%)
Electronic equipment	Straight-line method	3	5	31.67

3.8.3 Disposal of fixed assets

When the fixed assets are disposed, or they are expected not to bring any economic interest via use or disposal, such fixed assets will be derecognized. When the fixed asset is sold, transferred, scrapped or damaged, the Company will include such disposal revenue, deducting the book value and related taxes and surcharges thereof, in the current profit or loss.

3.9 Intangible assets

3.9.1 Measurement method of intangible assets

- (1) The Company initially measures intangible assets at cost on acquisition;
 The costs of externally purchased intangible assets include purchase prices, relevant taxes and surcharges and other expenditures incurred to make the assets reach the working condition for their intended use.
- (2) Subsequent measurement
 The useful lives of the intangible assets are analyzed and determined on acquisition.

Intangible assets with definite useful lives are amortized over the period during which they can bring economic benefits to an enterprise; if the period during which intangible assets can bring economic benefits to the enterprise cannot be predicted, the intangible assets will be deemed as intangible assets with indefinite useful lives and will not be amortized.

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

Item	Estimated useful live	Amortization method	Residual value rate	Basis
Computer software	1-5 years	Straight-line method	0	Estimated useful life

3.10 Long-term assets impairment

For long-term equity investments, fixed assets, construction in progress, intangible assets with definite useful lives, oil and gas assets and other long-term assets, in case of any impairment thereof on the balance sheet date, the impairment test should be made. Where the result of the impairment test shows that the recoverable amount of the asset is lower than book value, the provision for impairment should be made and included in impairment loss. The recoverable amount is determined at the higher of the net of the fair value less disposal costs and the present value of the expected future cash flows. Provision for impairment of fixed 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.

Impairment tests for intangible assets with uncertain useful lives and intangible assets not reaching serviceable condition shall be conducted every year.

3.11 Long-term deferred expenses

Long-term deferred expenses refer to the expenses which have been already incurred but will be borne in the current period and in the future with an amortization period of over 1 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 Accounting treatment of short-term compensation

During the accounting period when employees serve the Company, the actual short-term compensation is recognized as liabilities and included in the current profit or loss or costs associated with assets.

The cost of social insurance and housing fund paid by Company for employees and the labor union cost and employee education costs provided by the Company in accordance with provisions shall, in the accounting period, during which the service is provided by employees for enterprises, be used to calculate corresponding amount of employee compensation according to the stipulated provision basis and proportion.

The employee welfare expenses incurred by the Company are included in the current profit or loss or related asset costs based on the actual amount when they actually occur. Among them, non-monetary benefits are measured at fair value.

3.12.2 Accounting treatment of post-employment benefits

(1) Defined contribution plan

The Company pays the basic endowment insurance premiums and unemployment insurance for employees according to the relevant provisions of the local governments. During the accounting period when employees serve the Company, the paid amount which is calculated based on the payment base and proportion as stipulated in the provisions of the local place is recognized as liabilities and included in the current profit or loss or related asset costs.

In addition, the Company also participated in the enterprise annuity plan/supplementary pension insurance fund approved by relevant state departments. The Company pays to the annuity plan/local social insurance agencies at a certain proportion of the total amount of wages of employees, with the corresponding expenditures included in the current profit or loss or assets-related cost.

(2) Defined benefit plans

The Company attributes the benefit obligation under the defined benefit plan to the period during which employees provide service to the Company, based on the formula of the projected unit credit method, and includes the same in the current profit or loss or costs associated with assets.

The deficit or surplus arising from the balance of the present value of the obligations of the defined benefit plans net of the fair value of assets thereof is recognized as a net liability or net asset of 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 the asset thereof.

All obligations of defined benefit plan include the obligation of payment during the 12 months after the end of the annual reporting period of expected receipt of services from employees, and are discounted according to the market yields of state bond with the same currency or high quality corporate bond prevailing on the balance sheet date and during the obligation period of defined benefit plan.

The service costs of the defined benefit plan and net interest on the net liabilities or net assets in respect of the defined benefit plan are charged to the current profit or loss or cost of relevant assets; changes arising from re-measurement of net liabilities or net assets of defined benefit plans should be included in other comprehensive income and should not be reversed in subsequent accounting periods.

At the time of the settlement of defined benefit plan, the profit or loss is determined according to the difference between the present value of the defined benefit plan obligations and settlement price confirmed on the settlement date.

3.12.3 Accounting treatment of dismissal benefits

Where the Company provides employees with dismissal welfare, the Company shall recognize the employee compensation liability incurred from dismissal welfare at the earlier of the following dates and include such liability in the current profit or loss: the date when the Company is unable to unilaterally revoke the dismissal welfare provided for the termination of labor relation or the proposal for layoffs; the date when the Company determines the cost or expense related to the restructuring involving payment of dismissal welfare.

3.13 Revenue

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

Revenues from sales of goods are 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 Recognition of revenue from transferring use right of assets

When the economic benefit related to the transaction is probably to flow into the Company and the relevant revenue can be reliably measured, the revenue from transfer of the asset use right is determined as follows: The revenue from transferring use right of assets is determined as follows:

- (1) The amount of interest revenue is determined based on the time and effective interest rate for others to use the monetary funds of the Company.
- (2) The amount of revenue 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

On the balance sheet date, where the transaction result of rendering of service can be reliably estimated, the Company recognizes the revenue from rendering of service under the percentage-of-completion method. The percentage of completion of service rendering is determined by measuring the completed work.

Total revenue from rendering of services is recognized at received or receivable contract or agreement price, unless such price is not fair. The current revenue from the rendering of services is recognized at the amount of multiplying the total revenue from the rendering of services by completion progress and deducting the accumulated revenue from the rendering of labor services recognized in previous accounting periods on the balance sheet date; meanwhile, the current cost of labor services is carried forward by the amount of multiplying the total costs of the rendering of labor services by completion progress and deducting the accumulated revenue from the rendering of labor services recognized in previous accounting periods.

When the outcome of transactions involving the rendering of services cannot be estimated reliably on the balance sheet date, it shall be treated based on difference circumstances as below:

- (1) If the service costs incurred are expected to be compensated, revenues from rendering of service are recognized at the service costs incurred, and the service costs should be carried forward by the same amount.
- (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 grants

3.14.1 Type

Government grants are monetary assets and non-monetary assets freely obtained by the Company from the government, and are divided into asset-related government grants and income-related government grants.

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

3.14.2 Accounting treatment

Asset-related government grants are used to offset the book value of relevant assets or recognized as deferred income. If such grants 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 (If such grants are relevant to routine activities of the Company, they will be included in other income; if such grants are irrelevant to routine activities of the Company, they will be included in non-operating revenue);

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

The interest subsidies for policy-based preferential loans obtained by the Company shall be subject to the following accounting treatments based on two kinds of situations:

- (1) Where 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 are amortized by the straight-line method over the whole lease term (including the rent-free period), and included in the period charges. Initial direct costs related to lease transactions paid by the Company are included in the period charges.
When assets leaser bears the lease-related expenses which shall be borne by the Company, the Company should deduct such expenses from the total rents and amortize the rents after deduction over the lease term and include them in the period charges.
- (2) Lease fees received by the Company from leasing assets are amortized at the straight-line method over the whole lease period (including rent-free period)) and recognized as leases-related revenue. Initial direct cost related to any lease transaction paid by the Company is included in the period charges; if it has a large amount, it will be capitalized, and included in the current income by stages within the whole lease term on same basis for recognition of lease-related revenue.
When the Company has borne the 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.

3.16 Changes in significant accounting policies and accounting estimates and correction of errors

3.16.1 Changes in significant accounting policies

There was no change in significant accounting policies in the current period.

3.16.2 Changes in significant accounting estimates

There was no change in significant accounting estimates in the current period.

4 Taxation

4.1 Major tax types and tax rates

Tax type	Basis of tax assessment	Tax rate
VAT	Levied based on the difference between the output tax (calculated based on the revenue from sales of goods and rendering of services according to tax law) and the deductible input tax for the period	6%
Urban maintenance and construction tax	Levied based on the VAT and consumption tax actually paid	7%
Enterprise income tax	Levied based on taxable income	25%

5 Notes to items of the financial statements

5.1 Monetary funds

Item	Ending balance	Ending balance of last year
Bank deposits	17,998,445.63	15,240,416.98
Total	17,998,445.63	15,240,416.98

5.2 Accounts receivable

5.2.1 Disclosure of accounts receivable by aging

Aging	Ending balance	Ending balance of last year
Within 1 year	26,459,273.07	28,480,081.66
Total	26,459,273.07	28,480,081.66

5.2.2 Accounts receivable with significant balance at the end of the period

Company name	Relationship with the Company	Nature or content	Amount in arrears	Aging	Proportion in total accounts receivable
Jaguar Land Rover (China) Investment Co., Ltd.	Controlled by the same ultimate controller	Revenue from sales of products and services	16,686,577.67	Within 1 year	63.07%
Chery Jaguar Land Rover Automobile Sales Co., Ltd.	A related company of the parent company	Revenue from sales of products and services	9,772,695.40	Within 1 year	36.93%

5.3 Advances to suppliers

Aging	Ending balance		Ending balance of last year	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	853,832.99	100.00	723,621.82	100.00
Total	853,832.99	100.00	723,621.82	100.00

5.4 Other receivables

Item	Ending balance	Ending balance of last year
Interest receivable		
Dividends receivable		
Other receivables	7,526,515.94	7,544,620.51
Total	7,526,515.94	7,544,620.51

5.4.1 Other receivables

(1) Disclosure of other receivables by aging

Aging	Ending balance	Ending balance of last year
Including: Within 1 year	1,153,763.24	2,481,486.90
1 - 2 years	2,374,391.51	3,529,843.84
2 - 3 years	3,090,251.19	625,429.77
3 - 4 years	250.00	
4 - 5 years		907,860.00
Over 5 years	907,860.00	
Total	7,526,515.94	7,544,620.51

(2) Other receivables with large amount of ending balance

Company name	Relationship with the Company	Nature or content	Amount in arrears	Aging	Proportion in the total amount of other receivables
Spark44 Ltd	Controlled by the same parent company	Current account	6,260,741.79	Within 1 year, 1- 2 years, 2-3 years	83.18%
Shanghai Shangyi House Leasing Co., Ltd.	Non-related party	Deposit	1,025,871.00	2 - 3 years, or over 5 years	13.63%

5.5 Fixed assets

5.5.1 Fixed assets and disposal of fixed assets

Item	Ending balance	Ending balance of last year
Fixed assets	351,268.29	644,073.48
Disposal of fixed assets		
Total	351,268.29	644,073.48

Details of fixed assets

Item	Electronic equipment	Total
1. Original book value		
(1) Ending balance of last year	4,647,588.09	4,647,588.09
(2) Increase in the current period	43,330.00	43,330.00
- Purchase	43,330.00	43,330.00
(3) Decrease in the current period	145,013.24	145,013.24
- Disposal or scrapping	145,013.24	145,013.24
(4) Ending balance	4,545,904.85	4,545,904.85
2. Accumulated depreciation		
(1) Ending balance of last year	4,003,514.61	4,003,514.61
(2) Increase in the current period	327,187.02	327,187.02

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Item	Electronic equipment	Total
- Provision	327,187.02	327,187.02
(3) Decrease in the current period	136,065.07	136,065.07
- Disposal or scrapping	136,065.07	136,065.07
(4) Ending balance	4,194,636.56	4,194,636.56
3. Provision for impairment		
(1) Ending balance of last year		
(2) Increase in the current period		
(3) Decrease in the current period		
(4) Ending balance		
4. Book value		
(1) Book value at the end of the period	351,268.29	351,268.29
(2) Book value at the end of last year	644,073.48	644,073.48

5.6 Intangible assets

5.6.1 Breakdowns of intangible assets

Item	Computer software	Total
1. Original book value		
(1) Ending balance of last year	1,202,487.96	1,202,487.96
(2) Increase in the current period		
(3) Decrease in the current period		
(4) Ending balance	1,202,487.96	1,202,487.96
2. Accumulated amortization		
(1) Ending balance of last year	961,499.81	961,499.81
(2) Increase in the current period	172,999.71	172,999.71
- Provision	172,999.71	172,999.71
(3) Decrease in the current period		
(4) Ending balance	1,134,499.52	1,134,499.52
3. Provision for impairment		
(1) Ending balance of last year		
(2) Increase in the current period		
(3) Decrease in the current period		
(4) Ending balance		
4. Book value		
(1) Book value at the end of the current period	67,988.44	67,988.44
(2) Book value at the end of last year	240,988.15	240,988.15

5.7 Long-term deferred expenses

Item	Ending balance of last year	Increase in the current period	Amortization in the current period	Other decreases	Ending balance
Renovation expenses	132,811.07		113,838.12		18,972.95
Total	132,811.07		113,838.12		18,972.95

5.8 Accounts payable

5.8.1 Presentation of accounts payable:

Item	Ending balance	Ending balance of last year
Accounts payable	9,820,819.38	12,810,846.71
Total	9,820,819.38	12,810,846.71

5.8.2 There were no significant accounts payable with aging over one year at the end of the period.

5.9 Employee compensation payable

5.9.1 Presentation of employee compensation payable

Item	Ending balance of last year	Increase in the current period	Decrease in the current period	Ending balance
Short-term compensation	851,401.67	45,309,100.86	44,972,382.55	1,188,119.98
Post-employment benefits - defined contribution plans		1,574,181.00	1,574,181.00	
Dismissal benefits		2,662,495.84	2,662,495.84	
Other benefits maturing within one year				
Total	851,401.67	49,545,777.70	49,209,059.39	1,188,119.98

5.9.2 Presentation of short-term compensation

Item	Ending balance of last year	Increase in the current period	Decrease in the current period	Ending balance
(1) Salaries, bonuses, allowances and subsidies	851,401.67	42,443,195.41	42,106,477.10	1,188,119.98
(2) Employee welfare		446,259.44	446,259.44	
(3) Social insurance premiums		1,049,454.01	1,049,454.01	
Including: medical insurance premium		906,346.64	906,346.64	
Work-related injury insurance premium		47,702.46	47,702.46	
Maternity insurance premium		95,404.91	95,404.91	
(4) Housing provident funds		1,370,057.00	1,370,057.00	
(5) Labor union		135.00	135.00	

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Item	Ending balance of last year	Increase in the current period	Decrease in the current period	Ending balance
expenditures and employee education funds				
(6) Short-term compensated absences				
(7) Short-term profit sharing plan				
Total	851,401.67	45,309,100.86	44,972,382.55	1,188,119.98

5.9.3 Presentation of defined contribution plans

Item	Ending balance of last year	Increase in the current period	Decrease in the current period	Ending balance
Basic endowment insurance premium		1,526,478.54	1,526,478.54	
Unemployment insurance premium		47,702.46	47,702.46	
Enterprise annuity payment				
Total		1,574,181.00	1,574,181.00	

5.10 Taxes and surcharges payable

Taxes and surcharges	Ending balance	Ending balance of last year
VAT	523,109.84	746,965.29
Consumption tax		
Enterprise income tax		
Individual income tax	246,706.31	296,745.78
Urban maintenance and construction tax	36,763.00	49,742.50
House property tax		
Land value increment tax		
Educational surtax	26,259.28	35,530.35
Resource tax		
Land use tax		
Mineral resources compensation		
Total	832,838.43	1,128,983.92

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5.11 Other payables

Item	Ending balance	Ending balance of last year
Interest payable		
Dividends payable		
Other payables	15,777,668.40	15,186,465.09
Total	15,777,668.40	15,186,465.09

(1) Presentation of other payables:

Item	Ending balance	Beginning balance
Other payables	15,777,668.40	15,186,465.09

(2) Other payables with large amount at the end of the period

Company name	Amount	Nature or content
Spark44 Ltd	12,768,259.30	Current accounts among related parties
SPARK44 (JV) LIMITED	466,454.93	Current accounts among related parties
Total	13,234,714.23	

5.12 Paid-in capital

Item	Ending balance of last year	Increase in the current period	Decrease in the current period	Ending balance
SPARK44 (JV) LIMITED	1,000,000.00			1,000,000.00

5.13 Capital reserves

Item	Ending balance of last year	Increase in the current period	Decrease in the current period	Ending balance
Capital (share capital) premium	4,440.50			4,440.50
Total	4,440.50			4,440.50

5.14 Surplus reserves

Item	Ending balance of last year	Increase in the current period	Decrease in the current period	Ending balance
Statutory surplus reserves	500,000.00			500,000.00
Total	500,000.00			500,000.00

5.15 Undistributed profits

Item	Amount in the current period	Amount in the previous period
Undistributed profits at the end of the previous year before adjustment	22,235,254.90	28,326,280.80
Total adjustment to undistributed profits at the beginning of the year ("+" for increase and "-" for decrease)		
Undistributed profits at the beginning of the year after adjustment	22,235,254.90	28,326,280.80

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Item	Amount in the current period	Amount in the previous period
Plus: Net profit in the current period	7,507,567.90	-1,091,025.90
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Common stock dividends payable	5,000,000.00	5,000,000.00
Common stock dividends transferred to share capital		
Undistributed profits at the end of the period	24,742,822.80	22,235,254.90

5.16 Operating revenue and operating costs

Item	Amount in the current period		Amount in the previous period	
	Revenue	Cost	Revenue	Cost
Primary business	101,883,318.64	72,734,591.17	96,005,815.08	78,962,662.10
Total	101,883,318.64	72,734,591.17	96,005,815.08	78,962,662.10

5.17 Taxes and surcharges

Item	Amount in the current period	Amount in the previous period
Urban maintenance and construction tax	158,839.72	199,640.26
Educational surtax	113,456.95	117,457.99
Stamp duty	43,287.70	43,672.60
Total	315,584.37	360,770.85

5.18 General and administrative expenses

Item	Amount in the current period	Amount in the previous period
Employee compensation	9,124,529.21	7,517,611.46
Management support fees	2,409,066.67	2,763,290.56
Leases and property management fees	4,368,509.55	4,064,036.38
Long-term assets depreciation or amortization	614,024.85	853,076.60
Communication and information technology expenses	1,396,041.92	1,506,950.10
Travel expenses	468,502.65	1,097,012.71
Entertainment expenses	414,646.28	683,819.94
Office expenses	584,291.54	478,916.17
Intermediary fees	548,537.51	556,636.99
Recruitment expenses	25,471.70	298,982.12
Total	19,953,621.88	19,820,333.03

5.19 Financial expenses

Item	Amount in the current period	Amount in the previous period
Interest expenses		
Less: interest income	181,918.42	205,561.91
Profit or loss on foreign exchange	339,057.11	-9,106.58

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Item	Amount in the current period	Amount in the previous period
Others	5,853.08	6,095.80
Total	162,991.77	-208,572.69

5.20 Other income

Item	Amount in the current period	Amount in the previous period
Government grants		98,253.00
Additional deduction of input tax	303,061.86	268,772.82
Handling charges for withdrawal of individual income tax	92,234.26	403,037.69
Total	395,296.12	770,063.51

5.21 Non-operating revenue

Item	Amount in the current period	Amount in the previous period
Government grants	690,000.00	1,070,000.00
Total	690,000.00	1,070,000.00

5.22 Non-operating expenses

Item	Amount in the current period	Amount in the previous period
Losses from the damage and scrapping of non-current assets	8,948.17	1,711.20
Total	8,948.17	1,711.20

5.23 Income tax expenses

Item	Amount in the current period	Amount in the previous period
Current income tax expenses	2,285,309.50	
Deferred income tax expenses		
Total	2,285,309.50	

5.24 Supplementary information on the statement of cash flows

5.24.1 Supplementary information on the statement of cash flows

Supplementary information	Amount in the current period	Amount in the previous period
1. Net profit adjusted to cash flows from operating activities		
Net profit	7,507,567.90	-1,091,025.90
Plus: provision for impairment of assets		
Depreciation of fixed assets	327,187.02	509,650.67
Depletion of oil and gas assets		
Amortization of intangible assets	172,999.71	250,464.63
Amortization of long-term deferred expenses	113,838.12	92,961.30
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)		

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Supplementary information	Amount in the current period	Amount in the previous period
Losses from scrapping of fixed assets ("- for gains)	8,948.17	1,711.20
Losses from changes in fair value ("- for gains)		
Financial expenses ("- for gains)	-1.42	-0.47
Investment losses ("- for gains)		
Decreases in deferred income tax assets ("- for increases)		
Increases in deferred income tax liabilities ("- for decreases)		
Decreases in inventories ("- for increases)		
Decreases in operating receivables ("- for increases)	2,552,564.22	4,538,312.33
Increases in operating payables ("- for decreases)	-2,879,121.26	3,880,629.71
Others		
Net cash flows from operating activities	7,803,982.46	8,182,703.47
2. Significant investing and financing activities not involving cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents		
Ending balance of cash	17,998,445.63	15,240,416.98
Less: beginning balance of cash		
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents	15,240,416.98	12,411,178.64
Net increase in cash and cash equivalents	2,758,028.65	2,829,238.34

6 Related parties and related transactions

6.1 Parent company of the Company

Parent company	Place of registration	Shareholding ratio of the parent company in the Company (%)	Voting right ratio of the parent company in the Company (%)
SPARK44 (JV) LIMITED	AbbeyRoad,Whitley,Coventry CV3 4LF	100.00	100.00

6.2 Other related parties

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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 Automobile Sales Co., Ltd.	A related company of the parent company

6.3 Related transactions

6.3.1 Related transaction on purchase or sales of goods, and rendering or receipt of services

Table of purchase of goods/receipt of services

Related party	Content of related transactions	Amount in the current period	Amount in the previous period
Spark44 LTD	Receipt of services	2,409,066.68	2,844,897.00

Table of sales of goods/rendering of services

Related party	Content of related transactions	Amount in the current period	Amount in the previous period
Spark44 LTD	Rendering of services	939,571.20	2,297,384.64
Chery Jaguar Land Rover Automobile Sales Co., Ltd.	Rendering of services	37,836,140.75	25,987,820.70
Jaguar Land Rover (China) Investment Co., Ltd.	Rendering of services	60,799,372.35	67,720,609.74

6.4 Receivables from and payables to related parties

6.4.1 Receivables

Project name	Related party	Ending balance		Ending balance of last year	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable					
	Jaguar Land Rover (China) Investment Co., Ltd.	16,686,577.67		19,879,945.75	
	Chery Jaguar Land Rover Automobile Sales Co., Ltd.	9,772,695.40		8,276,924.91	
Other receivables					
	Spark44 Ltd	6,260,741.79		6,216,747.16	
	Spark44 Singapore	97,650.00		97,650.00	

6.4.2 Payables

Project name	Related party	Book balance at the end of the period	Book balance at the end of last year
Other payables			
	Spark44 JV	466,454.93	466,454.93
	Spark44 Ltd	12,768,259.30	12,988,444.96
	Spark44 Singapore	79,643.33	81,464.82

7 Commitments and contingencies

7.1 Significant commitments

As at March 31, 2021, the Company had no significant commitment required to be disclosed.

7.2 Contingencies

As at March 31, 2021, the Company had no significant contingencies required to be disclosed.

8 Post balance sheet events

As at April 30, 2021, the Company had no significant non-adjusting post balance sheet events required to be disclosed.

9 Notes to other significant events

As at March 31, 2021, the Company had no other significant events required to be disclosed.

Spark44 Shanghai Limited

(Official Seal)

April 30, 2021