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Fintech Chain Limited

ARBN 158 702 400

ASX PRELIMINARY FINAL REPORT
31 MARCH 2024

Lodged with the ASX under Listing Rule 4.3A

This preliminary final report covers the consolidated entity consisting of Fintech Chain Limited and its controlled entities. The financial statements are presented in Renminbi (RMB), the official currency of the People's Republic of China, unless otherwise stated.

The report is based on accounts which are in the process of being audited.

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FINTECH CHAIN LIMITED AND ITS CONTROLLED ENTITIES
YEAR ENDED 31 MARCH 2024

Details of the reporting period and the previous corresponding period

Reporting period: Year ended 31 MARCH 2024
Prior corresponding period: Year ended 31 MARCH 2023

Results for announcement to the market

Key information

	Year ended 31 MARCH 2024 RMB'000	Year ended 31 MARCH 2023 RMB'000	% change
Revenue from ordinary activities	45,088	58,383	-23%
Loss from ordinary activities after income tax expense attributable to members	(4,954)	(5,126)	3%
Net loss attributable to members	(4,545)	(4,692)	3%

Brief explanation of figures reported above to enable the figures to be understood

Key features of the result include:

- The Company generated revenue from ordinary activities of RMB44.3 million for FY2024, a decrease of 23% from the previous year reflecting the effects of the current economic circumstances surrounding a new SaaS regulatory policy implemented in China. Refer page 5 "Commentary on the operations and results" implemented in China. Revenue from SaaS cloud services, SaaS for hardware IoT and SaaS for rights/ interests/ points/ marketing/ promotion decreased from RMB25.8 million to RMB23.5 million, RMB30.8 million to RMB20.0 million and RMB0.8 million to RMB0.7 million respectively.

- Other income and net gains significantly decreased from RMB2.2 million to RMB1.3 million mainly as the result of a government grant of RMB1.2 million being the only material item this year.

- General and administrative expenses decreased from RMB15.8 million to RMB13.1 million compared to last year which resulted from strengthened expense controls implementation..

- Research and development expenses increased from RMB2.5 million to RMB5.0 million is due to the SaaS policy implemented in China during the year.

- Unrealised gains on changes of fair value of embedded derivatives of convertible bonds and finance costs decreased as a result of two convertible bonds maturing during the year.

- The Company generated net loss of RMB0.0070 per share, compared to RMB0.0072 per share in the previous financial year.

- No dividends have been paid nor any dividends proposed to the paid.

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Unaudited preliminary consolidated statement of profit or loss and other comprehensive income

Please refer to page 6

Unaudited preliminary consolidated statement of financial position

Please refer to page 7

Unaudited preliminary consolidated statement of changes in equity

Please refer to page 8

Unaudited preliminary consolidated statement of cash flows

Please refer to page 9

Additional dividend information

The Company did not declared any dividends during the year.

Dividend reinvestment plan

The Company has no dividend reinvestment plan.

Net tangible asset backing

Net tangible asset backing per ordinary share at:

31 March 2024 : RMB (1.82) cents
31 March 2023 : RMB (1.06) cents

Controlled entities acquired or disposed of

The Company didn't acquire or dispose of any entities in FY2024.

Details of associates

Name of entity	Ownership percentage
Shenzhen Intelligent Preferential Pay Company Limited* (深圳市智惠付信息技術有限公司)	32.5%
Shenzhen Dashouhou Information Technology Co., Ltd.* (深圳市大售后信息技术有限公司)	47.5%
TTG Fintech Services Limited	40%

* The English translation of the Company name is for reference only. The official name of the companies is in Chinese.

Other significant information

12,755,000 and 4,962,947 convertible bonds with principal amounts HKD15,000,000 and USD716,000 respectively matured without conversion on 28 April 2023 and 9 January 2024.

The Company repaid HKD15,000,000 for the redemption of 12,755,000 convertible bonds during the year ended 31 March 2024.

On 9 January 2024, the Company entered an one-year loan agreement with the previous bondholder for USD716,000 with 6%p.a..

Foreign entities

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards.

Commentary on the operations and results

About FTC

FTC's IP T-Linx™ is a SaaS platform (Software as a Service) equipped with Robotic Processing Automation.

In serving various payment scenarios under the umbrella of digital transformation, T-Linx™ SaaS connects various software and hardware, and serves banks, merchants, and consumers, in the form of cloud services in a compliant, safe, credible and user-friendly manner.

The T-Linx™ SaaS platform connects and serves four main types of platform partners to create upselling and cross-selling opportunities within various payment environments.

Four major interconnected services of T-Linx™ SaaS platform

1. SaaS cloud service
    (i) Payment SaaS infrastructure (IaaS, Infrastructure as a Service)
    (ii) Payment Digital Transformation SaaS service (merchant solutions/industry applications)
2. SaaS for rights/interests/points/marketing/promotion
3. SaaS for hardware IoT

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Commentary on the operations and results (Cont'd)

On October 13, 2021, the People's Bank of China released a notice "Strengthening the Management of Payment Acceptance Terminals and Related Businesses (Yinfa [2021] No. 259)", hereinafter referred to as the "Document No. 259".

Document No. 259 proposes a series of management requirements for acquiring institutions and clearing structures, based on three aspects: payment acceptance terminal business management, special merchant management, and acquiring business monitoring. The work on terminal transformation was required to be completed before December 14, 2023. If the terminal was not upgraded as required, it was required to be shut down.

Based on the total number of POS machines in China in recent years, the overall POS machine market shows a fluctuating trend of first rising and then falling.

From 2013 to 2018, the number of connected POS terminals in China increased by over a million each year, and the number of connected POS machines in China reached 34 million in 2018. In 2019, due to market saturation of COVID and strict policy control, the scale of connected merchants and POS machines in China's interbank payment system decreased, with the number of connected POS machines dropping to 30million. Afterwards, the wave of POS machine replacement has driven a counter trend growth from 2020 to 2021, which increased to 38 million in 2021. However, the weak market demand growth has led to a decrease in the market size of connected POS machines to 36 million in 2022.

From the ups and downs of the POS machine and SaaS services industry in recent years, demand from banks and enterprises for digitalised and automated operations continues to growth steadily, such process has been accelerated during and post COVID 19.

FTC concentrated manpower and resources on upgrading the T-Linx™ SaaS platform and the specialised processing platform to the bank customer to meet the requirements of Document No. 259. Therefore, the revenue from SaaS cloud service and SaaS for hardware IoT is decreased compared to last financial year.

Facing the continuous upgrading of the industries, FTC has also been committed to increasing research and development efforts and investment. The continuous upgrade and iteration of T-Linx™ can better provide more comprehensive services for our existing and potential customers, which will continue strengthen the connectivity between banks and enterprises in business cooperations and maintain FTC's market leading position.

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UNAUDITED PRELIMINARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024

	Notes	**2024** **RMB**	2023 RMB
Revenue	2	**45,087,590**	58,383,220
Cost of sales and services rendered		**(27,636,056)**	(31,425,809)
Gross profit		**17,451,534**	26,957,411
Other income and gains, net	4	**1,275,563**	2,224,114
Selling expenses		**(1,178,565)**	(1,041,445)
Reversal of impairment losses (impairment losses) under expected credit loss model, net		**(3,244,073)**	(411,382)
Research and development expenses		**(4,998,345)**	(2,531,961)
Loss on asset	9	**-**	(13,197,117)
General and administrative expenses		**(13,068,084)**	(15,751,202)
Unrealised gain on change of fair value of embedded derivatives of convertible bonds, net		**486,611**	303,287
Gain on modification of convertible bonds		**-**	107,059
Loss on deregistration of subsidiaries		**-**	(2)
Finance costs		**(1,679,112)**	(1,784,608)
Loss before tax		**(4,954,471)**	(5,125,846)
Income tax expense		**-**	-
Loss and total comprehensive expense for the year		**(4,954,471)**	(5,125,846)
Loss and total comprehensive expense for the year attributable to:			
Owners of the Company		**(4,545,115)**	(4,692,063)
Non-controlling interests		**(409,356)**	(433,783)
		(4,954,471)	(5,125,846)
Loss per share (RMB)			
Basic		**(0.0070)**	(0.0072)
Diluted		**(0.0070)**	(0.0072)

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UNAUDITED PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2024

	Notes	**2024** **RMB**	2023 RMB
NON-CURRENT ASSETS			
Plant and equipment		**827,005**	811,001
Intangible assets		**21,013**	36,773
Interest in associates	6	**-**	-
Right-of-use asset		**2,391,785**	96,050
		3,239,803	943,824
CURRENT ASSETS			
Inventories		**383,976**	627,596
Trade and other receivables		**16,501,243**	28,923,156
Cash and cash equivalents		**2,822,904**	1,608,321
		19,708,123	31,159,073
CURRENT LIABILITIES			
Trade and other payables		**12,848,244**	17,212,972
Contract liabilities		**2,629,195**	1,060,838
Convertible bonds		**-**	17,938,475
Bank borrowings		**10,000,000**	-
Other borrowings		**5,861,596**	2,734,521
Lease liabilities		**1,179,193**	33,545
		32,518,228	38,980,351
NET CURRENT LIABILITIES		**(12,810,105)**	(7,821,278)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(9,570,302)**	(6,877,454)
NON-CURRENT LIABILITIES			
Other borrowings		**880,000**	-
Lease liabilities		**1,381,623**	-
		2,261,623	-
NET LIABILITIES		**(11,831,925)**	(6,877,454)
CAPITAL AND RESERVES			
Share capital	8	**87,189,117**	87,189,117
Reserves		**(96,163,540)**	(91,618,425)
Equity attributable to owners of the Company		**(8,974,423)**	(4,429,308)
Non-controlling interests		**(2,857,502)**	(2,448,146)
TOTAL DEFICIT		**(11,831,925)**	(6,877,454)

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UNAUDITED PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2024

	Attributable to owners of the Company					
	Share capital RMB	Share option reserve RMB	Accumulated losses RMB	Sub-total RMB	Non-controlling interests RMB	Total deficit RMB
At 1 April 2022	87,189,117	2,690,573	(89,616,935)	262,755	(2,014,363)	(1,751,608)
Loss and total comprehensive expense for the year	-	-	(4,692,063)	(4,692,063)	(433,783)	(5,125,846)
Lapse of share options	-	(2,690,573)	2,690,573	–	–	–
At 31 March 2023	87,189,117	-	(91,618,425)	(4,429,308)	(2,448,146)	(6,877,454)
Loss and total comprehensive expense for the year	-	-	(4,545,115)	(4,545,115)	(409,356)	(4,954,471)
Lapse of share options	-	-	-	-	-	-
At 31 March 2024	**87,189,117**	**-**	**(96,163,540)**	**(8,974,423)**	**(2,857,502)**	**(11,831,925)**

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UNAUDITED PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2024

	2024 **RMB**	2023 RMB
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**8,294,010**	(4,276,166)
NET CASH USED IN INVESTING ACTIVITIES	**(169,705)**	(229,989)
NET CASH USED IN FINANCING ACTIVITIES	**(6,909,722)**	(2,894,160)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,214,583**	(7,400,315)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,608,321**	9,008,636
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**2,822,904**	1,608,321

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SELECTED NOTES TO THE UNAUDITED PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

1. GENERAL INFORMATION

FinTech Chain Limited (the "Company") is a limited liability company domiciled and incorporated in Hong Kong. The addresses of its registered office and principal place of business is Unit 1806, 18/F., Gala Place, 56 Dundas Street, Mongkok, Kowloon, Hong Kong.

The Company is an investment holding company and its shares are listed on Australian Securities Exchange. Its subsidiaries are principally engaged in interconnected services of T-Linx™ Software as a Service ("SaaS") platform including SaaS cloud service which includes provision of system development services and information technology services, SaaS for hardware internet of things ("IoT") which includes sale of point-of-sale machine and other hardware and SaaS for rights/interests/points/ marketing/promotion in the People's Republic of China (the "PRC"). At 31 March 2024, the directors of the Company (the "Directors") consider that the immediate and ultimate controlling party of the Company to be Mr. Xiong Qiang.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. REVENUE

Disaggregation of revenue from contracts with customers

	2024 **RMB**	2023 RMB
Types of goods and services		
SaaS cloud service	**23,477,949**	25,815,777
SaaS for hardware IoT	**20,047,695**	30,853,662
SaaS for rights/interests/points/marketing/promotion	**724,682**	817,857
Total	**44,250,326**	57,487,296
Timing of revenue recognition		
Over time	**1,908,884**	2,044,065
A point in time	**42,341,442**	55,443,231
Total	**44,250,326**	57,487,296
Geographical markets		
Mainland China	**44,250,326**	57,487,296

Set out below is the reconciliation of the revenue from contracts with customers with the amount disclosed in segment information:

	2024 **RMB**	2023 RMB
SaaS cloud service	**23,477,949**	25,815,777
SaaS for hardware IoT	**20,047,695**	30,853,662
SaaS for rights/interests/points/marketing/promotion	**724,682**	817,857
Revenue from contracts with customer	**44,250,326**	57,487,296
Leases of point-of-sale machines	**837,264**	895,924
Total revenue	**45,087,590**	58,383,220

3. SEGMENT INFORMATION

The Group manages its business by divisions which are organised from the services perspective.

Information reported to the board of directors of the Company (the "Board"), being the chief operating decision maker, for the purpose of resources allocation and performance assessment, the Group's operating activities are attributable to a single operating segment as the revenue are derived from interconnected services of T-Linx™ SaaS platform including SaaS cloud service, SaaS for hardware IoT and SaaS for rights/interests/points/marketing/promotion. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Geographical information

The Group's operations are located in the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations.

	Revenue from external customers	
	2024	2023
	RMB	RMB
PRC	**45,087,590**	58,383,220

Information about major customers

An analysis of revenue from customers contributing 10% or more of the Group's total revenue is as follows:

	2024	2023
	RMB	RMB
Customer A	**5,561,867**	11,269,021
Customer B	**4,880,751**	N/A[1]
Customer C	**N/A[1]**	6,532,150

[1]The corresponding revenue did not contributing over 10% of the total revenue of the Group.

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4. OTHER INCOME AND GAINS, NET

	2024 **RMB**	2023 RMB
Interest income on bank deposits	**26,086**	24,968
Sundry income (Note a)	**88,673**	691,923
Government grants (Note b)	**1,160,804**	1,486,817
Gain on disposals of plant and equipment	**-**	20,406
	1,275,563	2,224,114

Notes:

(a) During the year ended 31 March 2023, the Group obtained tax incentive of RMB677,627 from PRC tax authority.

(b) During the year ended 31 March 2024, the Group obtained grants of RMB1,160,804 (2023: RMB1,486,817) in aggregate from several government authorities in the PRC for the purpose of encouragement of development of new and high-tech industry and innovation industry.

There are no unfulfilled conditions or contingencies attached to these grants recognised in profit or loss.

5. DIVIDENDS

No dividends was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2024, nor have any dividend been proposed since the end of reporting period (2023: Nil).

6. INTERESTS IN ASSOCIATES

	2024 **RMB**	2023 RMB
Cost of investments	**4,811,752**	4,811,752
Share of post-acquisition losses and other comprehensive expense	**(4,811,752)**	(4,811,752)
Share of net assets	**-**	-

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6. INTERESTS IN ASSOCIATES - Continued

The particulars of all associates of the Group, which are unlisted corporate entities, are as follows:

Name of associate	Place of incorporation and type of legal entity	Principal activities and place of operation	Registered capital	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group	
				2024	2023	**2024**	2023
Shenzhen Intelligent Preferential Pay Company Limited* ("IPP") (深圳市智惠付信息技術有限公司) (Note)	PRC, limited liability company	Provision of e-commence, information technology consultancy services, electronic promotion services and electronic messaging information services	RMB2,000,000	**32.5%**	32.5%	**32.5%**	32.5%
Shenzhen Dashouhou Information Technology Co., Ltd.* (深圳市大售后信息技术有限公司)	PRC, limited liability company	Provision of e-commerce system development and information technology services	RMB1,000,000	**47.5%**	47.5%	**47.5%**	47.5%
TTG Fintech Services Limited	Hong Kong, limited liability company	Provision of e-commerce system development and information technology services	HK$1,000,000	**40%**	40%	**40%**	40%

* The English translation of the company name is for reference only. The official name of these companies is in Chinese.

Note: IPP operates in the PRC and is a strategic partner of the Group in developing the information technology services sector where IPP has an established customer base.

All of the associates of the Group are accounted for using the equity method in the consolidated financial statements.

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6. INTERESTS IN ASSOCIATES - Continued

Summarised financial information of material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs and HKFRSs.

IPP	**2024 RMB**	2023 RMB
Current assets	**85,066**	96,598
Current liabilities	**(6,457,558)**	(6,012,743)
Net liabilities	**(6,372,492)**	(5,916,145)
Revenue	**950,162**	345,984
(Loss)/Profit and total comprehensive income for the year	**(456,347)**	275,425
Dividends received from the associate during the year	**-**	-

Reconciled of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2024 RMB	2023 RMB
Net liabilities of IPP	**(6,372,492)**	(5,916,145)
Proportion of the Group's ownership interest in IPP	**32.5%**	32.5%
Carrying amount of the Group's interest in IPP	**-**	-

Aggregate information of associates that are not individually material

	2024 RMB	2023 RMB
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**-**	-
Aggregate amount of the Group's share of these associates Loss and total comprehensive expense for the year	**-**	-

	2024 RMB	2023 RMB
The unrecognised share of loss of associates for the year	**265,743**	27,805
Cumulative unrecognised share of loss of associates	**3,649,103**	3,383,360

The Group discontinued recognising its share of further losses which exceeds its interests in all associates.

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7. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place of establishment and business	Principal activities	Particulars of issued and paid up registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company			
				Directly 2024	**Indirectly 2024**	Directly 2023	Indirectly 2023	**Directly 2024**	**Indirectly 2024**	Directly 2023	Indirectly 2023
STIT* (深圳市淘淘谷信息技術有限公司)	PRC (Wholly foreign - owned enterprise)	Provision of system development and information technology services	Paid up registered capital of HK$62,000,000 (2023: HK$77,000,000) (Note(c)(i))	**100%**	**-**	100%	-	**100%**	**-**	100%	-
Shenzhen Tao-taogu E-commerce Co., Limited.* (深圳市淘淘谷電子商務有限公司) ("STEC")#	PRC (Domestic-funded)	Provision of E-commerce system development and information technology services	Paid up registered capital of RMB1,000,000 (2023: RMB1,000,000) (Note(c)(ii))	**-**	**- (Note (a))**	-	- (Note (a))	**-**	**- (Note (a))**	-	- (Note (a))
Shenzhen Tao-taogu Investment Co., Limited.* (深圳市淘淘谷投資有限公司) ("ST Investment")#	PRC (Domestic-funded)	Provision of investment management and consultancy services	Paid up registered capital of RMB1,000,000 (2023: RMB1,000,000)	**-**	**- (Note (b))**	-	- (Note (b))	**-**	**- (Note (b))**	-	- (Note (b))
Jiangxi Tao-taogu E-commerce Co., Limited* (江西淘淘谷電子商務有限公司) ("JTEC")#	PRC (Domestic-funded)	Investment holding	Paid up registered capital of RMB200,000 (2023: RMB200,000) (Note(c)(iii))	-	**92%**	-	92%	-	**92%**	-	92%
Jiangxi Kelaihui E-commerce Co., Limited* (江西客來惠信息技術有限公司) ("JKLH")#	PRC (Domestic-funded)	Sales of accessories of point-of-sales machine	Nil paid up registered capital (2023: Nil) (Note(c)(iv))	-	**92%**	-	92%	-	**92%**	-	92%

* English name is for identification purpose only

\# Wholly domestic - owned enterprise

7. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY - Continued

General information of subsidiaries - continued

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

Notes:

(a) On 2 July 2013, STIT, a wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with Mr. Xiong Qiang, a director and a shareholder of the Company and Ms. Ling Fang, the wife of Mr. Xiong Qiang to obtain control in STEC, a company established in the PRC. The Group does not hold any ownership interests in STEC. However, based on the terms of the Agreement under which STEC was acquired, the Group receives substantially all of the returns related to its operations and net assets and has the power to direct STEC's activities that most significantly affect these returns.

(b) The Group does not hold any ownership interests in ST Investment. However, based on the terms of agreement under which ST Investment was established, the Group receives substantially all of the returns related to its operations and net assets and has the power to direct ST Investment's activities that most significantly affect these returns.

(c) (i) As at 31 March 2024, the registered capital of STIT was HK$62,000,000 (2023: HK$90,000,000) of which HK$62,000,000 (2023: HK$77,000,000) was paid up.

(ii) As at 31 March 2024, the registered capital of STEC was RMB2,000,000 (2023: RMB2,000,000) of which RMB1,000,000 (2023: RMB1,000,000) was paid up.

(iii) As at 31 March 2024, the registered capital of JTEC was RMB2,000,000 (2023: RMB2,000,000) of which RMB200,000 (2023: RMB200,000) was paid up.

(iv) As at 31 March 2024, the registered capital of JKLH was RMB10,000,000 (2023: RMB10,000,000) of which RMB Nil (2023: RMB Nil) was paid up.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

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SELECTED NOTES TO THE UNAUDITED PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

8. SHARE CAPITAL

	Number of ordinary shares	HK$	RMB equivalent
Issued and fully paid:			
At 31 March 2023 and **31 March 2024**	**650,769,591**	**117,194,865**	**87,189,117**

9. LOSS ON ASSET

As disclosed in the Company's announcements dated 12 August 2022, the Company has recently discovered that the cashier of a subsidiary of the Company (the "Cashier"), is suspected to have misappropriated certain funds of the Group (the "Investigation"). The Company conducted a detailed review of its banking records to ascertain the extent of the misappropriation of the Group's funds by the Cashier. Based on such records obtained by the Company and its internal assessment, the Company believes that an aggregate amount of up to approximately RMB13,436,000 has been misappropriated by the Cashier.

On 12 August 2022, the Company had commenced criminal proceeding in the People's Court of Nanshan District of Shenzhen (the "Nanshan Court") a against the Cashier for the misappropriation of cash, On 31 December 2022, the Nanshan Court issued a criminal judgment on the lawsuit, ruling that the Cashier should compensate the Company for the loss of RMB13,197,117. On 31 December 2022the Nanshan Court issued a criminal judgment on the lawsuit, ruling that the Cashier should compensate the Company for the loss of RMB13,197,117 and in jail for 6 years.

On 23 September 2023, the Company commenced civil proceeding in the People's Court of Luo Hu District of Shenzhen (the "Luo Hu Court") against the spouse of the Cashier for assisting on money laundering amounting to RMB3,461,704. At 30 September 2023 and up to the date of the report, the civil proceeding are still in progress.

10. STATUS OF AUDIT REVIEW

The report is based on accounts which are in process of being audited or subject to review.

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